



**Annual Report and Financial Statements**  
**Year ended 31 July 2020**

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## **Key Management Personnel, Board of Governors and Professional advisers**

### **Key management personnel**

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

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  
Dave Dolling, Deputy Principal Quality & Curriculum to April 2020  
Mark Silverman, Interim Deputy Principal Quality & Curriculum to July 2021

### **Members of Corporation**

A full list of the members is given on pages 20-21 of these financial statements.

Mrs Sue Glover was appointed Clerk to the Corporation from 5 February 2018.

### **Professional advisers**

#### **Financial statements auditors and reporting accountants:**

Buzzacott LLP  
130 Wood Street  
London

#### **Internal auditors:**

Scrutton Bland  
Fitzroy House  
Crown Street  
Ipswich

#### **Bankers:**

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 report and the audited financial statements for the year ended 31 July 2020.

#### 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. ITEC have a track record of securing strong outcomes and a good local reputation, but now need investment and the financial strength that being part of a larger organisation can bring through shared support services.

#### 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 new 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 was well placed to support its students during the COVID-19 lockdown as it was already advancing with its strategy to develop digital technology. The College was able to provide online learning in an efficient manner and has continued to develop this area further to ensure it can provide high standard education online in 2020/21. This has meant the College has had to accelerate its digital strategy and subsequent investment which has added to the increased financial burden caused by the pandemic. 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 will continue as we invest in key services and ensure effective virus control measures. At the time these financial statements were approved, discussions were ongoing to refinance College loans into manageable payment as well as agreeing a capital repayment holiday for 12 months as the College strives to strengthen its cash position.

The College has continued to pay key suppliers despite the pressures on cash and invested in necessary PPE and other safety measures. Current COVID-19 investment to date is in excess of £100k with COVID-19 related capital investment upward of £500k.

Income was affected significantly during 2019/20 with losses in the region of £1m due to reductions to Apprenticeships, High 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 20 and 21.

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 2019/20 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 2019/20 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 EFA 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 (achieved after 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 2019/20 against them are set out in the following table:

Key performance indicators	Target	Actual for 19/20
Operating surplus/EBITDA as a % of income	>5%	5.1%
Staff costs as a % of income	<65%	67.7%
Operating cash flow	£1,289k	£977k
Cash days in hand	>25 days	16 days
Borrowing as a % of income	<20%	25%
Current ratio	1.6:1	0.8:1
Reliance on ESFA income	<85%	83%
Financial Health Score	Good	Requires Improvement

Other key performance indicators	Target	Actual for 19/20
Attendance	92%	85%
Punctuality	100%	95.4%
Retention	100%	91%
Value added ALPS Grade (1-9)	7	5
Achievement Rate	86%	87.3%

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 "Good" financial health grading for 2019/20. However, the current rating has changed to 'Requires Improvement' due largely to the impact of COVID-19.

The financial plan submitted to the ESFA for 2020/21 and beyond presents the financial forecast for the College. The underlying financial health score for 2020/21 is Good and Good for 2021/22. This will be reviewed during the course of 2020/21 with a revised financial plan submitted in November 2020 and a further submission planned for January 2021 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 deficit in the year of £1,970k (2018/19: deficit £949k), with total comprehensive income in deficit of £4,670k (2018/19: deficit of £1,141k). The total comprehensive income in 2019/20 is stated after accounting for the re-measurement of the Defined Benefit pension scheme.

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

	<b>£,000</b>
Total Comprehensive Income for the year	(4,670)
Add: Pension Re-measurement & Employer Contribution	1,874
Add: Pension Interest Cost & Current Service Cost	1,893
<b>Sub-Total</b>	<b>(903)</b>
Add: Exceptional Restructuring	26
Add: Pension Deficiency Contribution	136
Less: Profit ITEC Learning Technologies	(1)
<b>Underlying Operating Deficit</b>	<b>(742)</b>

The College group has accumulated income and expenditure reserves of £2,324k (2018/19: £6,904k) and cash and short-term investment balances of £977k (2018/19: £1,663k). The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the FE funding bodies provided 83% of the College's total income.

#### COVID-19 impact

The financial position deteriorated significantly following COVID-19 with a reduction to income of circa £1m. The revised budget set post COVID-19 showed that the College funded income relating to Apprenticeships reduced by £292k with Higher Education income reducing by £327k. Other income from commercial activity identified losses of £190k from our catering service, losses of £145k from our Sports Centres and other college wide activity losses of £69k.

The impact on the pension liability adjustment for 2019/20 is evident and reflected in the income and expenditure account and balance sheet, contributing to the large deficit to the Total Comprehensive Income and the significant increase the Pension Fund Liability shown on the balance sheet.

#### 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.



## **Strategic Report (continued)**

### **Future Development and Performance - continued**

#### **Cash flows and liquidity**

The cash position of the group is reported at £977k (2018/19 £1,663k). The College was able to secure a bank overdraft facility for a short period between February and April 2020 to ensure the College could continue paying its suppliers during this period of reduced funding by the ESFA. The impact of COVID-19 did not help this position as income declined forcing the College to take exceptional tight cash management measures. The position going into 2020/21 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 is expecting to refinance its loans over a 15-year period during 2020/21 and is anticipating a 12-month capital repayment holiday up to July 2021 with 6 months granted already by the bank and applied to the current loans. The remaining 6 months repayment holiday is to be applied to the refinanced loan. This work is expected to be formally approved in January 2021. At this time the college will seek either additional borrowing of £500k to support its operations or agree an overdraft facility for the same amount covering the period of January to April 2021.

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 had no formal reserves policy in 2019/20 but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. Therefore, a reserves policy has been approved for 2020/21 by the Corporation.

As at the balance sheet date total reserves of the group £6.677m (2019: £11.351m) were held which included Income and Expenditure reserves of £2.324m (2019: £6.904m) and Revaluation Reserves of £4.353m (2019: £4.447m).

The College Group had a working capital deficit of £409k but has 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 2020/21 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.

#### **Financial Health**

The financial health score for 2019/20 was confirmed by the EFSA as Good with the forecast underlying score for 2020/21 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 'Requires Improvement' due largely to the impact of COVID-19.

The USP College bankers continue to provide a supportive role to the College. Negotiations are underway to provide additional financial support through the refinancing of all college loans into one over a 15-year period which will reduce the annual capital repayment amount. In addition, discussions have taken place regarding agreeing either a new overdraft facility or additional borrowing to support college operations.

## **Strategic Report (continued)**

### **Future Development and Performance (continued)**

#### **Financial Health - continued**

##### **Impact of COVID-19**

The pandemic has had a significant impact on the College finances as these financial statements show and this is highlighted through the change in the financial health score. 2020/21 will continue to be a challenging year as the college strives to improve its financial health and in particular, its cash position. The budget review carried out in November 2020 demonstrates the challenges faced but also the actions the college has been able to take to ensure it reports a surplus for 2020/21. The uncertainty surrounding COVID-19 and the lack of clarity regarding future financial support from the ESFA makes the budgeted outturn for 2020/21 high risk. The proposed January 2021 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 2019/20, the College has delivered activity that has produced £16,341k in funding body main allocation funding (2018/19 – £17,188k). The College had 3,331 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 4% points above National average rates.

Vocational students achieved between 0.1 and 0.8 (value added) grade higher than expected. Overall value added for all levels was positive at 0.21 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. 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 including A-levels. New opportunities have been taken such as the implementation of a greater range of applied general qualifications in subjects such as Business, Criminology, Law and Psychology. Further developments of College learning companies have seen a huge increase in students working on live briefs and this year, all level three 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 students have developed.

## **Strategic Report (continued)**

### **Future Development and Performance (continued)**

#### **Curriculum developments (continued)**

The College has invested in two 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.

In 2020/21 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.

Our new career package 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

## **Strategic Report (continued)**

### **Future Development and Performance (continued)**

#### **Curriculum developments (continued)**

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 2019 to 31 July 2020, the College paid 81% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

#### **Group companies**

The College has one subsidiary company, ITEC Learning Technologies which was acquired in January 2019. The principal activity of ITEC Learning Technologies is the provision of delivering apprenticeship. This strongly supports the USP strategic plan, in particular regarding meeting the needs of employers and supporting local people through progression routes into apprenticeships and employment.

Any surpluses generated by the subsidiary is transferred to the College under deed of covenant. In the current year, ITEC Learning Technologies has generated a small profit of £1k.

#### **COVID-19 impact**

The commercial activities along with the achievement of targeted Apprenticeships growth for ITEC Learning Technologies have been adversely impacted by COVID-19 with income levels reducing by circa £400k. 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 2019-20.

## **Strategic Report (continued)**

### **Future prospects**

#### **Future Developments**

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 past 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 has been 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 expected to be completed by March 2021.

Following the government announcement that £200m would be invested into college condition improvements, the College has received £800k. These funds will be assigned to key college condition improvements that are achievable by March 2021. The work undertaken will include 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 2020/21 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 2020/21 has been healthy with an additional 148 students recruited above the funded allocation. Through lagged funding the college will see an improved funding position for 2021/22 of circa £600k.

The impact of COVID-19 has meant the proposed land sale at the Seevic Campus was put on hold. This work has now re-started with discussions taking place with the local authority regarding the local plan. The College has the potential to realise a receipt of between £10m-£12m subject to planning and Sport England approval.

#### **Financial Plan**

The College governors approved the financial plan in July 2020 which sets objectives for the period to 31 July 2021. The college aims to achieve a financial health rating of 'Good' but recognises the challenges faced due to COVID-19 and continued lockdowns. The current forecast surplus is small in the year to 31 July 2021, but indications are that good financial health will be achieved. The plan shows that the College expects to increase its surplus to an acceptable level in 2021/22 as its student numbers improve and growth plans are implemented.

Higher Education budgets are expected to see growth as the college develops existing partnerships and develops one new partnership. Apprenticeships strategies are expected to realise future growth in this area also.

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.

## **Strategic Report (continued)**

### **Future prospects (continued)**

#### **Financial Plan (continued)**

A budget review took place in October and November 2020 to establish whether the College Group is on track to deliver its 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 and submitted to the ESFA in November 2020.

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, Basildon – lease
- Canvey Campus, Canvey Island – long lease to commence August 2020

#### **Financial**

The College group has £6,677k of net assets (including £13,626k pension liability) and long-term debt of £4.342m. Tangible resources include the two College Campuses in Benfleet and Grays.

#### **People**

The College employs 564 people, of whom 273 are teaching staff.

#### **Reputation**

The College has a good reputation locally and nationally but seeks to make further improvements at both its Campuses to match 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 new 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 College has undertaken further work and training during the year to develop and embed the system of internal control, including financial, operational and risk management designed to protect the College's assets and reputation. During 2019/20 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.

## Strategic Report (continued)

### Principal Risks and Uncertainties (continued)

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.

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 & HE
- 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 continues to be loss making and unable to continue trading
- COVID-19 – financial risk following further lockdowns – including reduced recruitment, low Apprenticeships recruitment, reduced Higher Education recruitment and reductions to other commercial activity
- COVID-19 – 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
- COVID-19 – ineffective virus measures resulting in college closure due to high number of infections
- COVID-19 – reputational risk caused by inadequate virus measures and management response to the pandemic
- COVID-19 – insufficient financial support by the ESFA and Government to support colleges through the pandemic.

## **Strategic Report (continued)**

### **1 Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2019/20 83% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

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



## **Strategic Report (continued)**

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

The College's current financial health grade is classified as 'Requires Improvement' 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:

- 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 2019/20 have been evidenced in this report. The pandemic is highly likely to impact the College Group further during 2020/21 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 dialog with our bank as well as the ESFA.

Despite the over recruitment of students in 2020/21 the challenges faced by further education is evident without targeted financial support by government agencies. It is hoped that in-year funding adjustments will be allowed for over recruitment with a reduction to the current 10% tolerance as well as a review of the current funding payment profile. Both of these measures will go a long way to support colleges.

## **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**

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

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, this includes the introduction of the Finance Exec 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 has authority that allows urgent approval of key financial matters outside scheduled committee meetings.

The College Group financial position for 2019/20 reports a surplus before interest, tax and depreciation of £275k but a deficit before exceptional items of £1,970k and an underlying operating deficit of £742k (as detailed on page 8 of this report). The group are reporting total net liabilities of £409k but plans for 2020/21 indicate that the group will report net assets as it strengthens its financial position. Cash held at the end of the financial were low at £977k with banks loans totalling £4,342k.

The current 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 and an agreed capital repayment holiday on our current loans. This level of support will mean our cash position will improve further. An agreed overdraft facility or additional borrowing to support college operations will provide the appropriate level of comfort required during the low funding periods between December 2020 and April 2021. The expectation is that should the forecast surplus deteriorate due to COVID-19 the cash held as a result of the above stated support will still be at a reasonable level to take the College forward into 2021/22.

The College has confirmed with its bank that despite the poor financial outturn for 2019/20 it has not breached its current bank loan covenants. With the refinancing of the three current loans into one loan the bank will issue new bank loan covenants for 2020/21 and beyond. The refinancing of the College Group loans is expected to be agreed in December 2020 and formally approved in January 2021. The College Group has the availability of short-term finance should it be required but do not expect to utilise this due to the level of support being provided by its bank.

The impact of COVID-19 has been reflected within this report and the corporation are fully aware of the financial challenges faced until this virus is brought under control. The corporation instructed the college to carry out a budget review in November 2020 and January 2021 in line with ESFA requirements 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 2020 the college group is forecasting a surplus before interest, tax and depreciation of £2,020k and a small surplus before exceptional items of £38k. Based on these forecasts, cash is expected to be 1,554k at 31 July 2021.

The College Group faces key challenges in 2020/21 most noticeably relating to COVID-19 due to the impact this will have on Apprenticeships and HE recruitment as well as commercial income but also with ensuring its subsidiary company is successful with its financial recovery plan. However, the over-recruitment of students in 2020/21 will be financially beneficial to the college group in 2021/22 but possibly in 2020/21 also, should the ESFA change their recruitment policy on in-year student recruitment.

Other positives to report include additional funding for college condition improvements (£800k) and SELEP funding to support the digital technology centre renovations (£900k). In addition, the College has re-commenced with its plans to sell land at the Seevic Campus and is currently working with the local authority to complete this sale as soon as possible.

## Strategic Report (continued)

### Events after the reporting period

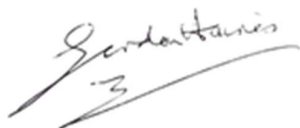
Events after the reporting period include the following:

- College Condition Funding - £800k received by the college to improve the condition of its estate
- Canvey Skills Centre – Essex County Council has agreed to lease this property to the college on a long lease of 125 years for a peppercorn rent
- SELEP Funding - £900k funding approved for the Canvey Skills Centre to create our Digital Technology Centre

### 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 15 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Gordon Haines', with a stylized flourish underneath.

**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 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to Colleges from the Association of Colleges in The 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 2020. This opinion is based on an internal review of compliance with the Code and reported to the board on 14 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which 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.

	<b>Date of Appointment</b>	<b>Term of office ends</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance</b>
Alex Dobinson	11/03/2014 Reappointed 01/05/2018	14/03/2018 31/07/2022	17/12/2019	Ordinary Member	Quality (Chair) Corporation	3 out of 4
Phillip Lennon	28/01/2016 Reappointed 30/01/2018 25/09/2018	27/01/2018 30/01/2019 31/01/2022		Ordinary Member	Finance and Resources (Chair) Remuneration (Chair) Corporation (Vice Chair)	11 out of 11
Daniel Pearson	01/05/2016			Principal	Corporation Search and Governance Finance and Resources Quality	15 out of 19
Graeme Loveland	01/08/2017	31/07/2021	31/07/2020	Ordinary Member	Corporation (Vice Chair) Remuneration Risk and Audit (Chair)	7 out of 11

Annual Report and Financial Statements for the Year Ended 31 July 2020

	<b>Date of Appointment</b>	<b>Term of office ends</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Attendance</b>
Gordon Haines	07/11/2017	31/12/2021		Ordinary Member	Chair of Corporation Search and Governance (Chair) Remuneration	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	10 out of 11
Ian Hockey	18/12/2018	31/12/2022		Ordinary Member	Corporation Quality (Chair)	9 out of 10
Ralph Henderson	18/12/2018	31/12/2022		Ordinary Member	Corporation Quality Finance and Resources	13 out of 14
Andy Williams	01/10/2019	30/09/2023		Ordinary Member	Corporation Risk and Audit	8 out of 10
Jacob Smith	01/10/2019	30/09/2023		Ordinary Member	Corporation Risk and Audit	9 out of 10
John Baker	01/10/2019	30/09/2023		Ordinary Member	Corporation Finance and Resources	6 out of 8
Vikki Liogier	24/03/2020	31/03/2024		Ordinary Member	Corporation Quality	4 out of 4
Malcolm Bell	29/09/2020	30/04/2022		Ordinary Member	Corporation Search and Governance Risk and Audit	
Julie Snelling	17/07/2018	31/07/2022		Staff Member	Corporation Quality	10 out of 10
David O'Donovan	26/03/2019	31/07/2023		Staff Member	Corporation Quality	9 out of 10
Ruta Dubinskas	01/08/2019	31/07/2020		Student Member	Corporation Quality	5 out of 8
Emily Riseborough	01/08/2019	31/07/2020		Student Member	Corporation Quality	4 out of 8
Cameron Root	01/08/2020	31/07/2021		Student Member	Corporation Quality	
Success Popoola	29/09/2020	31/07/2021		Student Member	Corporation Quality	

Mrs Sue Glover was Clerk to the Corporation throughout 2019/20.

## **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 2019/20. The board 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 Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

There is a clear division of responsibility in that the roles of the 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 Board 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 Board reviewed its performance for 2019/20 in September as part of the annual self-assessment review taking into consideration its self-assessment. The Board will also consider its individual performance through 1 to 1 meetings with the Chair during the autumn term.

### **Remuneration Committee**

Throughout the year ending 31 July 2020 the College's Remuneration Committee comprised four members of the corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

The College endeavours to conduct its business in full accordance with the guidance to Colleges from the Association of Colleges Senior Post Holders Remuneration Code. This code was adopted by the Board in July 2019. 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 2020 are set out in note 8 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 of input 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 2019 and up to the date of approval of the annual report and accounts.

### *Capacity to handle risk*

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

### *The risk and control framework*

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the 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 2019/20 and up to the date of the approval of the financial statements are:

During the year, the following areas were reviewed

- Make Happen Project
- GDPR Compliance
- Ordering, Purchasing & Payments
- Human Resources (Recruitment & Retention)
- Marketing & T Level Preparedness
- Follow up audit

During the latter part of the year as the College went into lockdown due to the COVID-19 pandemic it took the decision to postpone the remaining planned internal audits. These were as follows:

- Apprenticeships
- Strategic Planning
- Business Continuity
- Quality Assurance

### *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. The Corporation's

## Statement of Corporate Governance and Internal Control (continued)

### Statement from the audit committee (continued)

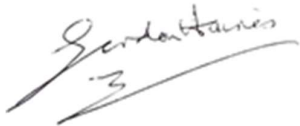
agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Risk and Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation will carry out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2020.

Based on the advice of the 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 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 15 December 2020 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**

**15 December 2020**



**Gordon Haines**  
**Chair of Governors**

**15 December 2020**

## 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:

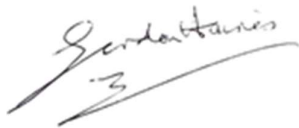
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial 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 15 December 2020 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 (the 'Group') for the year ended 31 July 2020 which comprise the Group statement of comprehensive income, the Group and College statement of changes in reserves and balance sheets, the Group statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, in all material respects:

- the financial statements give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2020 and of the Group's deficit of income over expenditure for the year then ended. We have taken into account relevant statutory and other mandatory disclosure and accounting requirements, and the requirements of the OfS and other funders;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS, 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 the 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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our

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

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

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

We have nothing to report in this regard.

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

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

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

We have nothing to report 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 note 2 to these 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 Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

**Use of our report**

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



Buzzacott LLP 17 December 2020

Statutory Auditor

130 Wood Street

London EC2V 6DL



## **Reporting accountant's assurance report on regularity**

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

In accordance with the terms of our engagement letter and further to the requirements of funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by USP College during the period 1<sup>st</sup> August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the Department has other assurance arrangements in place.

This report is made solely to the Corporation of USP College and Department 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 Department those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of USP College and the Department 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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

### **Approach**

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

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

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

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


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

### **Conclusion**

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

Signed:  17 December 2020

Buzzacott LLP

130 Wood Street

London

## Unified Seevic Palmers College

### Consolidated Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July		Year ended 31 July	
		2020	2020	2019	2019
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	17,807	17,016	18,241	18,050
Tuition fees and education contracts	3	3,038	3,029	2,582	2,575
Other income	4	1,122	1,054	1,675	1,617
<b>Total income</b>		<b>21,967</b>	<b>21,099</b>	<b>22,498</b>	<b>22,242</b>
<b>EXPENDITURE</b>					
Staff costs	5	15,707	15,101	15,359	15,144
Restructuring costs	5	26	20	134	134
Other operating expenses	6	5,959	5,705	6,263	6,120
Interest and other finance costs	7a	331	331	356	356
Depreciation	8	1,914	1,913	1,335	1,331
<b>Total expenditure</b>		<b>23,937</b>	<b>23,070</b>	<b>23,447</b>	<b>23,085</b>
<b>Deficit before other exceptional items</b>	7b	<b>(1,970)</b>	<b>(1,971)</b>	<b>(949)</b>	<b>(843)</b>
Gain on assets and liabilities acquired	18	-	-	95	-
<b>Loss for the year</b>		<b>(1,970)</b>	<b>(1,971)</b>	<b>(854)</b>	<b>(843)</b>
Actuarial Loss in respect of pensions schemes	17	(2,700)	(2,700)	(287)	(287)
<b>Total Comprehensive Expenditure for the year</b>		<b>(4,670)</b>	<b>(4,671)</b>	<b>(1,141)</b>	<b>(1,130)</b>

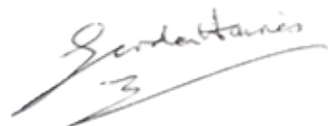
## Unified Seevic Palmers College Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>Group</b>			
<b>Balance at 31st July 2018</b>	<b>7,951</b>	<b>4,541</b>	<b>12,492</b>
Deficit from the income and expenditure account	(854)	-	(854)
Other comprehensive income	(287)	-	(287)
Transfers between revaluation and income and expenditure reserves	94	(94)	-
<b>Total comprehensive income for the year</b>	<b>(1,047)</b>	<b>(94)</b>	<b>(1,141)</b>
<b>Balance at 31st July 2019</b>	<b>6,904</b>	<b>4,447</b>	<b>11,351</b>
Deficit from the income and expenditure account	(1,970)	-	(1,970)
Other comprehensive expenditure	(2,700)	-	(2,700)
Transfers between revaluation and income and expenditure reserves	94	(94)	(0)
<b>Total comprehensive income for the year</b>	<b>(4,576)</b>	<b>(94)</b>	<b>(4,670)</b>
<b>Balance at 31st July 2020</b>	<b>2,324</b>	<b>4,353</b>	<b>6,677</b>
<b>College</b>			
<b>Balance at 31st July 2018</b>	<b>7,950</b>	<b>4,541</b>	<b>12,491</b>
Deficit from the income and expenditure account	(843)	-	(843)
Other comprehensive expenditure	(287)	-	(287)
Transfers between revaluation and income and expenditure reserves	94	(94)	-
<b>Total comprehensive income for the year</b>	<b>(1,036)</b>	<b>(94)</b>	<b>(1,130)</b>
<b>Balance at 31st July 2019</b>	<b>6,914</b>	<b>4,447</b>	<b>11,361</b>
Deficit from the income and expenditure account	(1,971)	-	(1,971)
Other comprehensive expenditure	(2,700)	-	(2,700)
Transfers between revaluation and income and expenditure reserves	94	(94)	-
<b>Total comprehensive income for the year</b>	<b>(4,577)</b>	<b>(94)</b>	<b>(4,671)</b>
<b>Balance at 31st July 2020</b>	<b>2,334</b>	<b>4,353</b>	<b>6,687</b>

**Unified Seevic Palmers College**  
**Balance sheets as at 31 July**

	Notes	Group	College	Group	College
		2020	2020	2019	2019
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible fixed assets	8	30,775	30,759	31,699	31,699
		<b>30,775</b>	<b>30,759</b>	<b>31,699</b>	<b>31,699</b>
<b>Current assets</b>					
Stocks		5	5	6	6
Trade and other receivables	9	1,203	1,152	1,198	1,177
Cash and cash equivalents	14	977	976	1,663	1,658
		<b>2,185</b>	<b>2,133</b>	<b>2,867</b>	<b>2,841</b>
<b>Less: Creditors – amounts falling due within one year</b>	10	(2,594)	(2,517)	(2,694)	(2,658)
<b>Net current liabilities</b>		<b>(409)</b>	<b>(384)</b>	<b>173</b>	<b>183</b>
<b>Total assets less current liabilities</b>		<b>30,366</b>	<b>30,375</b>	<b>31,872</b>	<b>31,882</b>
Less: Creditors – amounts falling due after more than one year	11	(10,063)	(10,063)	(10,662)	(10,662)
<b>Provisions</b>					
Defined benefit obligations	17	(13,626)	(13,626)	(9,859)	(9,859)
<b>Total net assets</b>		<b>6,677</b>	<b>6,686</b>	<b>11,351</b>	<b>11,361</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		2,324	2,333	6,904	6,914
Revaluation reserve		4,353	4,353	4,447	4,447
<b>Total unrestricted reserves</b>		<b>6,677</b>	<b>6,686</b>	<b>11,351</b>	<b>11,361</b>

The financial statements on pages 34 to 57 were approved and authorised for issue by the Corporation on 15 December 2020 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

		Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
<b>Cash inflow from operating activities</b>			
Deficit for the year		(4,670)	(1,141)
<b>Adjustment for non cash items</b>			
Gain on acquisition		-	(85)
Depreciation & amortisation	8	1,914	1,335
Decrease in stocks		-	2
(Decrease) in debtors		(5)	(452)
(Decrease) in creditors due within one year		(100)	(592)
(Decrease) / increase in creditors due after one year		(599)	636
Increase / (decrease) in provisions		3,767	(1,237)
<b>Adjustment for investing or financing activities</b>			
Interest payable		114	129
<b>Net cash flow from operating activities</b>		<u><u>422</u></u>	<u><u>(1,405)</u></u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	8	(547)	(815)
Non Capital Grants Received		-	163
		<u><u>(547)</u></u>	<u><u>(652)</u></u>
<b>Cash flows from financing activities</b>			
Interest paid	7	(114)	(129)
Repayments of amounts borrowings		(436)	(404)
Proceeds of new borrowings		-	1,500
Repayments of obligations under finance leases		(11)	(19)
		<u><u>(561)</u></u>	<u><u>948</u></u>
<b>Decrease in cash and cash equivalents in the year</b>		<u><u>(686)</u></u>	<u><u>(1,109)</u></u>
Cash and cash equivalents at beginning of the year	14	<u><u>1,663</u></u>	<u><u>2,772</u></u>
Cash and cash equivalents at end of the year	14	<u><u>977</u></u>	<u><u>1,663</u></u>

## Unified Seevic Palmers College

### Notes to the Account

#### For the Year ended 31 July 2020

#### 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.

##### General Information

USP College is a corporation under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is Runnymede Chase, Benfleet, Essex SS7 1TW. The nature of the College's operations is set out in the Strategic report.

##### Basis of accounting

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018 to 2019* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The financial statements are presented in sterling which is also the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest £1,000 except where otherwise stated.

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

##### 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. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated Statement of Comprehensive from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

##### Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report.

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

The Group had £4.3m of loans outstanding with bankers on terms negotiated in 2017 secured by a floating charge on the College estate. The outstanding loan amount is made up of the balance owing on a re-financing loan (following the merger) for £2.9m along with an additional revolving credit facility of £1m obtained in 2017 and £1.5m obtained during 2019. This revolving credit facility obtained in 2017/18 was to support the College post-merger and the additional obtained during 2018/19 was to support college capital works. This revolving credit facility will be converted into a loan during 2020/21.

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 18 of this report. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

## **Unified Seevic Palmers College**

### **Notes to the Accounts (continued)**

#### **Accounting Policies**

##### **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 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 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 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.

##### **Retirement benefits**

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



## Unified Seevic Palmers College

### Notes to the Accounts (continued)

#### (Accounting Policies continued)

##### Accounting for Retirement benefits (continued)

###### *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 income statement in the periods during which services are rendered by employees.

###### *Essex Local Government Pension Fund (LGPS)*

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

Net interest on the net defined benefit liability 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.

###### *Land and buildings*

Freehold 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

## Unified Seevic Palmers College

### Notes to the Accounts (continued)

#### (Accounting Policies continued)

#### Non-current Assets - Tangible fixed assets (continued)

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.

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 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 income in the period it is incurred unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

#### *Equipment*

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

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

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

#### **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.

## Unified Seevic Palmers College

### Notes to the Accounts (continued)

#### (Accounting Policies continued)

#### Non-current Assets - Tangible fixed assets (continued)

##### 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 assets

Financial liabilities and assets 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 VAT registered.

The College is not registered in respect of Value Added Tax 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.

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

## Unified Seevic Palmers College

### Notes to the Accounts (continued)

#### 1. Statement of accounting policies and estimation techniques (continued)

##### Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 17, 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- **Impact of Covid-19**

Management have estimated the impact of ongoing Covid-19 pandemic on the Groups finances for the purposes of preparing budgets and cashflow forecasts for the years ending 31 July 2021 and 2022.

The full impact following the emergence of coronavirus pandemic is still unknown. It is therefore not currently possible to evaluate all the potential implications for the Groups activities, beneficiaries, funders, suppliers and the wider economy.

## Unified Seevic Palmers College

### Notes to the Accounts (continued)

#### 2 Funding council grants

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - Adult	193	193	208	208
Education and Skills Funding Agency – 16 -18	15,394	15,394	16,443	16,443
Education and Skills Funding Agency - apprenticeships	754	0	537	375
Office for Students	129	129	20	20
<b>Specific Grants</b>				
Employer Incentive	16	0	39	10
Workplacement Funding	245	245	188	188
Education and Skills Funding Agency	644	623	335	335
Release of government capital grants	432	432	471	471
<b>Total</b>	<b>17,807</b>	<b>17,016</b>	<b>18,241</b>	<b>18,050</b>

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

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Grant income from Office for Students (per note 2 above)	129	129	20	20
Fee income for taught awards (per note 3 below)	2,423	2,414	1,833	1,826
	<b>2,552</b>	<b>2,543</b>	<b>1,853</b>	<b>1,846</b>

#### 3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	67	63	107	100
Fees for FE loan supported courses	195	190	156	156
Fees for HE loan supported courses	2,161	2,161	1,570	1,570
Total tuition fees	2,423	2,414	1,833	1,826
Education contracts	615	615	749	749
<b>Total</b>	<b>3,038</b>	<b>3,029</b>	<b>2,582</b>	<b>2,575</b>

#### 4 Other income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	443	443	481	481
Other income generating activities	421	367	692	634
Miscellaneous income	76	62	283	283
Non-Government Capital Grant	0	0	219	219
Furlough - Job Retention Scheme	182	182	0	0
	<b>1,122</b>	<b>1,054</b>	<b>1,675</b>	<b>1,617</b>

**Unified Seevic Palmers College**  
**Notes to the Accounts (continued)**

**5 Staff costs and key management personnel remuneration**

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

	2020 Group No.	2020 College No.	2019 Group No.	2019 College No.
Teaching staff	273	273	232	232
Non teaching staff	291	281	305	295
	<b>564</b>	<b>554</b>	<b>537</b>	<b>527</b>

**Staff costs for the above persons**

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Wages and salaries	11,493	11,023	11,204	11,062
Social security costs	1,015	972	1,033	1,020
Other pension costs	2,865	2,794	2,339	2,331
<b>Payroll sub total</b>	<b>15,373</b>	<b>14,789</b>	<b>14,576</b>	<b>14,413</b>
Contracted out staffing services	334	312	782	730
	<b>15,707</b>	<b>15,101</b>	<b>15,359</b>	<b>15,144</b>
Restructuring costs: Contractual	26	20	134	134
	<b>15,733</b>	<b>15,121</b>	<b>15,493</b>	<b>15,278</b>

There was a no pay rise awarded in 2019/20 ( 1% 2018/19).

**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, the Chief Operating Officer, Vice Principal Partnerships Funding & Business Planning, Deputy Principal Quality and Curriculum, Vice Principal Student and Corporate Operations.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	5	8

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:

	<b>Senior post-holders</b>	
	2020 No.	2019 No.
£60,000 to £65,000	-	1
£65,001 to £70,000	1	2
£70,001 to £75,000	-	2
£75,001 to £80,000	1	-
£85,001 to £90,000	2	2
£140,001 to £145,000	-	-
£145,001 to £150,000	1	1
	<b>5</b>	<b>8</b>

## Unified Seevic Palmers College Notes to the Accounts (continued)

### 5 Staff costs - Group and College

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries	451	547
Employers National Insurance	60	70
Benefits in kind	15	18
	<u>526</u>	<u>635</u>
Pension contributions	47	63
<b>Total emoluments</b>	<u><u>573</u></u>	<u><u>698</u></u>

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

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

	2020 £'000	2019 £'000
Salaries	142	143
Benefits in kind	8	8
Bonus	10	-
	<u>160</u>	<u>151</u>
Pension contributions	-	8
<b>Total</b>	<u><u>160</u></u>	<u><u>159</u></u>

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

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

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

	2020	2019
Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:		
Principal and CEO's basic salary as a multiple of the median of all staff	6.3	6.9
Principal and CEO's total remuneration as a multiple of the median of all staff	5.7	6.9

### Compensation for loss of office paid to former key management personnel

	2020 £	2019 £
Compensation paid to the former key management personnel - contractual	<u><u>-</u></u>	<u><u>60</u></u>

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.

## Unified Seevic Palmers College Notes to the Accounts (continued)

### 6 Other operating expenses

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Teaching costs	2,573	2,494	2,266	2,236
Non teaching costs	1,801	1,693	2,237	2,160
Premises costs	1,585	1,518	1,760	1,724
<b>Total</b>	<b>5,959</b>	<b>5,705</b>	<b>6,263</b>	<b>6,120</b>

### Other operating expenses include:

	2020 £'000	2019 £'000
Auditor's remuneration:		
USP College	28	28
ITEC Learning Technologies	2	2
Internal audit	18	23
Hire of assets under operating leases - Land & Buildings	40	68
Hire of assets under operating leases - Equipment (Note 16)	234	225

### 7a Interest payable

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
On bank loans, overdrafts and other loans:	114	114	129	129
Net interest on defined pension liability (note 17)	217	217	227	227
<b>Total</b>	<b>331</b>	<b>331</b>	<b>356</b>	<b>356</b>

### 7b Deficit on continuing operations for the period

	2020 £'000	2019 £'000
The deficit on continuing operations for the year made up as:		
College's deficit for the period	(1,970)	(843)
Subsidiary company's performance	(0)	(106)
<b>Total</b>	<b>(1,970)</b>	<b>(949)</b>



**Unified Seevic Palmers College**  
**Notes to the Accounts (continued)**
**8 Tangible fixed assets (Group)**

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long Leasehold	£'000	£'000	£'000
	£'000	£'000			
<b>Cost or valuation</b>					
*At 1 August 2019	24,738	16,247	8,535	552	50,072
Additions	511	18	461	-	990
Asset Transfer	552	-	-	(552)	-
<b>At 31 July 2020</b>	<b>25,801</b>	<b>16,265</b>	<b>8,996</b>	<b>-</b>	<b>51,062</b>
<b>Depreciation</b>					
*At 1 August 2019	7,663	4,297	6,413	-	18,373
Charge for the year	572	473	869	-	1,914
<b>At 31 July 2020</b>	<b>8,235</b>	<b>4,770</b>	<b>7,282</b>	<b>-</b>	<b>20,287</b>
<b>Net book value at 31 July 2020</b>	<b>17,566</b>	<b>11,495</b>	<b>1,714</b>	<b>-</b>	<b>30,775</b>
Net book value at 31 July 2019	17,075	11,950	2,122	552	31,699

**Tangible fixed assets (College)**

	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long Leasehold	£'000	£'000	£'000
	£'000	£'000			
<b>Cost or valuation</b>					
*At 1 August 2019	24,738	16,247	8,531	552	50,068
Additions	511	18	444	-	973
Asset Transfer	552	-	-	(552)	-
<b>At 31 July 2020</b>	<b>25,801</b>	<b>16,265</b>	<b>8,975</b>	<b>-</b>	<b>51,041</b>
<b>Depreciation</b>					
*At 1 August 2019	7,663	4,297	6,409	-	18,369
Charge for the year	572	473	868	-	1,913
<b>At 31 July 2020</b>	<b>8,235</b>	<b>4,770</b>	<b>7,277</b>	<b>-</b>	<b>20,282</b>
<b>Net book value at 31 July 2020</b>	<b>17,566</b>	<b>11,495</b>	<b>1,698</b>	<b>-</b>	<b>30,759</b>
Net book value at 31 July 2019	17,075	11,950	2,122	552	31,699

The value of land not depreciated at 31 July is £2,200k (2019: £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.

Land and buildings with a net book value of £4,324k at 31 July 2020 (2018/19: £4,428k) have been funded from local education authority sources through for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the financial memorandum with the council, to surrender the proceeds.

If inherited land and buildings had not been valued they would have been included in the balance sheet at £nil cost, £nil aggregate depreciation and £nil net book value.

\*Following a review of the fixed assets register in the year, assets fully written off and no longer in use with a cost of £2.4m and nil net book value have been adjusted in these accounts

## Unified Seevic Palmers College

### Notes to the Accounts (continued)

#### 9 Debtors : Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade debtors	152	142	513	493
Amounts owed by subsidiary undertakings	-	167		
Prepayments and accrued income	921	843	633	632
Amounts owed by the ESFA	130	-	52	52
<b>Total</b>	<b>1,203</b>	<b>1,152</b>	<b>1,198</b>	<b>1,177</b>

#### 10 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans	249	249	448	448
Obligations under finance leases	24	24	11	11
Trade creditors	934	887	801	783
Other taxation and social security	490	470	474	463
Accruals and deferred income	446	436	388	381
Holiday pay accrual	9	9	7	7
Deferred income - government capital grants	398	398	418	418
Amounts owed to ESFA	44	44	147	147
<b>Total</b>	<b>2,594</b>	<b>2,517</b>	<b>2,694</b>	<b>2,658</b>

#### 11 Creditors: amounts falling due after one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans	4,093	4,093	4,330	4,330
Obligations under finance lease	81	81	-	-
Deferred income - government capital grants	5,889	5,889	6,332	6,332
<b>Total</b>	<b>10,063</b>	<b>10,063</b>	<b>10,662</b>	<b>10,662</b>

#### 12 Maturity of debt

##### Bank loans

Bank loans are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	249	249	448	448
Between one and two years	440	440	440	440
Between two and five years	3,653	3,653	3,890	3,890
<b>Total</b>	<b>4,342</b>	<b>4,342</b>	<b>4,778</b>	<b>4,778</b>

## Unified Seevic Palmers College

### Notes to the Accounts (continued)

#### (a) Bank loans and overdrafts (continued)

A new re-financing loan of £2.9m was approved and subsequently received on 2 August 2017 following the merger of the two colleges. This is a secured loan with a legal charge over the freehold property at the Seevic Campus. The interest rate margin on this loan is 1.95% above the 3 month LIBOR floating base rate.

A revolving credit facility of £1m was approved in August 2017 and subsequently drawn down in July 2018. This is a secured loan with a legal charge over the freehold property at the Seevic Campus. The interest rate margin on this loan is 1.80% above the 3 month LIBOR floating base rate.

A revolving credit facility of £1.5m was approved in March 2019 and subsequently drawn down in July 2019. This loan was to assist with the capital expenditure at both campuses. This is secured loan with a legal charge over the freehold property at the Seevic Campus. The interest rate margin on this loan is 2.25% above the 3 month LIBOR floating base rate.

An interest free SALIX loan was repaid in the year.

#### (b) Finance Lease

Total minimum future lease payments are payable:

	2020 £'000	2019 £'000
In one year or less	24	10
Between two and five years	81	-
	105	10

## 13 Provisions

	Group and College	
	Defined benefit obligations £'000	Total £'000
At 1 August 2019	9,859	9,859
Additions in period charged to income and expenditure accounts	3,767	3,767
<b>At 31 July 2020</b>	<b>13,626</b>	<b>13,626</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 17.

**Unified Sevic Palmers College**  
**Notes to the Accounts (continued)**

**14 Cash and cash equivalents**

	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	1,663	(685)	977
<b>Total</b>	<b><u>1,663</u></b>	<b><u>(685)</u></b>	<b><u>977</u></b>

**15 Capital commitments**

	Group and College	
	2020 £'000	2019 £'000
Commitments contracted for at 31 July	<u>8</u>	<u>506</u>

**16 Lease Obligations**

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

	2020 £'000	2019 £'000
<b>Other</b>		
Not later than one year	250	201
Later than one year and not later than five years	175	82
Total lease payments due	<u>425</u>	<u>283</u>

## Unified Seevic Palmers College

### Notes to the Accounts (continued)

#### 17 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. Both are multi-employer defined-benefit plans.

<b>Total pension cost for the year</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Teachers Pension Scheme: contributions paid	1,125	843
Local Government Pension Scheme:		
Contributions paid	826	788
Additional contributions	136	98
FRS 102 (28) charge	778	610
Charge to the Statement of Comprehensive Income and Expenditure	1,740	1,496
<b>Total Pension Cost for Year</b>	<b><u>2,865</u></b>	<b><u>2,339</u></b>

#### 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 2016. 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.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website. The pension costs paid to TPS in the year amounted to £1,125k (2019: £843k).

## Unified Seevic Palmers College Notes to the Accounts (continued)

### 17 Defined benefit obligations (continued)

#### FRS 102 (28)

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

#### Local Government Pension Scheme

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ("GMP") equalisation between men and women which is required as a result of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council Local Authority. The total contributions made for the year ended 31 July 2020 were £1,086k, of which employer's contributions totalled £826k and employees' contributions totalled £260k. The agreed contribution rates for future years are 18.6% for employers and range from 5.5% to 12.5% for employees, depending on salary.

#### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.25%	2.35%
Future pensions increases	2.25%	2.35%
Discount rate for scheme liabilities	1.35%	2.10%
Inflation assumption (CPI)	2.25%	2.35%

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

	At 31 July 2020	At 31 July 2019
	years	years
<i>Retiring today</i>		
Males	21.8	21.30
Females	23.8	23.60
<i>Retiring in 20 years</i>		
Males	23.2	23.00
Females	25.2	25.40

## Unified Sevic Palmers College Notes to the Accounts (continued)

### 17 Defined benefit obligations (continued)

#### Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2020 £'000	Fair Value at 31 July 2019 £'000
Equities	16,871	15,837
Gifts	1,163	1,382
Other bonds	1,523	1,413
Property	2,115	2,010
Cash	740	733
Other assets	4,814	3,748
<b>Total market value of assets</b>	<b><u>27,226</u></b>	<b><u>25,123</u></b>
<b>Actual return on plan assets</b>	<b><u>871</u></b>	<b><u>1,782</u></b>

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

	2020 £'000	2019 £'000
Fair value of plan assets	27,226	25,123
Present value of plan liabilities	(40,852)	(34,982)
<b>Net pensions liability</b>	<b><u>(13,626)</u></b>	<b><u>(9,859)</u></b>

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

	2020 £'000	2019 £'000
<b>Amounts included in staff costs</b>		
Current service cost	1,677	1,498
Past service cost	-	13
<b>Total</b>	<b><u>1,677</u></b>	<b><u>1,511</u></b>

#### Amounts included in interest and other finance

Net interest income	199	218
Administrative costs	17	9
	<b><u>216</u></b>	<b><u>227</u></b>

#### Amounts recognised in Other Comprehensive Income

Return on Fund assets in excess of interest	338	1,169
Other actuarial gains on assets	715	-
Changes in financial assumptions	(5,216)	(1,456)
Experience gain on defined benefit obligation	1,463	-
<b>Amount recognised in Other Comprehensive Income</b>	<b><u>(2,700)</u></b>	<b><u>(287)</u></b>

## Unified Seevic Palmers College

### Notes to the Accounts (continued)

#### 17 Defined benefit obligations (continued)

##### Local Government Pension Scheme (Continued)

##### Movement in net defined benefit liability during the year

	2020	2019
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(9,859)	(8,622)
Movement in year:		
Current service cost	(1,677)	(1,511)
Employer contributions	826	788
Net interest on the defined liability	(199)	(218)
Administrative charges	(17)	(9)
Actuarial Loss	(2,700)	(287)
<b>Net defined benefit liability at 31 July</b>	<b><u>(13,626)</u></b>	<b><u>(9,859)</u></b>

##### Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	34,982	31,531
Current Service cost	1,677	1,498
Interest cost	732	831
Contributions by Scheme participants	260	251
Changes in financial/demographic assumptions	5,216	1,456
Liabilities extinguished on settlements	(1,463)	-
Estimated benefits paid	(552)	(598)
Past Service cost	-	13
<b>Defined benefit obligations at end of period</b>	<b><u>40,852</u></b>	<b><u>34,982</u></b>

	2020	2019
	£'000	£'000
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	25,123	22,909
Interest on plan assets	533	613
Return on plan assets	338	1,169
Other actuarial gains	715	-
Administration expenses	(17)	(9)
Employer contributions	826	788
Contributions by Scheme participants	260	251
Estimated benefits paid	(552)	(598)
<b>Fair value of plan assets at end of period</b>	<b><u>27,226</u></b>	<b><u>25,123</u></b>



**Unified Seevic Palmers College**  
**Notes to the Accounts (continued)**

**17 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

<b>Sensitivity analysis</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>+0.0%</b>	<b>-0.1%</b>
Present value of total obligation	39,941	40,852	41,784
Projected service cost	2,181	2,257	2,336
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>+0.0%</b>	<b>-0.1%</b>
Present value of total obligation	40,892	40,852	40,813
Projected service cost	2,258	2,257	2,256
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>+0.0%</b>	<b>-0.1%</b>
Present value of total obligation	41,735	40,852	39,988
Projected service cost	2,334	2,257	2,182
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>-1 Year</b>
Present value of total obligation	45,526	40,852	39,245
Projected service cost	2,340	2,257	2,177

## Unified Seevic Palmers College Notes to the Accounts (continued)

### 18 Business acquisition

#### ITEC Learning Technologies Ltd

On 1st January 2019, USP College acquired ITEC Learning Technologies Limited. Accordingly, the College considers that this is an acquisition that is in substance a gift and, as such, it is accounted for using the purchase method of accounting (in accordance with Section 34 of FRS102). Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. There was a gain on assets of £95k on acquisition.

### 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 £750; 2 governors (2019: £653; 2 governor). This represents 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 2020. The total value of gifts given to governors amounted to £nil (2018: none).

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 2019/20. The College has paid maintenance and improvement costs connected with this site of £162k (2019: £176k) without seeking reimbursement from the Trust. However, the Trust has provided financial support for students local to Grays and has contributed £46k (2019: £44k) towards trips and prize giving for Palmers Campus.

### 20 Amounts disbursed as agent

<b>Learner support funds</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – bursary support	286	353
Funding body grants – free school meals	60	106
	<b>346</b>	<b>459</b>
Disbursed to students	(285)	(425)
Administration costs	(17)	(23)
Balance unspent as at 31 July, included in creditors	<b>44</b>	<b>11</b>

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.