NSP College

Annual Report and Financial Statements

Year ended 31 July 2021

CONTENTS

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Daniel Pearson, Principal and CEO; and Accounting Officer
Steven Hendy, Chief Operating Officer
John Revill, Vice Principal Partnerships Funding & Business Planning
Clare White, Deputy Principal Student & Corporate Services
Jon Briggs, Assistant Principal Curriculum
Seval Fadil, Assistant Principal Curriculum

Members of Corporation

A full list of the members is given on pages 21-22 of these financial statements.

Sue Glover was Clerk to the Corporation throughout 2020/21.

Professional advisers

Financial statements auditors and reporting accountants:

Buzzacott LLP
130 Wood Street
London

Internal auditors:

Scrutton Bland
Fitzroy House
Crown Street
Ipswich

Barclays Bank Plc
Priory Place
Level 3
New London Road
Chelmsford

Solicitors:

Birketts EC3 Legal
106 Leadenhall Street
London

Bates Wells Braithwaite
10 Queen Street Place
London

Strategic Report

Objectives and Strategy

The members present their annual report and the audited financial statements for USP College for the year ended 31 July 2021.

Legal status

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

The Corporation was incorporated as South East Essex Sixth Form College. On 21 July 1995, the Secretary of State granted consent to the Corporation to change the College's name to Seevic College.

The College did not exercise its right to designate as a Sixth Form College in 2010 and now identifies itself as a General Further Education College.

On 1 August 2017 Seevic College merged with Palmers Sixth Form College. As part of this category B merger, the Seevic College name remained until April 2018 when the college rebranded as USP College (Unified Seevic Palmers College).On the 12 November 2018, the Secretary of State granted consent to the Corporation to change the College's name to Unified Seevic Palmers College (USP College).

On the 11 October 2018, USP College received formal notification that they had been successful with their application for the acquisition of ITEC Learning Technologies Ltd as a subsidiary of USP College. Following a successful expression of interest process and due diligence, USP College completed the acquisition of ITEC on 1st January 2019.

At a strategic level, USP College acquired ITEC with the understanding of the importance of developing a successful apprenticeship delivery model. Apprenticeships are core to the USP strategic plan, as a vehicle for supporting young people and adults into careers and to ensure that the training needs of local businesses are being supported. Following the year-end and the outcome of the Ofsted inspection of ITEC carried out in October 2021, the future plans for ITEC are under review. This follows an Ofsted grading of inadequate. A decision will be taken in early 2022 about the future of ITEC following consultation with the ESFA.

Strategic Plan and Mission

In 2018/19, the College adopted a strategic plan for the period 1 August 2018 to 31 July 2021 based on Career Focused Learning, property and financial plans. This plan still includes the College Pledge following post-merger and its key strategic aims, as follows:

College Pledge – *By 2025 we will train 15,000 young people with the skills to stand out against their competitors to gain aspirational and exciting careers*

Strategic Aim

1. Our students will be inspired towards ambitious careers through exciting continuous professional development giving them the edge to succeed
2. Our environment will inspire and stimulate excellence and provide the space to grow
3. Our people will be high performing self-motivated, accountable and creative in their thinking and actions
4. Our focused financial priorities will be targeted to enable the College to support progressive and ambitious change
5. Our College will pro-actively engage with people, places and thinking that stimulate progressive approaches to work

Strategic Report (continued)

In 2017/18, the College revised its key values and behaviours. The College actively encourages these as follows:

- Respect
- Accountability
- Resilience

COVID-19

The College continued to be well placed to support its students during the COVID-19 pandemic as it continues to advance with its strategy to develop digital technology. The College was able to provide online learning in an efficient manner and has continued to develop and invest in this area to ensure it can provide high standard education online in 2020/21. As the College continued to accelerate its digital strategy and subsequent investment, this added to the increased financial burden caused by the pandemic which has in turn prevented the College from strengthening its cash position to planned levels. The College continues to balance the necessary investment to deliver effective online learning whilst trying to ensure it remains financially solvent.

The pressures encountered financially as a result of COVID-19 are expected to continue as we invest in key services and ensure effective virus control measures.

The College invested heavily in the necessary PPE and safety measures, spending in excess of £120k in revenue expenditure and upwards of £250k in COVID-19 related capital expenditure. Despite these additional pressures on cash, the College continued to manage the payment of all suppliers.

Income was affected significantly during 2020/21 with losses in the region of £1m due to reductions to Apprenticeships, Higher Education and Commercial activities.

Public Benefit

USP College is an exempt charity under the Part 3 of the Charities Act 2011 and its principal regulator is the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on pages 21 and 22.

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 strategy, 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
- Links with Local Enterprise Partnerships (LEPs)

The delivery of other public benefits is covered throughout the Strategic Report.

Strategic Report (continued)

Implementation of strategic plan

In 2018/19 the College adopted a strategic plan for the period 1 August 2018 to 31 July 2021. This strategic plan included property and financial plans. During 2020/21, the Corporation continued to monitor the performance of the College against the original plan. The College's strategic objectives are to:

- Focus our resources on all that enhances our Academic, Professional and Technical routes
- Develop partnerships with employers and community organisations
- Increase the provision of outstanding teaching and learning
- Support our students to develop life and work skills with resilience and drive
- Develop a strong reputation for meeting local needs
- Develop new ways of working to maintain financial viability
- Promote a safe and inclusive professional environment
- Make an operating surplus to ensure the College is able to invest and remain financially strong

The College is on target for achieving these objectives.

The College's specific objectives for 2020/21 were:

- Student attendance, punctuality, retention, achievement and value added
- Teaching that embodies high expectations and focus on individual need
- Reputation - placing USP College back at the top of the list of local post-16 providers, with a strong Sixth Form
- Recruitment - maintaining healthy enrolment levels in the face of increasing competition and falling year 11 numbers
- Teamwork and morale - develop aspiring new leaders
- Business development - reducing our dependency on ESFA 16-18 funding by growing apprenticeships and higher education
- A Community College - grow our foundation learning provision

The College is on target to achieve these objectives with actual performance of specific targets highlighted under performance indicators below.

Financial objectives

The College's financial objectives are:

- to achieve an annual operating surplus (before exceptional items and pension adjustment)
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to generate sufficient levels of income to support the asset base of the College
- to further improve the College's short-term liquidity
- to fund continued capital investment

A series of performance indicators have been agreed to monitor the successful implementation of the policies with actual performance against key indicators stated below.

Strategic Report (continued)

Performance indicators

The College uses a number of KPIs internally as well as the measure assessed externally such as Financial Health and these are set out in the strategic plan. The targets and the College Group's performance in 2020/21 against them are set out in the following table:

Key performance indicators	Target	Actual for 20/21
Operating surplus/EBITDA as a % of income (Educ. Specific)	>5%	5.4%
Staff costs as a % of income (adjusted)	<65%	70.2%
Operating cash flow	£1,194k	£1,182k
Cash days in hand	>25 days	27 days
Borrowing as a % of income	<20%	20.6%
Current ratio	1.2:1	1.2:1
Reliance on ESFA income	<85%	63%
Financial Health Score	Good	Good

Other key performance indicators	Target	Actual for 20/21
Attendance	92%	87.7%
Punctuality	100%	98.4%
Retention	100%	92.7%
Value added ALPS Grade (1-9)	5	2
Achievement Rate	86%	89.2%

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College was assessed by the ESFA as having a "Requires improvement" financial health grading for 2020/21. However, the current rating has changed to 'Good' based on the operational result for the year.

The financial plan submitted to the ESFA for 2021/22 and beyond presents the financial forecast for the College. The underlying financial health score for 2021/22 is 'Good' and 'Outstanding' for 2022/23. This will be reviewed during the course of 2021/22 as part of the budget review planned in November 2021 and a further review planned for January 2022 as the College monitors its financial performance and the impact of COVID-19.

Strategic Report (continued)

Future Development and Performance

Financial results

The College Group generated a surplus in the year of £6,796k (2019/20: deficit £1,970k), with total comprehensive income of £10,323k (2019/20: deficit of £4,670k). The total comprehensive income in 2020/21 is stated after accounting for the re-measurement of the Defined Benefit pension scheme.

The financial position has improved significantly from the original budget that was approved by the Corporation. The main reasons for this are due to the inherited building on Canvey Island from Essex County Council (valued at £8m) and the allocation of non-government grant (£900k) spent against renovations to the said building.

The College's underlying operating position after exceptional items is summarised as follows:

	£,000
Total Comprehensive Income for the year	10,323
Less: Pension Re-measurement & Employer Contribution	(4,443)
Add: Pension Interest Cost & Current Service Cost	2,530
Sub-Total	**8,410**
Add: Exceptional Restructuring	26
Add: Pension Deficiency Contribution	146
Less: Profit ITEC Learning Technologies	(261)
Operating Surplus	**8,321**
Less: Donation of leasehold building	(8,000)
Less: Non-Government Grant	(900)
Underlying Operating Deficit	**(579)**

The College Group has accumulated income and expenditure reserves of £12,741k (2019/20: £2,324k) and cash and short-term investment balances of £1,507k (2019/20: £977k). The College strategy is to continue to accumulate reserves and cash balances in order to create a contingency fund and this is demonstrated through the College Financial Forecast Report.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. However, in 2020/21 the current rate of 63% of the College's total income has been distorted by the building valuation income following the acquisition of the XTEND Centre on Canvey Island. When the building valuation is excluded the funding body dependency becomes 86%.

Tangible fixed asset additions during the year totalled £2.5m with two major projects accounting for the majority of this investment. The XTEND Centre on Canvey Island totalled £1.2m and College Condition Funding for capital condition improvements totalled £1.1m. Other asset purchases totalled £200k. Assets under construction include an additional £350k of renovations to the XTEND Centre in readiness for the relocation of our subsidiary company (ITEC Learning Technologies Ltd) from their current site in Basildon.

During 2020/21, the College consolidated its loans into one loan totalling £4.363m. In addition, the College agreed a 12-month capital loan repayment holiday with its bank, and this has contributed to an improved cash position for 2020/21.

The College had one 100% owned subsidiary company in 2020/21, ITEC Learning Technologies Ltd. Their results are consolidated within this set of Financial Statements

COVID-19 impact

The financial position deteriorated significantly following COVID-19 with a reduction to income of circa £1.4m. The revised budget set post COVID-19 showed that the College funded income relating to Apprenticeships reduced by £257k with Higher Education income reducing by £703k. Other income from commercial activity identified losses of £151k from our catering service and losses of £291k from our Sports Centres and other college wide activity.

Strategic Report (continued)

Future Development and Performance - continued

Treasury policies and objectives

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

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Cash flows and liquidity

The cash position of the group is reported at £1.507k (2019/20: £977k), an increase of 530k. The College was able to manage its cashflow during the low funding periods between January and April due to ESFA funding received for condition improvements as this planned work was delayed due to COVID-19. The impact of COVID-19 did not help our financial position during 2020/21 as income declined forcing the College to take exceptional tight cash management measures. The position going into 2021/22 should ease as the College adopts measures to improve its cash position; however, the impact of COVID-19 may have a detrimental effect on the measures being taken.

The College does not have a bank overdraft in place currently, but discussions have taken place with its bank regarding the level of support that would be available should the need arise. Current forecasts show the College will be able to manage its cashflow effectively during 2020/21 but the bank have indicated financial support will be available if needed.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year, this margin was comfortably exceeded.

Reserves Policy

The College Group introduced a reserves policy in 2020/21 as it recognised the importance of reserves in the financial stability of any organisation to ensure that there are adequate reserves to support the College's core activities.

As at the balance sheet date, total reserves of the Group £17.000m (2020: £6.677m) were held which included Income and Expenditure reserves of £12.741m (2020: £2.324m) and Revaluation Reserves of £4.259m (2020: £4.353m).

The College Group set out in its Reserves Policy its approach to improving liquidity and the financial plan indicates an improving picture over the next three years. In-year budget reviews during 2021/22 will monitor this position to ensure the College Group has the necessary working capital to continue its day-to-day operations.

It is the Corporation's intention to increase reserves over the life of the strategic plan and beyond through the generation of annual operating surpluses. This has been reflected in the Reserves Policy for 2020/21.

Strategic Report (continued)

Future Development and Performance (continued)

Financial Health – continued

The financial health score for 2020/21 was confirmed by the EFSA as 'Requires Improvement' based on our financial plan, however the results for the year indicate a 'Good' score. The forecast score for 2021/22 being 'Good'. The financial health score is based on the submission made by USP College of its three-year financial plan. However, the end of year outcome has been reassessed and now shows the Colleges financial health as 'Good' based on the operational result for the year.

Impact of COVID-19

The pandemic has had a significant impact on the College finances as these financial statements show. 2021/22 will continue to be a challenging year due to the uncertainty surrounding the COVID-19 pandemic and as the College strives to improve its financial health and cash position. The budget review carried out in November 2021 demonstrates the challenges faced but also the actions the College has been able to take to ensure it reports a surplus for 2021/22. The proposed January 2022 budget review will allow the College to establish how likely it is to achieve its revised budget position but also ensure necessary action is taken should further mitigations be required.

Student numbers

In 2020/21, the College has delivered activity that has produced £17,389k in funding body main allocation funding (2019/20 – £16,341k). The College had 3,466 funded and nil non-funded 16-18 students.

In order to mitigate the risk to student recruitment, the College has introduced stronger progression routes to retain current students and has focused on building positive relationships with external organisations including local schools. In addition, the College continues to make improvements to both marketing and quality.

Student achievements

Students continue to prosper at the College with Achievement rates for 16-18 year olds over 7% points above National average rates.

Vocational students achieved between 0.65 and 0.68 (value added) grade higher than expected. Academic students achieved between 0.51 and 1.19 (value added) grade higher than expected. Overall value added for all levels was positive at 0.77 and a 0.56 increase on last year.

English and Maths achievements and pass rates were above the National average rates. Achievement gaps between groups of students is good and further diminished with positive and sustained destinations.

Curriculum developments

The College has undergone a curriculum enhancement review and all curriculum areas have mapped the industry specific and generic transferrable skills needed for relevant careers against all of the courses delivered and the future career options. From internship to degrees, all courses have a clear line of sight to employment and sit within the College's five key sector areas and revised career pathways. These career pathways are in line with the South Essex Local Enterprise Partnership priorities and the College's student destination data. Courses that the College has not delivered well historically have been cut.

The curriculum offer has been further reformed to ensure courses that we have not delivered successfully have been cut and all offers have a clear route to employment.

Strategic Report (continued)

Future Development and Performance (continued)

Curriculum developments (continued)

Our Academic Career Pathways promote A Levels which enable students to make informed decisions about their next step toward HE, Employment and Apprenticeships. Also, Level 3 Core Maths offer is available and can be taken as an addition to their 3 A Level subjects. Core maths helps to develop students' mathematical skills and thinking and supports courses such as Psychology, Sciences, Business, Geography as well as technical and vocational qualifications.

Further developments of College learning companies have seen a huge increase in students working on live briefs and this year, the majority of vocational students are achieving a significant proportion of their criteria by working on either externally set client projects or internal projects.

The College career focused learning strategy has seen the implementation of student continuous professional development days and feedback and quality monitoring has highlighted the specific, career related skills and knowledge the students have acquired.

The College has invested in five immersive learning rooms which use state of the art technology to allow teachers to deliver lessons to two groups simultaneously in different classrooms. This has allowed classes at each campus with low numbers to be taught rather than cut because of non-financial viability. This has also allowed more groups of students to access our best teachers. A small number of courses have also pre-recorded high quality content using a state-of-the-art content capture facility. Innovative timetabling has allowed these courses to merge groups together to access this high-quality lesson at the same time.

The College has heavily invested in state-of-the-art digital facilities at the new XTEND campus on Canvey Island. These facilities enhance the student learning experience and include a Discovery Suite, Immersive rooms, Volumetric Studio, Emerging Technologies Suite, Media Wall, Motion Capture Room and Enterprise Suite. These facilities have enhanced existing curricula in the Creative & Digital sector and allowed for the development of new curricula such as the UAL Level 3 Diploma in Digital Innovation & Virtual Reality and Level 3 Extended Diploma in E-Sports.

In 2021/22, the College will continue to focus on delivering its Strategic Plan that promotes Career Focused Learning and will include the implementation of student continuous professional development days to help guide our students to their career aspirations.

At USP College, our mission is to connect young people to great career pathways, through exciting work and learning opportunities. We have researched the job opportunities in the UK and have a good understanding of regional career options in Essex. We have combined this knowledge with our expertise in training, working with employers to shape professional education into the form of career pathways using the latest SELEP Skills Strategy.

Our Career Focused Learning philosophy centres around 5 career paths as follows, linked to our strategic aims:

- Creative & Digital
- Health, Care & Medical
- Early Years, Childcare & Education
- Financial & Professional Services
- Life & Sport Sciences

USP College is committed to maintaining a Career Portal, with our staff trained to support students find career information, investigate the skills required to be successful, work with employers and provide progression routes that include qualifications and university opportunities.

Strategic Report (continued)

Future Development and Performance (continued)

Curriculum developments (continued)

Our new career packages will focus on students acquiring the skills required to enter into a chosen career or industry. Career packages will be built on national and regional career opportunities in our region and across the UK. The key components and principles of our career packages include:

- An academic or professional (vocational) cluster of qualifications and skills designed with career as the start and end point of its design
- A direct route to higher study and employment with multiple entry points for students to follow, giving them clear progression towards career goals.
- All packages will be within our chosen sectors of specialism.
- All USP packages will be based specifically on aspirational careers or professions as opposed to jobs.
- USP career packages will be catering for professions requiring a range of professional and academic skills
- All USP students will engage in a substantial CPD programme designed to support one of our specialist sector areas and fully compliment qualification-based studies
- Boards of employers will validate our curriculum offer and support the College to deliver additional training for specific careers. They will also validate the skills
- Our immersive teaching spaces will be developed to provide a wide network of teachers from around the country who can deliver to USP students remotely
- 25 Vscene Live Streaming rooms

The College has formed a partnership with Career Colleges leading to the formation of the Career College in Digital Technologies and the Career College in Financial Services. This partnership will ensure that students in these particular sectors are fully prepared not just for a job but a long and prosperous career in their chosen sector. Career Colleges will support with providing high quality work experience opportunities, the implementation of Project Based Learning for all type and levels of qualification and an increase in the number of live briefs available within these specific sectors.

All curriculum provision includes the opportunity for English and Maths development through the College's "M&E strategy" and opportunities for Work Experience and Placements through a dedicated support team. Further enhancement to the student journey is the innovation of the College Learning Companies (e.g. Live Creative) that provides rich and meaningful client briefs for local and national businesses.

It is imperative to note that all students have access to this curriculum offer at USP College for this academic 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. During the accounting period 1 August 2020 to 31 July 2021, the College paid 85% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Strategic Report (continued)

Future Developments and Performance (continued)

Group companies

The College has two subsidiary companies. The first of these being ITEC Learning Technologies Ltd (ITEC) which was acquired in January 2019. The principal activity of ITEC is the provision of delivering apprenticeship. This supports the USP strategic plan, in particular regarding meeting the needs of employers and supporting local people through progression routes into apprenticeships and employment. However, the future plans of ITEC are currently under review for reasons stated on page 20. Any surpluses generated by the subsidiary is transferred to the College under deed of covenant.

During 2020/21 the College set up a second subsidiary company called XTEND Digital Ltd. This company has been set up for commercial purposes but is currently dormant whilst business planning is finalised.

COVID-19 impact

The commercial activities along with the achievement of targeted Apprenticeship's growth for ITEC have been adversely impacted by COVID-19 with income levels reducing by circa £257k. Some mitigating action was taken to reduce costs, but this was made difficult by additional costs incurred to implement virus protection measures. The Corporation therefore took the decision to waive the USP College service charge for 2020/21 and to write off amounts owed to the parent company.

Future prospects

The College continues to drive its strategic plan ensuring balanced investment in key areas whilst maintaining its financial sustainability. In 2018/19 the College was successful with its bid for SELEP funding to build a new Digital Technology Centre at its Seevic Campus. The project value was £1.8m with a 50:50 match funding. However, as the cash position of the College declined over the following 18 months, in part due to COVID-19, this project became unaffordable. At the same time Essex County Council contacted the College to offer premises available on Canvey Island. This was a relatively new building and was ideal for the College to create its Digital Technology Centre and allow it to relocate its Supported Internship Provision

Through negotiations with SELEP the College was able to redistribute its previously approved funding of £900k to this new project with a reduced level of College match funding (£350k). Work commenced in September 2020 with building works completed in July 2021 after an initial delayed caused by COVID-19. The building became operational from August 2021.

Following the government announcement that £200m would be invested into college condition improvements, the College received £800k. These funds were assigned to key college condition improvements that were subsequently approved by the ESFA. Initial plans were for this work to be completed by March 2021 but due to the COVID-19 pandemic this date was revised to September 2021. The work undertaken included improvements identified as part of the ESFA condition surveys and those identified by the College through its own surveys or property strategy.

Further investment will take place as part of the College funded capital programme for 2021/22 to enhance current online learning and immersive technology identified as a direct result of COVID-19. This investment will ensure efficient, uninterrupted online learning for our students during the COVID-19 pandemic.

Student recruitment for 2021/22 went well with the funding allocation being met. Through lagged funding the College expects the funding position for 2022/23 to be in line with 2021/22.

Strategic Report (continued)

Future Developments and Performance (continued)

Future prospects (continued)

The impact of COVID-19 has meant the proposed land sale at the Seevic Campus was delayed. This recommenced during 2020/21 with a public consultation taking place on the local plan for Castlepoint Council. The outcome of this consultation will be announced in December 2021. The College has identified a development partner who will support the College through the sale process and master planning with the local Castlepoint Council.

College Financial Forecast Report

The College governors approved the College Financial Forecast in July 2021 which sets objectives for the period to 31 July 2022. The College aims to achieve a financial health rating of 'Good' but recognises the challenges faced due to the COVID-19 pandemic. The current forecast surplus for the year to 31 July 2022 is deemed reasonable in the current climate and, indications are that good financial health will be achieved. The plan shows that the College expects to increase its surplus further in 2022/23 as its student numbers improve and growth plans are implemented.

Higher Education has become a significant part of the College finances due to current growth plans: this highlights the importance of tight monitoring and control which the College will focus on during 2020/21.

The College is prioritising improving its cash position over the coming years and this may dictate the level of future capital investment. However, the College will look to take advantage of further capital funding that is made available by the ESFA.

A budget review took place in November 2021 to establish whether the College Group is on track to deliver if financial plan. Appropriate measures will be put in place to ensure a surplus budget is reported and a new financial plan and cash flow forecast was presented to the Corporation for approval in December 2021.

The College will target, as a result of efficiency measures, to increase its contribution and reduce its dependency on the funding bodies.

Resources

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

Tangible resources include principal College Campuses for:

- Seevic Campus, Benfleet – freehold
- Palmers Campus, Grays – long leasehold on the Buildings only
- ITEC Premises, Canvey Island – long leasehold on the Buildings only
- XTEND Centre, Canvey Island – long leasehold on the Buildings only

Strategic Report (continued)

Financial

The College Group has £17.000m of net assets (including £11.713m pension liability) and long-term debt of £4.363m. Tangible resources include the three College Campuses in Benfleet, Grays and Canvey Island.

People

The College employs 491 people, as at 31 July 2021, of whom 196 are teaching staff.

Reputation

The College has a good reputation locally and nationally but seeks to make further improvements at all of its Campuses to match its goal of being an outstanding College. Maintaining a quality brand is essential for the College's success at attracting students and external relationships and this will be aided as the College promotes its strategic plan linked to Career Focused Learning.

Principal Risks and Uncertainties

The College has developed strategies for managing risk that now embed risk management in all that it does. Risk management software and processes have been implemented to protect College assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls are explained in the Statement on Corporate Governance.

The ability of the College to undertake further work and training during the year to enhance its risk processes has been hampered by the COVID-19 pandemic. Future development is planned, as COVID-19 restrictions reduce, to further embed the system of internal control, including financial, operational and risk management designed to protect the College's assets and reputation. During 2020/21, effective departmental risks was reported alongside the core College headline risks. Departmental risks will continue to be reviewed and updated on a quarterly basis with an annual risk report presented to the Risk and Audit Committee.

Based on the strategic plan, management undertake 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. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, management will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Risk and 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.

Following the COVID-19 pandemic the College implemented an additional COVID-19 risk register which identified the key risks the college faced following the outbreak of this virus. Particular focus was given to the health and safety of our students and staff as well as the financial implications caused by this pandemic.

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

Outlined below is a description of the principal risk factors that may affect the College and these include additional risks relating to COVID-19. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

- Risk that student recruitment targets are not achieved for classroom-based delivery & Higher Education
- The College is unable to secure necessary funds to deliver its property strategy
- Governance arrangements are not clearly defined
- College unable to attract/retain Governors with appropriate skills
- Insufficient levels of funding effecting the going concern status of the College
- Risk that student recruitment targets are not achieved for Apprenticeships
- Risk of breaching bank loan covenants effecting the going concern status of the College
- Inadequate systems and procedures relating to Health & Safety
- Inadequate safeguarding / prevent awareness policies and procedures
- Risk that subsidiary company is unable to operate as a going concern
- The College is unable to react in a focused timely manner to unforeseen Business Interruption (Disasters, Cyber Attack etc)
- The College is unable to secure necessary funds to deliver its property strategy which will ensure both campuses are developed so they are fit for purpose and meet the strategic objectives

COVID-19 Risks

- financial risk following further lockdowns – including reduced recruitment, low Apprenticeships recruitment, reduced Higher Education recruitment and reductions to other commercial activity
- inability to report forecast surplus due to financial impact of the virus resulting in an adverse impact on the College cash position putting the College at risk of intervention or insolvency
- ineffective virus measures resulting in College closure due to high number of infections
- reputational risk caused by inadequate virus measures and management response to the pandemic
- insufficient financial support by the ESFA and Government to support colleges through the pandemic.

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2020/21, the current rate of 63% of the College's total income has been distorted by the building valuation income following the acquisition of the XTEND Centre on Canvey Island. When the building valuation is excluded the funding body dependency becomes 86% but this level of requirement is expected to reduce over the next three years. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding

- Possible reduction to Higher Education funding following poor partner performance and recruitment

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

- Apprenticeships reforms and recruitment
- Devolution of the adult education budget
- Apprenticeships Levy effect on the marketplace
- The recruitment and retaining of key staff who can innovate and support key College areas, including English and Maths

This risk is mitigated in a number of ways:

- Update of the new College Strategic Plan linked to Career Focused Learning
- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Regular dialogue with funding bodies
- Ensure additional funding opportunities are taken
- Detailed monitoring of curriculum delivery, including strong self-assessment, key management training and robust lesson observations
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Income diversity and focused grant funding
- Positive change to the local area demographic
- Collaboration with other partner Colleges and working closely with other external partners
- Growing commercial opportunities and Apprenticeships through our new subsidiary company

2 Tuition Fee Policy

Ministers have confirmed that the fee assumptions remain at 50%. In line with the majority of other colleges, USP College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

3 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.

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

4 Failure to maintain the financial viability of the College

The College's current financial health grade is classified as 'Good' as described above. This is largely the consequence of COVID-19 causing reduced earnings before interest, tax depreciation and amortisation and reporting net deficit after excluding pension liability adjustments and the acquisition of Palmers College. Notwithstanding that, the continuing challenge of COVID-19 on the College's financial position remains the main constraint currently on further education.

This risk is mitigated in a number of ways:

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies and improved finance systems
- Finance & Resources Committee task and finish group
- SMT finance focused meetings

5 Impact of COVID-19 Risk

The impact of COVID-19 on the College during 2020/21 has been evidenced in this report. The pandemic is highly likely to impact the College Group further during 2021/22 and this will put immense strain on the Colleges ability to achieve a surplus. The key focus will be to protect the cash position of the College Group and to implement measures that will ensure this is achieved. Key to this is continued support and dialogue with our bank as well as the ESFA.

Despite the positive recruitment of students in 2021/22 the challenges faced by further education is evident without targeted financial support by government agencies.

Stakeholder Relationships

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

- Students;
- Staff;
- Governors
- Education sector funding bodies
- FE Commissioner
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE 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.

Strategic Report (continued)

Equality and Diversity

Equality

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

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues.

The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

Disability statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2008/09 and the results of this formed the basis of funding capital projects aimed at improving access.

b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.

c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.

d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

f) Specialist programmes are described in College prospectuses and achievements and destinations are recorded and published in the standard College format.

g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Strategic Report (continued)

Going Concern

The College Group financial position for 2020/21 reports a surplus before interest, tax and depreciation of £9,080k, and a surplus before exceptional items of £6,796k. The operating deficit detailed on page 7 of £579K presents the College financial position after excluding the donation of leasehold buildings and non-government capital grant.

The Group is reporting total net current assets of £136k and for 2021/22 indications are the Group will report improving net assets as it strengthens its financial position. Cash held at the end of the financial year was reasonable at £1,507k with our bank loan totalling £4,363k.

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

The Corporation recognises the uncertain times further education is facing currently due to the ongoing COVID-19 pandemic and has implemented tight controls to ensure financial performance is monitored effectively, including the introduction of the Finance Executive Group. This group includes the Corporation Chairman and the Finance and Resources Committee Chairman, along with the Principal & Chief Executive and the Chief Operating Officer. This group provides additional financial oversight and can recommend urgent approval of key financial matters outside scheduled committee meetings.

Although the cashflow position is tight at certain points in the year, the current two-year cashflow forecasts shows an improving cash position. Through the recent turbulent times our bank has remained supportive towards the College Group with discussions ongoing regarding additional financial support for match funding, should the need arise, as we bid for capital transformation funding for a new Medical & Sports Sciences Building at our Seevic Campus (project value £2.4m of which £1.1m is match funding).

The College has confirmed with its bank that for 2020/21 it has not breached its current bank loan covenants. With the refinancing of its loans during 2020/21, the bank issued new bank loan covenants for 2020/21 and beyond. These covenants are tracked within the monthly management accounts and are reviewed regularly by the bank as part of their oversight procedures. Based on current forecasts for 2021/22 and 2022/23, the College anticipates meeting its loan covenants.

The impact of COVID-19 has been reflected within this report and the Corporation are fully aware of the financial challenges faced until the pandemic is brought under control. The Corporation instructed the College to carry out a budget review in November 2021 and January 2022 as they see these reviews as crucial to providing the level of assurance needed to demonstrate to the Corporation that the College can continue to operate. Following the budget review in November 2021 the College Group is forecasting a surplus before interest, tax and depreciation of £2,188k and a reasonable surplus before exceptional items of £208k. Based on these forecasts, cash is expected to be £1,750k at 31 July 2022 with further improvement made in 2022/23 (between £2.3m & £2.9m subject to capital investment).

Financial Health for 2020/21 has improved to ‘Good’ and this is expected to continue into 2021/22.

The College is waiting to hear if it has been successful with its Stage 2 Capital Transformation Fund bid (£1.3m) submitted to the ESFA in October 2021. In addition, the College is awaiting the outcome of the public consultation on the adoption of the Castlepoint Council Local Plan. If approved the College will progress with the sale of some surplus land at its Seevic Campus which could generate a substantial sum.

Strategic Report (continued)

Events after the reporting period

Events after the reporting period include the following:

In November 2021 USP College was inspected by Ofsted. The College was previously ungraded following the merger in 2017. The outcome of this inspection resulted in an overall grading of ‘Good’.

ITEC Learning Technologies Ltd (ITEC)

In October 2021 the College subsidiary company ITEC Learning Technologies Ltd received an Ofsted inspection. The outcome of this inspection resulted in ITEC being graded as inadequate.

As a result, ITEC will not be able to recruit or deliver to new Apprentices. ITEC will continue to see out the remaining delivery to its current students, but once these apprentices complete, ITEC will cease trading in 2023.

Capital Transformation Fund

In October 2021 the College submitted a detailed stage 2 Capital Transformation Fund bid to the Department for Education. This bid was for a new Medical & Sports Sciences building at the Seevic Campus in Benfleet.

This was a match funded bid with the project expected to cost £2.4m of which £1.1m will be match funded by the College. The outcome of this bid is not yet known but current plans indicate that the College will fund the match element from its cash reserves. The project is expected to be completed by August 2023.

Disclosure of information to auditor

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College’s auditor is 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 auditor is aware of that information.

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:

Gordon Haines

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 1 August 2020 to 31 July 2021 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in full accordance with the guidance to Colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”)

In the opinion of the Governors, the College complies with all the provisions of the Code and it has complied throughout the year ended 31 July 2021. This opinion is based on an internal review of compliance with the Code and reported to the board on 13 July 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which Seevic College formally adopted in December 2015. USP College, as the now merged College of Seevic College and Palmer’s College, agreed to continue adopting the Code.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission’s guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

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

	Date of Appointment	Term of office ends	Date of resignation	Status of appointment	Committees served	Attendance
Phillip Lennon	28/01/2016 Reappointed 30/01/2018 25/09/2018 13/7/2021	27/01/2018 30/01/2019 31/01/2022 31/01/2024		Ordinary Member	Finance and Resources (Chair) Remuneration (Chair) Corporation	10 out of 10
Daniel Pearson	01/05/2016			Principal	Corporation Search and Governance Finance and Resources Quality	16 out of 17
Gordon Haines	07/11/2017	31/12/2021		Ordinary Member	Chair of Corporation Search and Governance (Chair) Remuneration Finance and	16 out of 16
Roger Key	01/08/2017 Reappointed 16/07/2019	01/08/2019 31/07/2023		Ordinary Member	Corporation Risk and Audit Remuneration	4 out of 10 1 out of 4

	Date of Appointment	Term of office ends	Date of resignation	Status of appointment	Committees served	Attendance
Ian Hockey	18/12/2018	31/12/2022		Ordinary Member	Corporation Quality (Chair)	7 out of 8
Ralph Henderson	18/12/2018	31/12/2022	31/10/2021	Ordinary Member	Corporation Quality Finance and Resources	7 out of 12
Andy Williams	01/10/2019	30/09/2023		Ordinary Member	Corporation Risk and Audit	7 out of 8 4 out of 4
Jacob Smith	01/10/2019	30/09/2023		Ordinary Member	Corporation Risk and Audit	8 out of 8 4 out of 4
John Baker	01/10/2019	30/09/2023	31/03/2021	Ordinary Member	Corporation Finance and Resources	3 out of 6
Vikki Liogier	24/03/2020	31/03/2024		Ordinary Member	Corporation Quality	8 out of 8
Malcolm Bell	29/09/2020	30/04/2022		Ordinary Member	Corporation Search and Governance Risk and Audit (Chair)	14 out of 14 4 out of 4
Sean Cotter	15/12/2020	31/12/2024	31/10/2021	Ordinary Member	Finance and Resources	5 out of 5
Nicola Curtis	15/12/2020	31/12/2024		Ordinary Member	Quality	5 out of 5
Tony Wenden	13/07/2021	31/07/2025		Ordinary Member	Risk and Audit	1 out of 1
Julie Snelling	17/07/2018	31/07/2022		Staff Member	Corporation Quality	7 out of 8
David O'Donovan	26/03/2019	31/07/2023		Staff Member	Corporation Quality	7 out of 8
Cameron Root	01/08/2020	31/07/2021		Student Member	Corporation Quality	8 out of 8
Success Popoola	29/09/2020	31/07/2021		Student Member	Corporation Quality	5 out of 6
Nicole Dragos	01/08/2021	31/07/2022		Student Member	Corporation Quality	N/A
Mils Balcombe	01/08/2021	31/07/2022		Student Member	Corporation Quality	

Sue Glover was Clerk to the Corporation throughout 2020/21.

Statement of Corporate Governance and Internal Control (continued)

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 met each term during 2020/21. The Corporation continued to meet despite COVID-19 and arrangements were put in place for all meetings to be held virtually.

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 Risk and Audit, Quality, Finance and Resources, Search and Governance and Remuneration.

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

USP College
Runnymede Chase
Benfleet
Essex
SS7 1TW

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 Corporation 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 Corporation 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 Chairman 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 and Governance Committee, consisting of three 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.

Corporation performance

The Governing Body plays a key role in challenging the senior management to ensure that the College aims are achieved. The Governors are particularly focused on a holistic approach to Governance and

Statement of Corporate Governance and Internal Control (continued)

timely and accurate reporting ensures that Governors are able to challenge effectively. Through this approach, the Corporation has been able to take assurance that governance was robust and appropriately structured to support delivery of the strategic plan and continued improvements to the College.

The Corporation reviewed its performance for 2020/21 in September as part of the annual self-assessment review. Individual members of the Corporation have 1 to 1 meetings with the Chair during the autumn term.

Remuneration Committee

Throughout the year ending 31 July 2021 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other key management personnel.

The College endeavours to conduct its business in full accordance with the guidance to Colleges from the Association of Colleges Senior Staff Remuneration Code. This code was adopted by the Corporation in July 2021. The annual statement relating to the remuneration of Senior Post Holders can be found on the College website.

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

Risk and Audit Committee

The Risk and Audit Committee comprises four members of the corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan and report their findings to management and the Risk and 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 Risk and Audit Committee also advises the Corporation on the appointment of internal auditors, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies,

Statement of Corporate Governance and Internal Control (continued)

aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between USP 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 USP College for the year ended 31 July 2021 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 2021 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 Corporation
- regular reviews by the Corporation 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.

USP College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed and annual internal audit plans are based on this analysis.

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Risk and Audit Committee.

At least annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement of Corporate Governance and Internal Control (continued)

Statement from the audit committee

The Risk and Audit Committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place. The Risk and Audit Committee believes the Corporation has effective internal controls in place.

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

- Governance
- I.T. infrastructure

Due to the COVID-19 pandemic and continued lockdown the decision was taken to defer internal audits planned for 2020/21 until 2021/22. The deferred internal audits were as follows:

- Apprenticeships
- Learner Recruitment
- Strategic Planning
- Business Continuity
- Quality Assurance
- Risk Management
- Key Financial Controls

Review of effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Risk and 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 Risk and Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Risk and Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

Statement of Corporate Governance and Internal Control (continued)

Statement from the audit committee (continued)

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 Risk and Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Corporation will carry out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2021.

Based on the advice of the Risk and 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*".

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future; details supporting this going concern assessment are shown on page 19 of this report. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:

Gordon Haines
Chair

Daniel Pearson
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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

Daniel Pearson
Accounting Officer

14 December 2021

Gordon Haines
Chair of Governors

14 December 2021

Statement of Responsibilities of the Members of the Corporation

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

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the Corporation of the College to prepare financial statements and the Operating and Financial Review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and which give a true and fair view of the state of affairs of the College and of the College's 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:

Gordon Haines
Chair

Independent auditor's report to the Corporation of USP College

Opinion

We have audited the financial statements of USP College (the 'College) and its subsidiary (together "the Group") for the year ended 31 July 2021 which comprise the Group statement of comprehensive income, the Group statement of changes in reserves, the Group and College balance sheets, the Group statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2021 and of its surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- In all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members of the Corporation with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the Corporation of USP College (continued)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members of the Corporation are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

We have nothing to report to you in respect of the following matter, in relation to which the Office for Students requires us to report to you, if in our opinion:

- The College's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated.

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of members of the Corporation, the members of the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 Group and College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members of the Corporation either intend to liquidate the Group and the College or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the Corporation of USP College (continued)

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.

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group and the College through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the College, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group and the College's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

Independent auditor's report to the Corporation of USP College (continued)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with HMRC and the College's legal advisors (although none was noted as being received by the College).

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members of the Corporation and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Buzzacott LLP

For and on behalf of Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 20 December 2021

Independent reporting accountant's assurance report on regularity

To: The corporation of USP College and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by USP College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of USP College and the reporting accountant

The corporation of USP College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them. Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

Reporting accountant's assurance report on regularity (continued)

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Date: 20 December 2021

Unified Seevic Palmers College
Consolidated Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group £'000	**College £'000**	**Group £'000**	**College £'000**
Income					
Funding body grants	2	18,638	17,971	17,807	17,016
Tuition fees and education contracts	3	2,587	2,495	3,038	3,029
Other grants and contracts	4	1,106	1,091	182	182
Other income	5	593	535	940	872
Donations and Endowments	6	8,000	8,000	-	-
Total income		**30,924**	**30,092**	**21,967**	**21,099**
Expenditure					
Staff costs	7	16,602	15,975	15,733	15,121
Other operating expenses	8	5,245	4,992	5,959	5,705
Depreciation	10	1,973	1,965	1,914	1,913
Interest and other finance costs	9	308	625	331	331
Total expenditure		**24,128**	**23,557**	**23,937**	**23,070**
Surplus / (deficit) before other exceptional items		**6,796**	**6,535**	**(1,970)**	**(1,971)**
Actuarial gain / (loss) in respect of pensions schemes	18	3,527	3,527	(2,700)	(2,700)
Total Comprehensive Income for the year		**10,323**	**10,062**	**(4,670)**	**(4,671)**
Represented by:					
Restricted comprehensive income		900	900	-	-
Unrestricted comprehensive income		9,423	9,162	(4,670)	(4,671)
		10,323	**10,062**	**(4,670)**	**(4,671)**

All items of income and expenditure relate to continuing activities.

Unified Seevic Palmers College
Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1 August 2019	**6,900**	**4,447**	**11,347**
Deficit from the income and expenditure account	(1,970)	-	(1,970)
Other comprehensive income	(2,700)	-	(2,700)
Transfers between revaluation and income and expenditure reserves	94	(94)	-
Total comprehensive income	(4,576)	(94)	(4,670)
Balance at 31 July 2020	**2,324**	**4,353**	**6,677**
Surplus from the income and expenditure account	6,796	-	6,796
Other comprehensive income	3,527	-	3,527
Transfers between revaluation and income and expenditure reserves	94	(94)	-
Total comprehensive income	10,417	(94)	10,323
Balance at 31 July 2021	**12,741**	**4,259**	**17,000**
College			
Balance at 1 August 2019	**6,910**	**4,447**	**11,357**
Deficit from the income and expenditure account	(1,971)	-	(1,971)
Other comprehensive income	(2,700)	-	(2,700)
Transfers between revaluation and income and expenditure reserves	94	(94)	-
Total comprehensive income	(4,577)	(94)	(4,671)
Balance at 31 July 2020	**2,333**	**4,353**	**6,686**
Surplus from the income and expenditure account	6,535	-	6,535
Other comprehensive income	3,527	-	3,527
Transfers between revaluation and income and expenditure reserves	94	(94)	-
Total comprehensive income	10,156	(94)	10,062
Balance at 31 July 2021	**12,489**	**4,259**	**16,748**

Unified Seevic Palmers College
Balance Sheets as at 31 July

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Non-current assets					
Tangible Fixed assets	10	38,954	38,946	30,775	30,759
		38,954	**38,946**	**30,775**	**30,759**
Current assets					
Stocks		3	3	5	5
Trade and other receivables	11	1,503	1,193	1,203	1,152
Cash and cash equivalents	15	1,507	1,491	977	976
		3,013	**2,687**	**2,185**	**2,133**
Creditors – amounts falling due within one year	12	(2,877)	(2,795)	(2,594)	(2,517)
Net current assets		**136**	**(108)**	**(409)**	**(384)**
Total assets less current liabilities		**39,090**	**38,838**	**30,366**	**30,375**
Creditors – amounts falling due after more than one year	13	(10,377)	(10,377)	(10,063)	(10,063)
Provisions					
Defined benefit obligations	18	(11,713)	(11,713)	(13,626)	(13,626)
Total net assets		**17,000**	**16,748**	**6,677**	**6,686**
Unrestricted Reserves					
Income and expenditure account					
- Restricted		900	900	-	-
- Unrestricted		11,841	11,589	2,324	2,333
		12,741	12,489	2,324	2,333
Revaluation reserve		4,259	4,259	4,353	4,353
Total unrestricted reserves		**17,000**	**16,748**	**6,677**	**6,686**

The financial statements on pages 36 to 59 were approved and authorised for issue by the Corporation on 14 December 2021 and were signed on its behalf on that date by:

Gordon Haines
Chair

Daniel Pearson
Accounting Officer

Unified Seevic Palmers College
Consolidated Statement of Cash Flows

	Notes	2021	2020
		£'000	£'000
Cash flow from operating activities			
Surplus / (Deficit) for the year		10,323	(4,670)
Adjustment for non-cash items			
Non Government grant		(900)	-
Depreciation		1,973	1,914
Increase in stocks		(2)	(1)
Increase in debtors		(301)	(3)
Increase / (decrease) in creditors due within one year		282	(100)
Increase / (decrease in creditors due after one year		313	(599)
(Decrease) / increase in provisions		(2,618)	3,767
Adjustment for investing or financing activities			
Donation of Land & Buildings		(8,000)	-
Interest payable		112	114
Net cash flow from operating activities		1,182	422
Cash flows from investing activities			
Payments made to acquire fixed assets		(2,142)	(547)
		(2,142)	(547)
Cash flows from financing activities			
Capital funding received		1,605	-
Interest paid		(112)	(114)
Proceeds of new borrowings		21	-
Repayments of amounts borrowed		-	(436)
Capital element of finance lease rental payments		(24)	(11)
		1,490	(561)
Increase / (decrease) in cash and cash equivalents in the year		**530**	**(686)**
Cash and cash equivalents at beginning of the year	15	977	1,663
Cash and cash equivalents at end of the year	15	1,507	977

Unified Seevic Palmers College

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020 to 2021 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, ITEC Learning Technologies Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation.

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 on p3.

The financial position of the Group, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The Group had £4.363m of loans outstanding with bankers on terms renegotiated in 2021 secured by a floating charge on the College estate. The College’s forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. The bank has confirmed that the current financial forecasts show a bank overdraft facility is not required but have agreed to review this should the need arise in the future.

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future, details supporting this assessment are shown on page 19 of this report. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Notes to the Accounts (continued)

Recognition of income

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

The recurrent grant from the Office for Students (OfS) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income and Expenditure.

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

Grants (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.

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

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

Investment Income
All income from short-term deposits is credited to the Statement of Comprehensive Income and Expenditure in the period in which it is earned on a receivable basis.

Agency arrangements
The College acts as an agent in the collection and payment of certain discretionary support funds. 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 transactions.

Notes to the Accounts (continued)

Retirement benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme and Essex Pension Fund. These are multi-employer defined benefit plans, which are externally administered.

Teachers' Pension Scheme (TPS)

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

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

Essex Local Pension Fund (EPF)

The EPF is a funded scheme and the College's share of assets and liabilities can be identified. The assets of the EPF are measured using closing fair values. EPF 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 is also recognised in the Statement of Comprehensive Income and Expenditure and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term Employment benefits

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

Termination payments

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense, when the College is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Non-current Assets - Tangible fixed assets

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

Notes to the Accounts (continued)

Land and buildings
Freehold land is not depreciated as it is considered to have an indefinite useful life.

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

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

- Land & Buildings – 25 - 50 years
- Demountable buildings – 20 years
- Buildings Only – 10 years
- Leasehold – over life of lease

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 Statement of Comprehensive Income and Expenditure 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.

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

Subsequent expenditure on existing fixed assets
Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to the Statement of Income and Expenditure 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:

- Computer Equipment 3 - 4 years
- Software – 2 years
- Other Equipment – 10 years
- Fixtures and Fittings & Motor Vehicles – 5 - 8 years

Notes to the Accounts (continued)

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 to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1 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 1 August 2014.

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

Cash and cash equivalents
Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.
Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial Instruments
Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instruments contractual obligations, rather than the financial instruments 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. However, the subsidiary is Value Added Tax (VAT) registered.

The College is not registered in respect of VAT and consequently it is unable to recover VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Notes to the Accounts (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these financial statements, management have made the following judgements:

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

Essex Pension Fund
The present value of the Essex Pension Fund defined benefit liability depends on several factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, 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 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Impact of Covid-19
Management have estimated the impact of ongoing Covid-19 pandemic on the Group's finances for the purposes of preparing budgets and cashflow forecasts for the years ending 31 July 2022 and 2023.

The future impact of Covid-19 is uncertain as government rules are relaxed. The impact of Covid-19 forms an important part of the College's future financial performance and the Group's activities along with the impact on College beneficiaries, funders, suppliers and the wider economy.

Notes to the Accounts (continued)

2. Funding Body Grants

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency – adult	199	199	193	193
Education and Skills Funding Agency – 16 – 18	16,532	16,532	15,394	15,394
Education and Skills Funding Agency – apprenticeships	658	-	754	-
Office for Students	77	77	129	129
Specific grants				
Employer Incentive	9	-	16	-
Workplacement Funding	211	211	245	245
Education and Skills Funding Agency	521	521	644	623
Releases of government capital grants	431	431	432	432
Total	**18,638**	**17,971**	**17,807**	**17,016**

Grant and fee income received for Higher Education courses at Level 4 and above was as follows:

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Grant income for Office for Students (per note 2)	77	77	129	129
Fee income for taught awards (per note 3)	2,017	1,925	2,423	2,414
	2,094	**2,002**	**2,552**	**2,543**

3. Tuition fees and education contracts

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	65	52	67	63
Fees for FE loan supported courses	196	196	195	190
Fees for HE loan supported courses	1,756	1,677	2,161	2,161
Total tuition fees	**2,017**	**1,925**	**2,423**	**2,414**
Education contracts	570	570	615	615
Total	**2,587**	**2,495**	**3,038**	**3,029**

Notes to the Accounts (continued)

4. Other grants and contracts

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Non-government capital grant	900	900	-	-
Coronavirus Job Retention Scheme grant	206	191	182	182
Total	**1,106**	**1,091**	**182**	**182**

5. Other income

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	198	198	443	443
Other income generating activities	259	201	421	367
Miscellaneous income	136	136	76	62
Total	**593**	**535**	**940**	**872**

6. Donations and endowments

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Unrestricted donation – Buildings	8,000	8,000	-	-
Total	**8,000**	**8,000**	**-**	**-**

The College acquired the XTEND Digital Campus from Essex County Council on a 125-year lease with a peppercorn rent; the site was valued at £8,000k by professional valuers.

Notes to the Accounts (continued)

7. Staff costs

The number of persons (including key management personnel) employed by the Group during the year, described in average headcount, was:

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	196	190	186	180
Non-teaching staff	295	281	314	304
Total	**491**	**471**	**500**	**484**

Staff costs for the above persons

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	11,542	11,047	11,493	11,023
Social security costs	1,031	983	1,015	972
Other pension costs	3,636	3,563	2,865	2,794
Payroll sub-total	16,209	15,593	15,373	14,789
Contracted out staffing services	367	356	334	312
Restructuring costs – contractual	26	26	26	20
Total	**16,602**	**15,975**	**15,733**	**15,121**

There was no pay rise awarded in 2021 (2020: no award)

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 Senior Management Team which comprises the Principal & CEO, Chief Operating Officer; Vice Principal Partnerships, Funding & Business Planning; Deputy Principal – Student & Corporate Services, Assistant Principal – Vocational, and Assistant Principal – Academic.

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

	2021	2020
	No.	No.
The number of key management personnel including the Accounting Officer was:	6	5

Notes to the Accounts (continued)

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

	Key management personnel		Other staff	
	2021	**2020**	**2021**	**2020**
	No.	**No.**	**No.**	**No.**
£55,001 to £60,000	2	-	-	-
£60,001 to £65,000	-	-	2	-
£65,001 to £70,000	-	1	-	-
£75,001 to £80,000	-	1	-	-
£80,001 to £85,001	1	-	-	-
£85,001 to £90,000	2	2	-	-
£145,001 to £150,000	-	1	-	-
£150,001 to £155,000	1	-	-	-
Total	**6**	**5**	**2**	**-**

Key management personnel compensation is made up as follows:

	2021	**2020**
	£'000	**£'000**
Salaries	514	451
Performance related pay and bonus	-	10
Benefits in kind	16	15
Pension contributions	80	47
Total emoluments	**610**	**523**

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

	2021	**2020**
	£'000	**£'000**
Salaries	143	142
Performance related pay and bonus	-	10
Benefits in kind	10	8
Pension contributions	-	-
Total emoluments	**153**	**160**

Notes to the Accounts (continued)

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

The remuneration package of the Principal & CEO is subject to annual review by the Remuneration Committee of the Corporation which uses benchmarking information to provide objective guidance.

The Principal & CEO reports to the Chair of the Corporation, who undertakes an annual review of performance against the College's overall objectives using both qualitative and quantitative measures of performance.

	2021	**2020**
Relationship of Principal & CEO pay and remuneration expressed as a multiple:		
Principal & CEO basic salary as a multiple of the median of all staff	5.6	6.3
Principal & CEO total remuneration as a multiple of the median of all staff	5.0	5.7

Compensation for loss of office paid to former key management personnel

	2021	**2020**
	£'000	**£'000**
Compensation paid to former key management personnel	-	-

The Accounting Officer and the staff governors only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as members of the Corporation. The other members of the Corporation did not receive any payments from the College in respect of their roles as members.

8. Other operating expenses

	Year ended 31 July 2021		**Year ended 31 July 2020**	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Teaching costs	2,113	2,016	2,573	2,494
Non-teaching costs	1,486	1,402	1,801	1,693
Premises costs	1,646	1,574	1,585	1,518
Total	**5,245**	**4,992**	**5,959**	**5,705**

Notes to the Accounts (continued)

8. Other operating expenses (continued)

Other operating expenses include:

	Year ended 31 July 2021 Group £'000	Year ended 31 July 2020 Group £'000
Auditor's remuneration:		
USP College	28	28
ITEC Learning Technologies Ltd	2	2
Internal audit fees	11	18
Depreciation	1,973	1,914
Hire of assets under operating leases – Buildings	-	40
Hire of assets under operating leases – Equipment	208	234

9. Interest payable and other finance costs

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £'000	College £'000	Group £'000	College £'000
On bank loans, overdrafts and other loans	112	112	114	114
Net interest charge on defined benefit pension	196	196	217	217
Debt waiver of subsidiary	-	317	-	-
Total	**308**	**625**	**331**	**331**

10. Tangible fixed assets

Group	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2020	25,801	16,265	8,996	-	51,062
Additions	-	8,020	342	1,790	10,152
Disposals	-	-	(59)	-	(59)
At 31 July 2021	**25,801**	**24,285**	**9,279**	**1,790**	**61,155**
Depreciation					
At 1 August 2020	8,235	4,770	7,282	-	20,287
Charge for the year	576	588	809	-	1,973
Disposals	-	-	(59)	-	(59)
At 31 July 2021	**8,811**	**5,358**	**8,032**	**-**	**22,201**
Net book value at 31 July 2021	**16,990**	**18,927**	**1,247**	**1,790**	**38,954**
Net book value at 31 July 2020	17,566	11,495	1,714	-	30,775

Notes to the Accounts (continued)

10. Tangible fixed assets (continued)

College	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2020	25,801	16,265	8,975	-	51,041
Additions	-	8,020	342	1,790	10,152
At 31 July 2021	**25,801**	**24,285**	**9,317**	**1,790**	**61,193**
Depreciation					
At 1 August 2020	8,235	4,770	7,277	-	20,282
Charge for the year	576	588	801	-	1,965
At 31 July 2021	**8,811**	**5,358**	**8,078**	**-**	**22,247**
Net book value at 31 July 2021	**16,990**	**18,927**	**1,239**	**1,790**	**38,946**
Net book value at 31 July 2020	17,566	11,495	1,698	-	30,759

The value of land not depreciated at 31 July is £2,200k (2020: £2,200k).

Land and buildings were valued in 1994 at depreciated replacement cost by surveyors employed by Essex County Council. 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 advice.

The College acquired the XTEND Digital Campus from Essex County Council on a 125 year lease, the site was valued at £8,000k by an External Valuer at depreciated replacement cost.

11. Trade and other receivables

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	137	116	152	142
Amounts owed by subsidiary undertakings	-	22	-	167
Prepayments and accrued income	1,062	1,055	921	843
Amounts owed by the ESFA	304	-	130	-
Total	**1,503**	**1,193**	**1,203**	**1,152**

Notes to the Accounts (continued)

12. Creditors: amounts falling due within one year

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans	307	307	249	249
Obligations under finance leases	24	24	24	24
Trade creditors	641	594	934	887
Other taxation and social security	520	493	490	470
Accruals and deferred income	680	672	446	436
Holiday pay accrual	15	15	9	9
Deferred income – government capital grants	393	393	398	398
Amounts owed to the ESFA	297	297	44	44
Total	**2,877**	**2,795**	**2,594**	**2,517**

13. Creditors: amounts falling due after one year

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans	4,056	4,056	4,093	4,093
Obligations under finance leases	57	57	81	81
Deferred income – government capital grants	6,264	6,264	5,889	5,889
Total	**10,377**	**10,377**	**10,063**	**10,063**

14. Maturity of debt

Bank loans

Bank loans are repayable as follows:

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less	307	307	249	249
Between one and two years	418	418	440	440
Between two and five years	3,638	3,638	3,653	3,653
Total	**4,363**	**4,363**	**4,342**	**4,342**

A new re-financing loan of £4.36m was approved and subsequently received on 28 April 2021. This is a secured loan with a legal charge over the freehold property at the Seevic Campus. The interest rate is margin on this loan is 2.6%. This loan consolidates the previous loans and revolving credit facilities.

Notes to the Accounts (continued)

14. Maturity of debt (continued)

Finance lease

Total minimum future lease payments are payable:

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	24	24	24	24
Between one and two years	24	24	24	24
Between two and five years	34	34	57	57
Total	**82**	**82**	**105**	**105**

15. Cash and cash equivalents

	At 1 August 2020 £'000	Cash flows £'000	At 31 July 2021 £'000
Cash and cash equivalents	977	530	1,507
Total	**977**	**530**	**1,507**

16. Capital Commitments

	Year ended 31 July 2021 Group £'000	Year ended 31 July 2020 Group £'000
Commitments contracted for at 31 July	-	8

17. Lease Obligations

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

	Year ended 31 July	
	2021	2020
	£'000	£'000
Not later than one year	168	250
Later than one year and not later than five years	360	175
Later than five years	3	-
Total lease payments due	**531**	**425**

Notes to the Accounts (continued)

18. 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 Essex Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Barnett Waddingham LLP. Both are multi-employer defined-benefit plans.

Total pension costs for the year

	Year ended 31 July 2021		Year ended 31 July 2020	
	£'000	**£'000**	**£'000**	**£'000**
Teacher' Pension Scheme contributions		1,230		1,125
Local Government Pension Scheme contributions	879		826	
Local Government Pension Scheme deficit	109		136	
FRS 102 (28) charge	1,418		778	
Charge to the Statement of Comprehensive Income and Expenditure		2,406		1,740
Total Pension Cost for the year within staff costs		**3,636**		**2,865**

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2019. The valuation report was published by the Department for Education (DfE) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £20 billion.

Notes to the Accounts (continued)

Teachers' Pension Scheme (continued)

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020/21 academic year.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,230,000 (2020: £1,125,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council. The total contributions made for the year ended 31 July 2021 were £1,182,000, of which employer's contributions totalled £916,000 and employees' contributions totalled £266,000. The agreed contribution rates for future years are 18.6% for the college and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by Barnett Waddingham LLP.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	2.85%	2.25%
Future pensions increases	2.85%	2.25%
Discount rate for scheme liabilities	1.60%	1.35%
Inflation assumption (CPI)	2.85%	2.25%

The current mortality assumptions have been updated in light of the coronavirus pandemic. The assumed life expectancy from age 65 are:

	At 31 July 2021	At 31 July 2020
Retiring today		
Males	21.6	21.9
Females	23.6	23.8
Retiring in 20 years		
Males	22.9	23.3
Females	25.1	25.3

Sensitivity analysis

Principal assumption	Change in assumption p.a.	Change in net defined benefit liability
Discount rate for scheme liabilities	Increase by 0.1%	Decrease by £102,000
Inflation assumption (CPI)	Increase by 0.1%	Increase by £105,000
Life expectancy	Increase by 1 year	Increase by £119,000

Notes to the Accounts (continued)

Local Government Pension Scheme (continued)

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

	2021 £'000	2020 £'000
Fair value of plan assets	33,497	27,226
Present value of defined benefit obligation	(45,210)	(40,852)
Net defined benefit liability	**(11,713)**	**(13,626)**

Reconciliation of fair value of fund assets

	2021 £'000	2020 £'000
Fair value of plan assets at 1 August	27,226	25,123
Interest on plan assets	372	533
Return on plan assets	5,196	338
Other actuarial gains	-	715
Administration expenses	(18)	(17)
Contributions by employer	916	826
Contributions by Scheme participants	266	260
Estimated benefits paid	(461)	(552)
Fair value of plan assets at 31 July	**33,497**	**27,226**

Reconciliation of defined benefit obligation

	2021 £'000	2020 £'000
Defined benefit obligation at 1 August	40,852	34,982
Current service cost	2,334	1,677
Interest cost	550	732
Contributions by Scheme participants	266	260
Change in financial / demographic assumptions	2,558	5,216
Experience gain on defined benefit obligation	(889)	(1,463)
Estimated benefits paid	(461)	(552)
Defined benefit obligation at 31 July	**45,210**	**40,852**

Notes to the Accounts (continued)

Local Government Pension Scheme (continued)

Amounts recognised in the Statement of Comprehensive Income and Expenditure in respect of the defined benefit pension plan are:

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	2,334	1,667
Past service cost	-	-
Total	**2,334**	**1,667**
Amounts included in interest and other finance costs		
Interest cost	550	732
Interest on assets	(372)	(533)
Administrative expenses	18	17
Total	**196**	**216**
Amounts recognised in Other Comprehensive Income and Expenditure		
Return on plan assets	5,196	338
Other actuarial gains on assets	-	715
Change in demographic assumptions	527	488
Change in financial assumptions	(3,085)	(5,704)
Experience gain on defined benefit obligation	889	1,463
Total	**3,527**	**(2,700)**

The College's share of the assets in the plan are:

	2021 £'000	2020 £'000
Equities	21,441	16,871
Gilts	844	1,163
Other bonds	1,558	1,523
Property	2,338	2,115
Cash	933	740
Alternative Assets	3,718	3,163
Other managed funds	2,665	1,651
Total	**33,497**	**27,226**
Actual return on plan assets	5,568	871

Notes to the Accounts (continued)

19. Related Party Transactions

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

The total expenses paid to or on behalf of the governors during the year was £nil; (2020: £750; 2 governors). This represented travel, subsistence and other out of pocket expenses incurred in attending governor meetings and training events in their official capacity.

No governor has received any remuneration or waived payments from the College during the year 2021. The total value of gifts given to governors amounted to £nil (2020: £nil).

As a consequence of its representation on the Corporation, the William Palmer College Educational Trust is a related party within the terms of Financial Reporting Standard 102 "Related Party Disclosures". The College occupies land and buildings at Chadwell Road, Grays (the Palmers Campus) under a 125 year lease held from the Trust. The Trust has charged a peppercorn rent for the College's occupancy in 2020/21. The Trust has provided financial support for students local to Grays and has contributed £80,000 (2020: £46,000) towards trips and prize giving for students at the Palmers Campus.

20. Amounts disbursed as agent

Learner support funds

	2021 **£'000**	**2020** **£'000**
Funding body grants – bursary support	369	286
Funding body grants – free school meals	117	60
	486	346
Disbursed to students	(348)	(285)
Administration costs	(23)	(17)
Balance unspent at 31 July, included in creditors	115	44

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