NEW CITY COLLEGE

Report and Financial Statement

For the year ended 31 July 2020

HACKNEY | TOWER HAMLETS | REDBRIDGE | EPPING FOREST | HAVERING

Contents

OPERATING AND FINANCIAL REVIEW

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

CEO REVIEW OF 2019/20

It is self-evident that 2019/20 has been a year of exceptional challenge. The global Covid-19 pandemic has brought new and considerable difficulties to all our communities and organisations. The further education sector and New City College (NCC) are no exceptions. At the start of the year, NCC merged with both colleges in Havering (Havering College of Further and Higher Education and Havering Sixth Form College). Both colleges add considerably to the Group's strengths and its reach across east London. The focus for the year, therefore, was for us to begin to forge a cohesive organisation, recognising our local differences and to continue our journey towards an Outstanding learning experience for all our students. Indeed, we expected an Ofsted inspection in March 2020 and were confident of our prospects. Our plans, of course, were taken in a completely different direction by the pandemic.

It is pleasing to note, therefore, that the College is reporting on an Operating Deficit of just £31,000, considerably ahead of the £1.2m target deficit set by the Corporation in July 2019. A reconciliation statement outlining the difference between the operating position and the statutory deficit is given below.

In addition to the central task of maintaining a safe, supportive learning experience for our students since the first lockdown, the College has maintained its financial position and controlled costs well. The College was able to honour its commitment to staff pay and make an award ahead of the nationally negotiated recommendation.

Response to Covid-19

The College's approach to Covid-19 has been strong, decisive and values driven. Key actions have included:

- Adapting to on-line delivery rapidly, with skill and tenacity.
- Guaranteeing the employment and pay of all staff, contractors, cleaners, and catering and security staff whether they were employed directly by the College or not.
- Ensuring that one campus in Inner London and one in Outer London remained open for vulnerable learners throughout the first lockdown.
- Reopening fully for all learners from September to provide a safe, supportive learning environment.
- Managing a highly complex process for calculating grades for thousands of learners, with complete integrity.
- Delivering a balanced budget in 2019/20 despite Covid-19 related costs in excess of £1m.
- High frequency CEO Briefings that provided staff with reassurance, clarity of purpose and timely information.
- Prioritising staff, student and community wellbeing through the provision of a well-resourced counselling and mental health service and a £200,000 Hope Fund to provide emergency relief where it was needed. AoC Beacon Awards recognised the College's Covid response by commending its approach to mental health and wellbeing.

Financial Context

New City College is a large, sustainable institution with Good financial health. The group is debt free, having paid down more than £20m on inherited debt since 2016. Its operating deficit of £31,000 for 2019/20 despite Covid related costs in excess of £1m.

OPERATING AND FINANCIAL REVIEW (continued)

CEO REVIEW OF 2019/20 (continued)

Over the past four years, the College has significantly invested in capital projects that have enhanced the student experience and updated technology. The accumulated investment total since 2016 is more than £25m. A new property strategy sets out a masterplan for developing each campus in line with the College's strategic ambition.

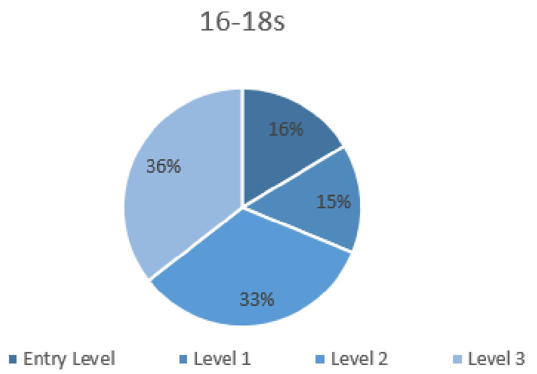
New City College is now the 4th largest further education provider in the UK, with a total income of £100 million.

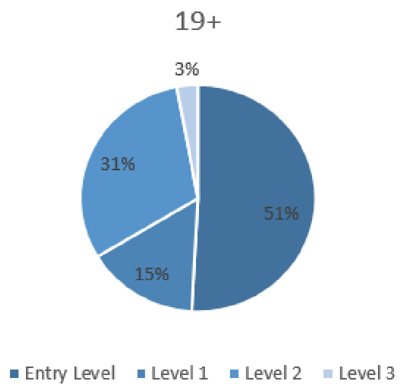
In 2019/20 the College supported some 26,000 students, comprising approximately: 9,300 16- 19s completing study programmes, 16,000 adults and 750 apprentices.

Although, as a result of the mergers, there have been significant changes across the campuses which form the Group, the institution remains clearly anchored in its shared commitment and ethos, of providing its students with opportunities through inspiring teaching, learning and assessment.

In 2016 the group purchased Westbourne Academy, a successful language school in Bournemouth which has been in operation since 1996. The school has an annual turnover of £1.5m. The Academy delivers full-time English language courses including Cambridge exams and IELTS (International English Language Test System). The busiest season is June to September when up to 300 students study at the school. The business has been significantly impacted by Covid-19. It is part of the College's operations and is not run as a subsidiary.

Enrolments by level:





Financial Performance against target

	Income	Operating Deficit
Corporation approved budget (July 2019)	£106.16m	(£1.24m)
Actual	£99.07m	(£0.03m)

Members set an operating deficit of £1.24m of 2019/20 to facilitate a pay award of 2% (staged in two parts) which was not matched by core funding rate increases.

The College is reporting an operating deficit of £31,000 (2019: £15,000 surplus) for the year ending 2019/20. Income was £7.09m lower than target, due to the impact of Covid-19 and the accelerated reduction in Higher Education activity through an independent partner provider. The adverse impact of Covid-19 on consolidated income was £1.3m against target, primarily due to much lower revenues from the College's commercial activities including Westbourne Academy and OKN1 (commercial restaurant in Hackney).

OPERATING AND FINANCIAL REVIEW (continued)

CEO REVIEW OF 2019/20 (continued)

Covid-19 related stresses were also evident in nursery, apprenticeship and full cost income. The combined net level adverse impact of Covid on the College's performance was £1.1m.

In year performance was aided by a £980,000 depreciation charge gain as a result of post-merger policy alignment and considerable costs savings, particularly in pay. The better than target operating performance is reflective of tight financial management and the utilisation of Covid-19 revenue support.

Reconciliation to reported deficit

In common with all further education sector colleges. Statutory reporting requirements (page 29) are prescriptive in their inclusion of non-cash pension adjustments that arise from the College's LGPS liabilities. Pension commitments are a significant sector issue and a topic for further debate. In aggregate, half of the College's assets are offset by pension liabilities which are very unlikely to ever crystalise. A reconciliation statement is set out below:

	£000s
Deficit per Statement of Comprehensive Income:	7,107
Operating Deficit	31
Difference	7,076
Of which:	
Non-cash items	
FRS 102 pension costs	3,321
Pension interest costs adjustments	1,396
FRS holiday accrual	169
Cash items	
Loan break costs	1,107
Merger costs	276
Restructure costs	807
	7076

The reported statutory deficit for the year of £7.107m differs from the internal measure of Operating Deficit by £7.076m. Of this, £4,717m relates to non-cash revenue charge elements of the FRS 102 adjustments to the Group's pension liabilities under the LGPS.

A further small adjustment to the reported outturn arises from a non-cash FRS holiday pay accrual treatment.

Three cash items are noted above in the reconciliation. These relate to a) the costs of termination of a loan agreement with Lloyds Bank b) non-recurrent costs relating to merger and c) non-recurrent costs relating to staffing restructure.

Pension Liability Movements

Many of the large movements in this year's balance sheet position are explained by the change in pension liabilities. This arises as a result of additional liabilities that transferred to NCC through the two mergers that completed on 1 August 2020. In addition, liabilities have risen due to changes in the underlying assumptions including the discount rate applied to future obligations.

OPERATING AND FINANCIAL REVIEW (continued)

CEO REVIEW OF 2019/20 (continued)

The balance sheet liability of £106m is significant in terms of the College's overall assets at circa 50%. This liability is in respect of obligations arising from the Local Government Pension Scheme. This scheme is a 'last person standing' scheme and it is, in the view of the College's Executive, very unlikely that these obligations would ever crystallise. Further, the College is in the process of providing security at Hackney campus to match approx. 70% of this obligation (note 24). This results in a lower revenue charge in respect of employer contributions.

Nature, Objectives and Strategies

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting New City College (formerly Tower Hamlets College). The College is an exempt charity for the purposes of the Charities Act 2011.

The College was incorporated as Tower Hamlets College on 1 January 1993. Following the merger with Hackney Community College on 1 August 2016 and in light of the merger with Redbridge College on 1 April 2017, the Corporation applied to the Department for Education for approval to change its name to New City College, to reflect the broader range of its activities in East London. This change of name was approved with effect from 1 February 2017. Epping Forest College merged with New City College on 1 August 2018 and the two Havering colleges (Havering College of F&HE and Havering Sixth Form College) merged with New City College on 1 August 2019.

Public Benefit

The College is an exempt charity under Part 3 of the Charities Act 2011 and from 1 September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 16 to 18.

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

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

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

Strategic Direction

The Corporation confirmed the Strategic Intent for the period 2020 -2025 in February 2020, with proposals for a dynamic, successful and innovative college to deliver the public benefit and the vision – "**New City College exists to give our students a better future"**.

OPERATING AND FINANCIAL REVIEW (continued)

Strategic Direction (continued)

The Strategic Intent document states that to achieve this vision, NCC will:

- Use the scale and strength of our Group to drive educational excellence and innovation.
- Continue improving student outcomes and achievement. We will inspire and support every student, whatever their background, to maximise their potential within an environment of challenging targets.
- Support our staff to develop their skills and talents and look after their wellbeing.
- Make a positive impact on our local communities and the local economy by meeting the unique needs of all the areas in which we work, within a group structure.
- Have an influential position locally and nationally. Education must enhance the progression, employment and life chances of those who study with us. This is our overarching purpose and intent.

Strategic priorities

To enable us to deliver our vision, we set ourselves the following strategic priorities for the next three years:

- We will create an evidence led, practical approach to developing group wide teaching and learning.
- We will design and implement innovative and efficient approaches to business improvement that empower staff.
- We will implement an estates strategy that delivers sector leading buildings and facilities.
- We will prioritise staff workload, wellness and sustainability as key themes of our strategic intent implementation.
- Any future expansion will be within our clear east London and south Essex footprint and bring demonstrable benefits to students and the organisation.

By 2025 New City College will be:

- An outstanding and innovative college serving its local communities.
- Focused on benefits to students including their achievement, safety, wellbeing and aspiration.
- Respected locally and influential nationally.
- Recognised as a community asset.
- Financially stable and environmentally sustainable.
- Recognised by our staff as a fair, equal and supportive employer.

Performance indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates.

The following paragraphs set out the performance against these measures and indicators.

Student achievement and progression

Over the last four years, overall NCC achievement rates have improved steadily, sustaining outcomes through multiple mergers from 82.3% in 2016/17 to 83.7% in 2017/18, 87.6% in 2018/19 and 86.5% in 2019/20. Last year's achievement was adversely affected by the impact of Covid-19.

Retention rates remain high at 94.5% and these are over 2% above the National Rate for both 16-18s and 19+ age groups.

OPERATING AND FINANCIAL REVIEW (continued)

Student achievement and progression (continued)

Progression continues to be strong for 16-18s, with more than 98% of learners with a known outcome progressing to Education or Employment. 70% of adults are known to have progressed to a positive outcome (either work or further study): due to the pandemic it has not been possible to track all adult destinations. Of the 1555 students applying through UCAS for entry to university in 2020, 90% were placed; a total of 1402 students entering higher education. 8.5% (133) gained a place at a Russell Group university.

Ofsted Inspection

Five of the six constituent colleges were rated "Good" at their last Ofsted Inspections, Tower Hamlets in December 2013, Hackney in October 2015, Redbridge in December 2015, Havering FE in January 2016 and Havering Sixth Form in October 2018.

Epping Forest was rated 'requires improvement' in February 2018 having been 'inadequate' in 2017/18. At the subsequent NCC Ofsted Monitoring Visit in July 2019, the outcomes for Epping Forest were as follows:

- What progress have leaders and teachers made in improving teaching, learning and assessment? **Outcome: Reasonable Progress**
- What progress have leaders made in setting up secure governance arrangements to ensure the quality of education and training across the newly-merged College? **Outcome: Significant Progress**

Funding

The College's performance against its key funding targets for the year in respect of activity in the year was:

- The College achieved 99% of its 16-18 learner number target. It achieved 100% of its 16-18 Responsive Funding target.
- The College achieved 95.3% of its ESFA Adult Education Budget for classroom activity and 86.5% of its GLA AEB, therefore there is no clawback of funding in line with funding guidance issued.
- The College delivered £2,110,511 of Apprenticeship income for the year.

Student numbers

In 2019/20 the College has delivered activity that has produced funding against the Education and Skills Funding Agency and Greater London Authority main allocations amounting to £54,297,263 (2018/19: £47,286,270), including Additional Learning Support.

The College had approximately 19,700 (2018/19: 14,249) learners funded by the ESFA and 4,965 (2018/19: 8,884) learners funded from other sources. There were 765 apprentices in the year compared to 820 in 2018/19.

In common with the rest of the further education sector and the wider economy, the impact of Covid-19 has become the defining influence on performance for 2019/20. The impact has been felt throughout the organisation, most notably in the year end assessment process. Despite the on-going pandemic, however, financial performance has held up well. Members approve annual budgets for the College in July and target the Executive to deliver financial outcomes measured at Operating level. This is defined as the surplus on ordinary activities before FRS adjustments for pensions and holiday accruals and also before other exceptional costs such as loan break costs and those relating to merger and restructure.

The annual accounts reported here are the first full year post the mergers with Havering College of Further and Higher Education and Havering Sixth Form College. Both mergers were completed on 1 August 2019.

OPERATING AND FINANCIAL REVIEW (continued)

Financial Objectives

The College's long-term financial objectives were approved as:

i. Financial health to remain as good to outstanding;
ii. Surpluses generated to allow the College to meet its capital investment requirements.

During the year, the focus was on the following performance indicators:

KPI	**At 31 July 2020**
Operating result before exceptional costs including FRS102 at a £1,239k deficit or better.	Favourable variance - deficit of £31k (Page 4 Financial Results)
Debt service cover, where the available cash flow for the period must be equal to or greater than the annual debt servicing costs.	All bank loans and overdrafts repaid in November 2019, therefore no debt service cover required.
Operational leverage, where the borrowings should be no more than 3.5 times the adjusted surplus for the year. Adjusted surplus is the result for the year adjusted to exclude capital grants, depreciation and amortisation, non- cash adjustments for pension costs and interest payable.	All bank loans and overdrafts repaid in November 2019, therefore no borrowings at year-end.
Proportion of funding that comes from core funding from the ESFA, including apprenticeship income, which will be as per the budget, 74%.	ESFA income 75%
a) Proportion of staff costs to total income, which will be as per the budget at 70% excluding subcontracted income. b) Proportion of staff costs and staff adjusted for agency and similar costs and subcontracting costs to total income, which will be as per the budget at 69% excluding subcontracted income.	72% 68%
Current ratio (current assets as a proportion of current liabilities) which per the budget for the end of the year is 1.09:1.	1.28:1
Cash days in hand, based on the budget profile of 47 days.	56 days

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The current rating is Good.

The reasons for the variances have been reviewed and the Corporation is satisfied with the College's overall performance against the objectives.

OPERATING AND FINANCIAL REVIEW (continued)

Financial Objectives (continued)

Financial results

The financial results are set out in the Consolidated Statements of Comprehensive Income. In summary, these are:

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Operating surplus/(deficit) before restructuring costs, merger costs and adjustments for FRS 102 Pension Costs	(31)	15
Holiday Pay Accruals adjustment	(169)	254
Restructuring costs	(807)	(864)
(Loss)/profit on fixed assets	4,786	7,838
Poplar Redevelopment Costs (capitalised/fully depreciated in year)	-	(917)
Loan Breakage Costs	(1,107)	(650)
Merger related costs	(276)	(498)
Surplus before adjustments for FRS 102 Pension Costs	2,396	5,178
Gain on the fair valuation of assets acquired on merger with Epping Forest	-	36,889
Gain on the fair valuation of assets acquired on merger with Havering College of Further & Higher Education	22,102	-
Gain on the fair valuation of assets acquired on merger with Havering Sixth Form College	20,539	-
Adjustments for FRS 102 Pension Costs	(44,355)	(3,911)
Release of Endowment income spent in year	(200)	-
Gain/(Loss) on Investments	(28)	4
Surplus per Comprehensive Income	454	38,160

The surplus for the year added to reserves is £454,000 (2018/19: a surplus of £38,160,00).

At 31 July 2020, the Group has accumulated reserves and cash and short term investment balances of £54,812,000 and £14,541,000 (2018/19: 54,358,000 and £11,388,000 respectively).

The College has two subsidiary companies:

- OKN1 Limited (formerly, The Trading Company (Hackney) limited). In the current year, the company made a deficit of £321,860 (2018/19: a deficit of £124,415).
- New City Fitness Limited (formerly, Shoreditch Community Sports Centre Limited. In the current year, the company made a deficit of £106,042 (2018/19: a deficit of £62,577).

Any taxable profits generated by the subsidiaries are transferred to the College under the Gift Aid Scheme.

Tangible fixed asset additions during the year amounted to £11,852,000. This was split between land and buildings improvements of £7,569,000 and equipment purchased of £4,283,000.

The College has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2019/20 the ESFA provided 75% (2018/19: 61%) of the College's total income.

OPERATING AND FINANCIAL REVIEW (continued)

Financial Objectives (continued)

Treasury policies and objectives

Treasury management of the College's cash flows, its banking and money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks are managed by the Deputy CEO and the Group Finance Director. Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Liquidity

The College had no borrowing as at 31 July 2020, with cash balances and short term investments of £14,541,000 and no debt (2018/19: £11,388,000). There was a net cash inflow of £3,153,000 (2018/19 of £3,100,000).

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. In the interests of operational efficiency it is the College's practice to pay suppliers invoices by BACS transmission twice per month. The College incurred no interest charges in respect of late payment for this period.

Curriculum Developments for 2019/20

At the start of the 2019/20 financial year, New City College completed the merger with the two Havering Colleges.

New City College serves a diverse urban area, spanning from the City to the outer boroughs of north east London and south Essex. The Group's catchment areas include pockets of high deprivation as well as some of the most affluent areas in the country. The majority of the student body live in significantly deprived wards; approximately 34% of the group's adult cohort are dependent on benefits or income support, and over 34% of 16-19s completing study programmes are in receipt of free school meals. In this context New City College continues to have a significant impact on the lives of the students it educates and the communities it serves. Although, as a result of the recent mergers, there have been significant changes across the campuses which form the group, the institution remains clearly anchored in its shared commitment and ethos, of providing its students with opportunities through inspirational teaching, learning and assessment.

New City College is a sustainable institution with outstanding financial health and prudent plans for future growth and capital investment. Throughout the last academic year, the group was able to complete a significant programme of investment at the Hackney and Redbridge campuses, following a period of under-investment prior to merger. This included updating the IT infrastructure and refurbishing and reconfiguring a number of communal spaces, including a new modern and welcoming reception area at the Hackney campus. The College has also invested in specialist commercial facilities to support transition into work. Notably, this has included OKN1 a new student run commercial restaurant in Hoxton.

OPERATING AND FINANCIAL REVIEW (continued)

Post balance sheet events

As part of the transfer of assets and liabilities of the pension fund from the merger with the Havering Colleges and to reduce the employer contribution rate for three years. The College will provide a charge on the Hackney campus to the Local Government Pension Scheme (LGPS) for a value £63.19 million.

Resources

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

Tangible Resources
Tangible resources include the principal College campuses for:

- Tower Hamlets, freehold sites at Poplar High Street and Arbour Square,
- Hackney a freehold site at Shoreditch
- Redbridge, a freehold site at Chadwell Heath
- Epping, a freehold site at Loughton
- A freehold site in Bournemouth
- Havering Borough, freehold sites at Rainham, Ardleigh Green and Wingletye Lane.

Together with a lease to be extended which is expiring in December 2020 for premises in Ilford.

Financial
As at 31 July 2020, the College had £161.0 million of net assets (excluding £106.4 million pension liability) and no debt.

People
During the year ended 31 July 2020, the College employed 1,284 people (expressed as full time equivalents), of whom 602 are teaching staff. In terms of headcount this is 1,808.

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

Principal Risks and Uncertainties

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

Based on the strategic intent, the College Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. 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, the College Senior Management Team also consider any risks which may arise as a result of a new area of work being undertaken by the College. The significant risks are reviewed by the Audit Committee at least twice a year at their meetings.

The operating environment is one of rapid change which is reflected in the nature of the principal risk factors that may affect the College, with or without merger or collaboration, and these are described below. This environment requires the Corporation, management and staff to be informed of the changes, aware of the opportunities and able to adapt. Not all the risk factors are within the College's control.

OPERATING AND FINANCIAL REVIEW (continued)

Principal Risks and Uncertainties (continued)

The College has managed well the impacts and the mitigations required of the COVID 19 pandemic, the most significant risk in the reporting period, in all aspects. The College managed the initial lockdown in March 2020 adopting the Government guidelines:

- The Executive adopted a framework to safely continue operations of the College balancing at all times the needs of our students and staff.
- The College has continued to provide education and training for the core services during lockdown for children of critical workers / and vulnerable children/adults and reopened in June and July to support learners who needed to attend campus to achieve their outcomes. The College adapted successfully to an online learning model and delivered good student outcomes as reported in the student achievement and progression note on page 3. The College opened all campuses for on-site delivery in September 2020 for the 2020/21 financial year.
- The College honoured all existing contracts and payments to staff and suppliers and furloughed a small number of staff employed in the commercial operations of the College.
- The College financial regulations continued to be followed with no waivers required.
- All Executive and Governance operations continued to operate working within Government guidelines.

The ten key College risks that are managed by the Executive are:

- The Risk of not maintaining, if not improving on the Ofsted 'Good' Grade – The College has a coherent quality management system in place.
- The Risk that the curriculum offer does not meet local and national requirements – The College has an effective curriculum planning process led by the Principals.
- The Risk of not being able to recruit, retain and develop staff – The College has an effective HR strategy/plan for teaching and learning, and support staff.
- The Risk that one or more of our sub contractors are unable to deliver or create a harmful reputational issue – The College has a robust subcontracting framework in place covering due diligence, procurement and monitoring of activities.
- The Risk of not keeping students and staff safe – The College has effective Safeguarding policies and procedures in place, good Health & Safety Management policies and good oversight by management and governors.
- The Risk of inadequate oversight by management and governors –The College has an effective framework of governance, leadership and management of all operations at senior and middle management.
- The Risk of not achieving sufficient recurrent surpluses to be financially sustainable – The College has an effective business planning process to ensure long term financial sustainability.
- The Risk of being unable to fund short and long term investment – The College has effective business and capital planning, and agreed principles to support capital investment.
- The Risk of non compliance on strategy and regularity matters – The College senior team maintain and take effective action to ensure all regularity matters are complied with and report to governors.
- The Risk of inadequate systems and processes to enable effective delivery to student and efficient College operations – The College has an effective project management approach and has been successful in aligning core College systems through the different mergers.

Stakeholder Relationships

In line with other colleges, New City College has many stakeholders. These include:

- Students;
- Funding Bodies, primarily the ESFA, GLA and OfS;
- Staff;

OPERATING AND FINANCIAL REVIEW (continued)

Stakeholders Relationships (continued)

- Local employers;
- Local authorities;
- Government Offices and Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- Higher Education institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College website, meetings and other appropriate channels of communication

Trade Union Facility Time Publication Requirements

Facility Time is the provision of paid or unpaid time off from an employee's normal role to undertake TU duties and activities as a TU representative. There is a statutory entitlement to reasonable paid time off for undertaking union duties.

This agreement sets out the amount of time off that can be provided whilst recognizing fluctuations in use may occur depending on demands on time. Both employers and TU representatives have an important role to play in effectively and efficiently managing the use of facility time.

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period	***Full time equivalent employee number***
18	15.2

Percentage of time spent of facility time

Percentage of time	***Number of employees***
0%	
1-50%	18
51-99%	
100%	

Percentage of pay bill spent on facility time

Description	***Figures***
Provide the total cost of facility time	£31,312
Provide the total pay bill	£63,680,000
Provide the percentage of the total pay bill spent on facility time, calculated as; (total cost of facility time ÷ total pay bill) x100	0.049%

Paid Trade Union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	3.1%

OPERATING AND FINANCIAL REVIEW (continued)

Equal opportunities and employment of disabled people

New City College is committed to providing a high quality educational experience and to promoting, maintaining and supporting equality and diversity in all aspects of its work.

The College will actively seek to ensure that students and staff experience equality of opportunity and are free from harassment, discrimination or victimisation of any kind, regardless of age, sex (gender), disability, learning difficulty, sexual orientation, gender reassignment and gender recognition, religious or political belief, race, ethnicity, nationality, national origins, family or marital status, social isolation, social status and deprivation, homelessness, unemployment, asylum and refugee status or membership of a trade union, or for any other identifiable cause protected by law.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010 and associated legislation. This has been summarised in the College's Single Equality Scheme, published on the College website, and includes the following:

- The College has a Group Curriculum Director for SEND and ALS who provides information, advice and arranges support where necessary for students with disabilities;
- There is a list of specialist equipment, which the College can make available for use by students, held by the IT department, learning technologies team and the additional learning support team. There is also a range of assistive technology equipment/resources available in the library learning centres at each main site;
- The admissions policy for all students is described in the published Admissions Policy. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- 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;
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format;
- Counselling and welfare services, together with the Complaints and Disciplinary Procedures, are described to students at induction.

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 auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 15 December 2020 and signed on its behalf by:

Rob Hull
Chair

Professional advisers

Financial statement and Regularity auditor:
KPMG LLP
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Canary Wharf
London
E14 5GL

Bankers:
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1 Churchill Place,
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E14 5HP

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1 -11 Broadway
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Internal auditor:
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EC4R 1BE

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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 the date of signing the 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); and

ii. having due regard to the English College's Code of Good Governance (the Code), as adopted by the College in 2015. The code was drafted by the Association of Colleges and has been adopted by the majority of member colleges.

The College is committed to exhibiting best practice in all aspects of corporate governance and does so by self-assessing its Board on an annual basis, against best governance practice and the Code. In the opinion of the governors, the College complies with the Code for the year 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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 Chair of the Corporation for the academic year 2019-20 was Rob Hull and the Vice Chair was Marilyn Hawkins.

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in Table 1.

Table 1: Governors serving on the College Board during 2019/20

Name	Date of appointment	Term of office	Date of resignation/ End of Office	Status of appointment	Committees served
Rob Hull	Jan-19	4 years Apr-19 to Dec-22		Chair of Governors	Search, F&GP, Remuneration, Property
Marina Antoniou	Aug-19	4 years	November 19 (co-opted to Audit)	Independent	Audit
Richard Bint	Aug-19	4 years	Reappointed December 19	Independent	F&GP, Havering Local Board
Vivien Bailey	Oct-14	4 years	Reappointed October 18	Independent	CQ&S, Search
Stephen Critoph	Aug-19	4 years		Independent	F&GP, Remuneration
Cynthia Griffin	Jan-19	4 years		Independent	CQ&S, Audit, Property
Marilyn Hawkins	Aug-18	4 years		Independent	F&GP, Search, CQ&S, Havering Local Board, Remuneration,
Steve Hedges	Dec-14	4 years	Reappointed Dec-18	Staff	CQ&S

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Table 1: continued

Name	Date of appointment	Term of office	Date of resignation/ End of Office	Status of appointment	Committees served
Nikki Makinwa	Sep-14	4 years	Reappointed Sept-18	Independent	CQ&S
Gerry McDonald	Apr-13	Ex-officio		CEO	F&GP, Search, CQ&S, Property
Diana Murray	Aug-18	4 years		Independent	CQ&S, Search
Malcolm O'Brien	Aug-19	4 years	Resigned July-20	Independent	Property
Dawn Samwell	Aug-19	4 years	Term ends July 21	Independent	CQ&S, Havering Local Board
Lutfey Siddiqi	Apr-18	4 years		Independent	F&GP
Gareth Wall	Oct-13	4 years	Reappointed Oct-17	Independent	Audit, Property
Neil Yeomans	Jan-19	4 years		Independent	Audit, Search, Remuneration
Ryan Mclean	March-20	2 years		Student	C,Q&S
Shehzad Siddiqi	March-20	1 year	Term ended July-20	Student	C,Q&S

Governors can serve a maximum of 2 terms of 4 years each, or up to 8 years, unless there are exceptional circumstances.

Overall attendance (at Corporation and Committee meetings) was 84%.

The non-governors who were co-opted to serve on Committees during the year were:

Name	Committees Served	Date of Resignation
Neal Hunt	Property	
Cormac MacCrann	Property	
Thana Nathan	Audit	
Nurul Islam	Property	
Marina Antoniou	Audit	March 2020

The Director of Governance as at 31 July 2020 was Elsa Wright, who joined the College in January 2020.

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

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The Corporation conducts its business through the Corporation Board and its Committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes, Remuneration, Search & Governance, Curriculum Quality & Students, Audit and Property. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Director of Governance at:

New City College
112 Poplar High Street
Poplar
London
E14 0AF

The Director of Governance 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 Director of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance 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 via an electronic Board Portal App. Briefings are provided on an ad-hoc basis and governors receive a weekly email on sector and college matters.

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Chief Executive Officer (CEO) of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

The Corporation has determined that the maximum number of consecutive terms for which a member may hold office is two x 4 years. The Search & Governance committee provides an Annual Report on its work, which is available from the Director of Governance and published on the website.

Audit Committee

The Audit Committee comprises four members, including co-optees (a majority of which must be members of the Corporation) and excludes the CEO, Chair and staff members. The committee operates in accordance with written terms of reference approved by the Corporation and in accordance with the Post 16 Audit Code of Practice.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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

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

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

Finance & General Purposes committee (F&GP)

The F&GP committee normally comprises 6 members. It operates in accordance with written terms of reference approved by the Corporation, advising on appropriate financial policies and procedures subject at all times to the requirements of the Financial Memorandum between the Corporation and the Education and Skills Funding Agency and the Articles of Government.

Meeting four times a year, the Committee oversees the financial affairs of the Corporation, monitors staffing issues and considers and advises the Corporation on matters relating to estates and buildings, health and safety, along with determining such other matters that may be delegated to it.

Remuneration committee

The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders. The Committee met three times during the year and among its work, approved the SPH Remuneration Code. An Annual Report of the Remuneration Committee is available from the Director of Governance.

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

Curriculum, Quality & Students committee (CQ&S)

The CQ&S committee comprises a minimum of six members and includes two student governor members and two staff members. It operates in accordance with written terms of reference approved by the Corporation and meets on four occasions each academic year. It advises on the procedures in place for the continuous review of the curriculum offered by the college, along with the effectiveness of strategies used by managers to improve quality and the academic standard of provision for students, including HE and sub-contracted provision. In addition, it has responsibility for reviewing and monitoring the arrangements for the promotion of equality, diversity and safeguarding.

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 Group Principal & CEO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the

Financial Memorandum between New City College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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 New City College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk
The Corporation has reviewed the key risks by means of a risk register, 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 Audit Committee and the Corporation.

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

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

New City College has an internal audit service, which operates in accordance with the requirements of the Skills Funding Agency'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 Audit Committee.

Annually, the Chair of the Audit Committee provides the governing body with a report on audit activity in the College. Further the internal audit provider submits an annual report to the Audit Committee and thence the governing body. The report includes the independent internal audit providers' opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness
As Accounting Officer, the Group Principal & CEO 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 (where appointed);
- 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 regularity auditors, the appointed funding auditors in their management letters and other reports.

The Group Principal & CEO has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the audit committee, which oversees the work of the internal auditor and the Risk Management Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The Group Principal & CEO and 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 CEO and senior management team and the Audit Committee also receive regular reports from internal audit (where appointed), which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Corporation's reporting format ensures the consideration of risk and control and receives specific reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2020.

Based on the advice of the Audit Committee and the CEO, 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. 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:

Rob Hull
Chair

Gerry McDonald
Accounting Officer

THE BOARD'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH THE FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Board has considered its responsibility to the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with the ESFA's terms and conditions of funding, under the College's grant funding agreements 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 Board, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the college, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contracts with the ESFA 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.

Approved by order of the members of the Board on 15 December 2020.

Rob Hull
Chair

Gerry McDonald
Accounting Officer

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.

Within the terms and conditions of the College's Grant Funding Agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2019 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2019 to 2020* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group 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 expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Grant Funding Agreements and contracts with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 15 December 2020 and signed on its behalf by:

Rob Hull
Chair

INDEPENDENT AUDITOR'S REPORT TO CORPORATION OF NEW CITY COLLEGE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of New City College ("the College") for the year ended 31 July 2020 which comprise the Consolidated and College Statements of Comprehensive Income, Consolidated and College Statements of Changes in Reserves, Consolidated and College Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion 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 and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*.
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the OfS Accounts Direction').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Corporation has prepared the financial statements on the going concern basis as it does not intend to liquidate the Group or the College or to cease their operations, and as it has concluded that the Group and the College's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Other information

The Corporation is responsible for the other information, which comprises the Operating and Financial Review and Statement of Corporate Governance and Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2019 to 2020 (July 2020) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 23, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the OfS Accounts Direction.
In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the articles of government; and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception
We are required by the OfS Accounts Direction to report to you where the results of our audit work indicate that the Group's and the College's grant and fee income, as disclosed in note 2b to the financial statements has been materially misstated.
We have nothing to report in this respect.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Corporation, in accordance with Article 22 of 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 for our audit work, for this report, or for the opinions we have formed.

JLees

Joanne Lees
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

18 December 2020

Reporting Accountant's Report on Regularity to the Corporation of New City College and the Secretary of State for Education acting through the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 8 July 2020 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by New City College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of New City College and the reporting accountant

The corporation of New City 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 Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;

- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

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

JLLees

Joanne Lees
for and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
15 Canada Square
London E14 5GL

18 December 2020

CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	78,315	78,315	49,177	49,177
Tuition fees and education contracts	3	15,571	15,571	20,732	20,732
Other grants and contracts	4	417	318	52	52
Other income	5	4,547	4,270	5,040	4,727
Investment income	6	222	222	11	11
Total income		**99,072**	**98,696**	**75,012**	**74,699**
EXPENDITURE					
Staff costs	7	63,830	63,303	40,016	39,858
Restructuring costs	7	807	807	864	864
Other operating expenses	8	31,395	31,591	31,948	31,509
Depreciation and amortisation	10,12	7,540	7,488	5,744	5,716
Interest payable and other finance costs	9	2,607	2,607	1,978	1,978
Total expenditure		**106,179**	**105,796**	**80,550**	**79,925**
Deficit before other gains and losses		**(7,107)**	**(7,100)**	**(5,538)**	**(5,226)**
Profit on disposal of assets		4,786	4,779	7,838	7,847
(Loss)/Gain on investments		**(28)**	**(28)**	**4**	**4**
Surplus/(Deficit) for the year		**(2,349)**	**(2,349)**	**2,304**	**2,625**
Gain on the fair valuation of assets and liabilities acquired on the merger with Epping Forest College		-	-	36,889	36,889
Gain on the fair valuation of assets and liabilities acquired on the merger with Havering College of Further & Higher Education	23	22,102	22,102	-	-
Gain on the fair valuation of assets and liabilities acquired on the merger with Havering Sixth Form College	23	20,539	20,539	-	-
Actuarial loss in respect of pensions schemes	22	(39,638)	(39,638)	(1,033)	(1,033)
Release of Endowment income spent in year		(200)	(200)	-	-
Total Comprehensive Income and Expenditure for the year		**454**	**454**	**38,160**	**38,481**
Represented by:					
Endowment comprehensive income		(228)	(228)	4	4
Unrestricted comprehensive income		682	682	38,156	38,477
		454	**454**	**38,160**	**38,481**

CONSOLIDATED AND COLLEGE STATEMENTS OF CHANGES IN RESERVES

	Income and Expenditure Reserve - Unrestricted	Revaluation reserve	Endowment Reserve	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 1st August 2018	3,745	11,932	521	16,198
Surplus from the income and expenditure account	2,300	-	4	2,304
Other comprehensive income	35,856	-	-	35,856
Transfers between revaluation and income and expenditure reserves	346	(346)	-	-
Total Comprehensive Income and Expenditure for the year	38,502	(346)	4	38,160
Balance at 31st July 2019	42,247	11,586	525	54,358
Deficit/(surplus) from the income and expenditure account	(2,321)	-	(28)	(2,349)
Other comprehensive income	3,003	-	-	3,003
Release of Endowment income spent in year	-	-	(200)	(200)
Transfers between revaluation and income and expenditure reserves	399	(399)	-	-
Total Comprehensive Income for the year	1,081	(399)	(228)	454
Balance at 31st July 2020	**43,328**	**11,187**	**297**	**54,812**
College				
Balance at 1st August 2018	3,424	11,932	521	15,877
Surplus/(deficit) from the income and expenditure account	2,621		4	2,625
Other comprehensive income	35,856		-	35,856
Transfers between revaluation and income and expenditure reserves	346	(346)	-	-
Total Comprehensive Income and Expenditure for the year	38,823	(346)	4	38,481
Balance at 31st July 2019	42,247	11,586	525	54,358
Surplus/(deficit) from the income and expenditure account	(2,321)	-	(28)	(2,349)
Other comprehensive income	3,003	-	-	3,003
Release of Endowment income spent in year	-	-	(200)	(200)
Transfers between revaluation and income and expenditure reserves	399	(399)	-	-
Total Comprehensive Income and Expenditure for the year	1,081	(399)	(228)	454
Balance at 31st July 2020	**43,328**	**11,187**	**297**	**54,812**

CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY

	Notes	Group	College	Group	College
		2020	**2020**	**2019**	**2019**
		£'000	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible fixed assets	10	202,168	201,813	117,593	117,327
Investments	11	297	297	525	525
Goodwill	12	617	617	719	719
		203,082	**202,727**	**118,837**	**118,571**
Current assets					
Stock		3	-	6	-
Trade and other receivables	13	8,037	8,454	16,921	17,681
Investments		-	-	-	-
Cash and cash equivalents	19	14,541	14,505	11,388	10,903
		22,581	**22,959**	**28,315**	**28,584**
Less: Creditors – amounts falling due within one year	14	(17,644)	(17,667)	(16,601)	(16,604)
Net current assets/(liabilities)		**4,937**	**5,292**	**11,714**	**11,980**
Total assets less current liabilities		**208,019**	**208,019**	**130,551**	**130,551**
Less: Creditors – amounts falling due after more than one year	15	(44,170)	(44,170)	(38,370)	(38,370)
Provisions					
Defined benefit pension obligations	22	(106,391)	(106,391)	(36,674)	(36,674)
Other provisions	17	(2,646)	(2,646)	(1,149)	(1,149)
Total net assets		**54,812**	**54,812**	**54,358**	**54,358**
Restricted Reserves					
Income and expenditure reserve – endowment reserve		297	297	525	525
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		43,328	43,328	42,247	42,247
Revaluation reserve		11,187	11,187	11,586	11,586
Total unrestricted reserves		54,515	54,515	53,833	53,833
Total Reserves		**54,812**	**54,812**	**54,358**	**54,358**

The financial statements on pages 29 to 59 were approved and authorised for issue by the Corporation on 15 December 2020 and were signed on its behalf on that date by:

Rob Hull
Chair

Gerry McDonald
Accounting Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities			
(Deficit)/Surplus for the year		(2,349)	2,304
Adjustment for non-cash items			
Depreciation and amortisation	10,12	7,540	5,744
Decrease in stocks		3	(2)
Decrease/(Increase) in debtors	13	8,884	1,896
(Decrease)/increase in creditors due within one year	14	1,043	(802)
(Decrease)/Increase in creditors due after one year and other provisions	15,17	7,297	692
Pensions costs less contributions payable	22	3,321	1,950
Taxation			
Adjustment for investing or financing activities			
Investment income	6,11	(222)	(11)
Interest payable and other finance cost	9	2,607	1,978
Loss/(profit) on sale of fixed assets		(4,786)	(7,838)
Net cash flow from operating activities		**23,338**	**5,911**
Cash flows from investing activities			
Proceeds from sale of fixed assets		13,500	14,615
Investment income	6,11	212	15
Payments made to acquire fixed assets	10	(11,852)	(4,807)
		1,860	9,823
Cash flows from financing activities			
Interest paid		(1,204)	(1,019)
Finance lease interest paid		(7)	-
Finance leases repaid		(62)	-
Decrease/(Increase) of deposits		-	1,084
Repayments of amounts borrowed		(3,864)	(7,917)
Net assets, excluding net current assets, transferred from Epping Forest College on merger		-	(4,782)
Net assets, excluding net current assets, transferred from the Havering Colleges		(16,908)	-
		(20,544)	(12,634)
(Decrease)/increase in cash and cash equivalents in the year		**3,153**	**3,100**
Cash and cash equivalents at beginning of the year	19	11,388	8,288
Cash and cash equivalents at end of the year	19	14,541	11,388

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2016 (the 2015 FE HE SORP), the College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

In preparing these financial statements, the College has applied the exemptions available under FRS 102 to disclose a cash flow statement.

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance, are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The College has undertaken additional financial risk assessments and reported at every Corporation meeting since the start of the COVID 19 pandemic to conclude that there are no material impacts that could cast significant doubt over their ability to continue as a going concern.

The College managed the impacts of the COVID 19 pandemic and other adverse business events to ensure the operational and financial plans during the financial year (2019/20) were not materially impacted to affect the financial results for the year. The College was debt free at the year-end, with sufficient cash reserves and an unutilised bank Revolving Credit Facility (RCF) of £5 million to support on-going operations.

The plans agreed by the Corporation in July 2020 for 2020/21 and the following year considered the plausible but severe impacts from operations including the effects of the COVID 19 pandemic and the opportunities that may arise for the Further Education sector and specifically for the College. The adverse impacts considered mainly arise from commercial and demand led activities, for example the reduction of fee income by 20%, a fall in commercial activities by 30%, apprenticeship income reduction of 10% and with proportionate mitigation of variable costs the net financial impact remained manageable. The College considered opportunities to increase student income from delivery of courses for the unemployed and reskilling required for the local economy caused by the pandemic. The College has gained additional funding for Adults and support for 16-18 learners in 2020/21 financial year, confirming the likelihood of these opportunities. The sensitivity analysis was carried out to confirm the prudent plans in place.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

The approved College plans for 2020/21 continue to take a prudent view, planning for a breakeven revenue budget and a reduced routine capital investment plan for the year to ensure the maintenance of sufficient cash reserves.

The College considered and risk assessed all commercial and demand led operations during the planning for 2020/21 to ensure the impacts, in particular of COVID 19 can be mitigated by building flexibility in the control and mitigation of costs. The College continues to have in place the £5 million

RCF to ensure adequate cash cover, the cash flow forecast for the next 12 months from the date of signing indicates there is no need for the use of the RCF.

The College's forecasts and financial projections for the two years to 31 July 2022 indicate that it will be able to operate within its existing finances for at least the next 12 months from the date of approval of these financial statements. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the at least the next 12 months from the date of approval of these financial statements, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Basis of consolidation

In preparing these financial statements the College has reviewed the appropriate treatment for business combinations in line with FRS 102.

Where the business combination is of entities with comparable income levels, asset bases and the complexity of operations, it is accounted for using merger accounting, with the prior year amounts being restated accordingly to reflect the merged position.

Otherwise, business combinations are accounted for by applying the acquisition method and the assets and liabilities acquired are adjusted to fair values, using external professional advisers where appropriate.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

The consolidated financial statements include the College and its subsidiary companies, OKN1 Limited (previously known as The Trading Company (Hackney) Limited) and the New City Fitness Limited (previously known as the Shoreditch Community Sports Centre Limited), all controlled by the Group. Intra-group transactions 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. All financial statements are made up to 31 July 2020.

Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

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

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

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

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Post-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. In addition, the College provides defined contribution schemes to a small number of employees.

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Post-retirement Benefits (continued)

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit pension 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 other recognised gains and losses.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Short term Employment benefits

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

Non-current Assets - Tangible fixed assets

Land and Buildings
Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

Land and buildings acquired through merger are dealt with using acquisition accounting, are revalued to fair value, based on independent professional advice. The land & buildings at the Havering campuses were revalued on the 1 August 2019.

Building improvements made since incorporation are included in the balance sheet at cost.

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations (in excess of £1,000,000) to buildings over the remaining period of their useful economic life of 50 years. Other adaptations (less than £1,000,000) to buildings are depreciated over the period of their useful economic life of up to 15 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 income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Non-current Assets - Tangible fixed assets (continued)

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

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

Equipment
Equipment costing less than £1000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Other equipment is depreciated over its useful economic life as follows:

- motor vehicles - 5 years on a straight-line basis
- general equipment - 3, 5 & 10 years on a straight line basis
- computer equipment - 6 years on a straight-line basis
- Software - 5 & 10 years on a straight-line basis
- furniture, fixtures and fittings - 10 years on a straight-line basis.

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Investments and endowment assets

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Goodwill

Goodwill is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration paid, and the fair value of the net assets transferred. Goodwill is amortised over a 10 year period. An annual review is carried out of the goodwill to confirm the carrying value as at 31 July 2020.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

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

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

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

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

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities and can be readily converted to cash within three months.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support Funds. Related payments received from the funding bodies and subsequent disbursements to students are included in the Income and Expenditure account as appropriate.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- *Impairment of the carrying value of tangible fixed assets and goodwill*
  A review has been undertaken to determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

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

- *Local Government Pension Scheme*
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Funding body grants

	2020		2019	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Recurrent grants				
Education and Skills Funding Agency - adult	2,868	2,868	13,797	13,797
Education and Skills Funding Agency - 16-18	52,974	52,974	31,437	31,437
Education and Skills Funding Agency - apprenticeships	1,975	1,975	1,125	1,125
Greater London Authority - adult	15,410	15,410	-	-
Higher Education Funding Council	713	713	1,431	1,431
Specific grants				
Education and Skills Funding Agency - provider relief scheme	103	103	-	-
ESFA Non-recurrent grants	181	181	156	156
GLA Non-recurrent grants	68	68	-	-
Teacher Pension Scheme contribution grant	1,992	1,992	-	-
Releases of government capital grants	1,831	1,831	1,048	1,048
HE grants	200	200	183	183
Total	**78,315**	**78,315**	**49,177**	**49,177**

Under the provider release scheme, the corporation received funding of £102,986 from the ESFA. This amount was fully spent in the year.

2b HE Grant and Fee income

	2020		2019	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Grant income from the Office for	914	914	1,614	1,614
Grant income from other bodies	-	-	-	-
Fee income for taught awards (exc. VAT)	6,149	6,149	11,031	11,031
Total	**7,063**	**7,063**	**12,645**	**12,645**

HE grant and fee income relate to courses at Level 4 and above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Tuition fees and education contracts

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	1,255	1,255	841	841
Apprenticeship fees and contracts	-	-	-	-
Fees for FE loan supported courses	1,173	1,173	838	838
Fees for HE loan supported courses	6,149	6,149	11,031	11,031
International student fees	328	328	544	544
Total tuition fees	8,905	8,905	13,254	13,254
Education contracts	6,666	6,666	7,478	7,478
Total	**15,571**	**15,571**	**20,732**	**20,732**

4 Other Grants and Contracts

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	143	143	-	-
Coronavirus Job Retention Scheme	175	76	-	-
Other grants and contracts	99	99	52	52
Total	**417**	**318**	**52**	**52**

The corporation furloughed staff who work within the College's commercial related activities which included its language school and it's two subsidiary companies, New City Fitness Ltd and OKN1 Ltd under the government's Coronavirus Job Retention Scheme. The funding received in respect of 36 staff of £175,000 relates to staff costs which are included within the staff costs note below as appropriate.

5 Other income

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	168	48	112	17
Other income generating activities	2,230	2,081	2,334	2,129
Non government capital grants	269	269	286	273
Property Income	1,649	1,641	2,065	2,065
Miscellaneous income	231	231	243	243
Total	**4,547**	**4,270**	**5,040**	**4,727**

6 Endowment and investment income

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	200	200	-	-
Other interest receivable	22	22	11	11
Total	**222**	**222**	**11**	**11**

7 Staff costs

The average number of persons (including senior post-holders) employed by the College during the year, described as full-time equivalents, was:

	2020	2019
	Group No.	Group No.
Teaching staff	602	344
Non-teaching staff	682	511
	1,284	**855**

Staff costs for the above persons	2020	2019
	Group	Group
	£'000	£'000
Wages and salaries	47,534	30,551
Social security costs	4,716	3,129
Other pension costs	11,580	6,336
Payroll sub total	**63,830**	**40,016**
Contracted out staffing services	-	-
Staff costs before restructuring costs	63,830	40,016
Fundamental restructuring costs		
- Contractual	807	864
- Non-contractual	-	-
	64,637	**40,880**

Key management personnel - College and Group

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team which comprises the Group Principal and Chief Executive Officer, the Deputy CEO, the three college principals, and five directors with cross-college responsibility. Staff costs include compensation paid to key management personnel for loss of office.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Staff costs (continued)

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:	10	10

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

	Key Management		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£10,001 to £15,000	-	-	3	-
£15,001 to £20,000	-	-	2	-
£20,001 to £25,000	-	1	-	1
£25,001 to £30,000	-	-	1	-
£30,001 to £35,000	-	-	2	-
£40,001 to £45,000	-	1	-	4
£45,001 to £50,000	-	-	1	-
£50,001 to £55,000	-	-	3	5
£60,001 to £65,000	-	-	6	10
£65,001 to £70,000	-	-	8	-
£70,001 to £75,000		3	7	6
£75,001 to £80,000	-	-	2	-
£80,001 to £85,000	4	-	4	1
£85,001 to £90,000	-	-	1	-
£90,001 to £95,000	-	2	-	-
£100,001 to £105,000	1	1	-	-
£110,001 to £115,000	-	1	-	-
£120,001 to £125,000	3	-	-	-
£150,001 to £155,000	1	-	-	-
£195,001 to £200,000	-	1	-	-
£235,001 to £240,000	1	-	-	-
	10	**10**	**40**	**27**

Key management personnel emoluments is made up as follows:

	2020 £'000	2019 £'000
Salaries – gross of salary sacrifice and waived emoluments	1,184	962
Employer's National Insurance [or social security contributions]	156	122
Benefits in kind	-	-
	1,340	**1,084**
Pension contributions	238	146
Total emoluments	**1,578**	**1,230**

7 Staff costs (continued)

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

The above key management personnel includes twelve Other Staff post holders who were not in post for a full year and the remuneration for these employees was less than £60,000. This includes three post holders who would have been within the £70,001 to £75,000 banding, seven post holders in the £65,001 to £70,000 banding, and two post holders in the £60,001 to £65,000 banding.

The College's Accounting Officer and other key management personnel are paid a fair and appropriate remuneration based on the value delivered by the individual acting within their role. The value factors considered by the College are market rates, roles, skills and experience. The remuneration packages of both the Accounting Officer and other key management personnel are regularly bench marked within the sector and remuneration decisions are based on robust evidence.

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

	2020	2019
	£'000	£'000
Salaries	235	200
Benefits in kind	-	-
	235	200
Pension contributions	54	33
Total compensation	**289**	**233**

The governing body 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 Key management staff, including the Group Principal and Chief Executive Officer, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

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

Relationship of Group Principal and Chief Executive Officer pay and remuneration expressed as a multiple.

	2020	2019
	£'000	£'000
Group Principal and CEO's basic salary as a multiple of the median of all staff	7.36:1	6.2:1
Group Principal and CEO's total remuneration (including pension contributions) as a multiple of the median of all staff	7.84:1	6.6:1

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Other operating expenses

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	15,261	15,261	19,427	19,427
Non-teaching costs	7,480	7,748	6,132	5,789
Premises costs	8,654	8,582	6,389	6,293
Total	**31,395**	**31,591**	**31,948**	**31,509**

Other operating expenses include:

	2020	2019
	Group	Group
	£'000	£'000
Auditors' remuneration:		
Financial statements audit current year	88	66
Financial statements audit previous year	5	9
Internal audit (not performed by financial auditors)	50	51
Other services provided by the financial statements auditors*	13	15
Hire of assets under operating leases	265	223
Hire of Land & Buildings	302	306

*includes £6,000 in respect of TPA Certification and £7,178 in respect of Corporate Taxation advice for the subsidiary companies

9 Interest payable and other finance cost – Group and College

	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loans	97	369
Loan Breakage Costs	1,107	650
On finance leases	7	-
Enhanced pension	-	30
Pension finance costs (note 22)	1,396	929
	2,607	**1,978**

10 Tangible fixed assets (Group)

	Group			
	Land and buildings Freehold	Equipment, fixtures and fittings	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2019	148,769	10,670	156	159,595
Acquired on merger with Havering College of Further and Higher Education	49,910	1,345	1,628	52,883
Acquired on merger with Havering Sixth Form College	26,410	294	574	27,278
Additions	1,735	4,283	5,834	11,852
Disposals	-	(169)	-	(169)
Reclassification	723	5	(728)	-
At 31 July 2020	**227,547**	**16,428**	**7,464**	**251,439**
Depreciation				
At 1 August 2019	39,518	2,484	-	42,002
Charge for the year	4,827	2,611	-	7,438
Elimination in respect of disposals	-	(169)	-	(169)
At 31 July 2020	**44,345**	**4,926**	**-**	**49,271**
Net book value at 31 July 2020	**183,202**	**11,502**	**7,464**	**202,168**
Net book value at 31 July 2019	109,251	8,186	156	117,593

	College			
	Land and buildings Freehold	Equipment, fixtures and fittings	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2019	148,705	10,295	156	159,156
Acquired on merger with Havering College of Further and Higher Education	49,910	1,345	1,628	52,883
Acquired on merger with Havering Sixth Form College	26,410	294	574	27,278
Additions	1,735	4,142	5,834	11,711
Reclassification	723	5	(728)	-
At 31 July 2020	**227,483**	**16,081**	**7,464**	**251,028**
Depreciation				
At 1 August 2019	39,532	2,297	-	41,829
Charge for the year	4,821	2,565		7,386
At 31 July 2020	**44,353**	**4,862**	**-**	**49,215**
Net book value at 31 July 2020	**183,130**	**11,219**	**7,464**	**201,813**
Net book value at 31 July 2019	109,173	7,998	156	117,327

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Tangible fixed assets (continued)

Other than as noted below, land and buildings were valued in 1993 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

Tangible fixed assets transferred on merger from the Havering College of F&HE and Havering Sixth Form College were adjusted to fair value. The fair value of the F&HE campus (College) was £49,910,000 on the 31 July 2019 and the fair value of the Sixth Form campus (College) was £26,410,000 on the 31 July 2019. For leasehold property, fixtures fittings and equipment and recently constructed freehold buildings, fair value was considered to be the net book value immediately prior to merger. Other freehold buildings were revalued to depreciated replacement cost. The freehold land held for resale and sold in July 2019 was valued at the agreed selling price, while the remaining land was valued on an existing use basis. The valuation of the buildings and the land to be retained was undertaken by a firm of independent chartered surveyors.

11 Non-current investments – Group & College

	2020	2019
	£'000	£'000
Endowment assets:		
Balance at 1 August 2019	525	521
Appreciation of endowment asset investment	(28)	4
Released to income in the reporting period	(200)	-
Balance at 31 July 2020	**297**	**525**

	2020	2019
Endowment assets:		
Balance at 1 August 2019	525	521
(Depreciation)/appreciation of endowment asset investment	(28)	4
Released to income in the reporting period	(200)	-
Balance at 31 July 2020	**297**	**525**
Investment in subsidiary companies	109	109
Less provision for impairment	(109)	(109)
	0	**0**
Total	**297**	**525**
Endowment assets are represented by:		
Charities Aid Foundation IM CAF Fixed Interest Fund and UK Equity Fund, Accumulation units.	191	419
Cash balances	106	106
	297	**525**

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Non-current investments (continued)

The College has 100 per cent of the issued ordinary £1 shares of the following companies all incorporated in England and Wales:

- OKN1 formerly, The Trading Company (Hackney) Limited. Its principal activity is to operate as a commercially trading restaurant.
- New City Fitness formerly, Shoreditch Community Sports Centre Limited. Its principal business activity is the operational management of the sports centre.

12 Goodwill

This arises from the acquisition of the assets and undertaking of Westbourne Academy

	£'000
Fair value on acquisition	1,015
Released to income and expenditure account	
At 1 August 2019	(296)
Release for the year	(102)
At 31 July 2020	(398)
Net book value	
At 31 July 2020	617
At 1 August 2019	719

13 Debtors

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	541	535	1,030	1,023
Prepayments and accrued income	2,255	2,226	2,283	2,281
Amount owed by group undertakings:				
Subsidiary undertakings	-	452	-	769
Amounts owed by the ESFA	461	461	158	158
Other Debtors	4,780	4,780	13,450	13,450
Total	**8,037**	**8,454**	**16,921**	**17,681**

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Creditors: amounts falling due within one year

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Obligations under finance leases	57	57	-	-
Trade payables	3,879	3,876	2,679	2,655
Other taxation and social security	2,087	2,092	1,433	1,434
Accruals and deferred income	8,718	8,688	10,538	10,514
Deferred income - government capital grants	2,200	2,201	1,387	1,387
Amounts owed to ESFA	262	262	374	374
Other creditors	441	491	190	240
Total	**17,644**	**17,667**	**16,601**	**16,604**

15 Creditors: amounts falling due after one year

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Obligations under finance leases	72	72	-	-
Deferred income - government capital grants	41,619	41,619	35,788	35,788
Other Creditors	2,479	2,479	2,582	2,582
Total	**44,170**	**44,170**	**38,370**	**38,370**

16 Maturity of debt

a) Bank loans and overdrafts

There were no bank loans or overdrafts at 31 July 2020 (2019 – NIL).

b) Finance leases

The net finance lease obligations to which the institution is committed are:

	2020		2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	57	57	-	-
Between one and two years	40	40	-	-
Between two and five years	32	32	-	-
	129	**129**	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 Provisions

	Defined benefit pension obligations	Enhanced pension	Total
	£'000	£'000	£'000
At 1 August 2019	36,674	1,149	37,823
Net cost in the period	69,717	261	69,978
Transferred due to merger	-	1,495	1,495
Transferred from income and expenditure	-	(259)	(259)
At 31 July 2020	**106,391**	**2,646**	**109,037**

18 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Permanent Restricted £'000	Permanent Unrestricted £'000	Total Permanent £'000	Expendable Restricted £'000	Total 2020 £'000	Total 2019 £'000
At 1 August 2019	419	42	461	64	525	521
Losses in market value	(28)	-	(28)		(28)	4
Released to income in the reporting period	(200)	-	(200)	-	(200)	-
At 31 July 2020	191	42	233	64	297	525
Consists of:						
Capital	100	42	142	64	206	406
Accumulated income	91	-	91	-	91	119
	191	**42**	**233**	**64**	**297**	**525**

Analysis of type of purpose:

Student Hardship	191	42	233	64	297	525
	191	**42**	**233**	**64**	**297**	**525**

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	11,388	3,153	14,541
Total	**11,388**	**3,153**	**14,541**

20 Capital commitments

	2020 £'000	2019 £'000
Commitments contracted for at 31 July	8,787	503

The college has significant contractual capital commitments relating to the Construction centre at Rainham. These are supported by £5.4 million of GLA grants.

21 Lease Obligations

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

	Group and College	
	2020 £'000	2019 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	131	304
Later than one year and not later than five years	-	119
Later than five years	-	-
	131	423
Other		
Not later than one year	99	185
Later than one year and not later than five years	24	40
Later than five years	-	-
	123	225
Total lease payments due	**254**	**648**

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Defined Pension 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 London Pension Fund Authority (LGPS) for non-teaching staff, which is managed by London Pension Partnership. Both are multi-employer defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

	2020		2019	
Total pension cost for the year	**£'000**	**£'000**	**£'000**	**£'000**
Teachers' Pension Scheme: contributions paid		5,595		2,574
Local Government Pension Scheme:				
Contributions paid	2,403		1,842	
FRS 102 (28) charge	3,321		1,950	
Charge to the Statement of Comprehensive Income		5,724		3,792
Enhanced pension charge to Statement of Comprehensive Income		261		(30)
Total Pension Cost for Year		**11,580**		**6,336**

At 31 July 2019, contributions amounting to £928,329 (2019: £528,202) were payable to the schemes and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension scheme Regulations 2014. These regulations apply to teachers in schools 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Defined Pension Obligations (continued)

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of the 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 £5,595,000 (2019: £2,574,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pension Fund Authority. The total contribution made for the year ended 31 July 2020 was £3,345,000, of which employer's contributions totalled £2,402,000 and employees' contributions totalled £943,000. The agreed contribution rates for future years are 14.4% for employers and range from 2.9% to 11.4% cent 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	3.25%	3.90%
Future pensions increases	2.25%	2.40%
Discount rate for scheme liabilities	1.35%	2.10%
Inflation assumption (CPI)	2.25%	2.40%
Commutation of pensions to lump sums	0%	0%

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

	At 31 July 2020	**At 31 July 2019**
	Years	**Years**
Retiring today		
Males	21.0	20.6
Females	23.7	23.2
Retiring in 20 years		
Males	22.4	22.3
Females	25.3	25.0

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Defined Pension Obligations (continued)

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

	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020 £'000	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019 £'000
Equities		69,411		49,208
Bonds		39,510		28,111
Property		11,913		8,227
Cash		8,731		4,764
Total market value of		**129,565**		**90,310**
Weighted average expected long term rate of return	**1.35%**		**2.10%**	
Actual return on plan		**(352)**		**7,093**

The amount included in the balance sheet in respect of the defined benefit pension plan [and enhanced pension benefits] is as follows:

	2020 £'000	2019 £'000
Fair value of plan assets	129,565	90,310
Present value of plan liabilities	(235,799)	(126,827)
Present value of unfunded liabilities	(157)	(157)
Net pensions (liability)/asset (note 17)	**(106,391)**	**(36,674)**

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

	2020 £'000	2019 £'000
Amount included in staff costs		
Current service cost	(5,630)	(3,032)
Past service cost	(60)	-
Total	**(5,690)**	**(3,032)**
Amounts included in interest payable		
Net interest charge	(1,396)	(929)
	(1,396)	**(929)**

22 Defined Pension Obligations (continued)

Amount recognised in Other Comprehensive Income:

	2020 £'000	2019 £'000
Return on pension plan assets	(352)	7,093
Experience losses arising on defined benefit pension obligations	(11,147)	57
Changes in assumptions underlying the present value of plan liabilities	(28,139)	(8,183)
Amount recognised in Other Comprehensive Income	**(39,638)**	**(1,033)**

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

	2020 £'000	2019 £'000
Surplus/(deficit) in scheme at 1 August	(36,674)	(29,232)
Movement in year:		
Current service cost	(5,630)	(3,032)
Employer contributions	2,369	1,700
Past service cost	(60)	(618)
Net interest on the defined (liability)/asset	(1,396)	(929)
Liability taken on with merger of Epping Forest College	-	(3,530)
Liability taken on with merger of Havering College of Further & Higher Education	(20,194)	-
Liability taken on with merger of Havering Sixth Form College	(5,168)	-
Actuarial gain or loss	(39,638)	(1,033)
Net defined benefit (liability)/asset at 31 July	**(106,391)**	**(36,674)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Defined Pension Obligations (continued)

Asset and Liability Reconciliation

	2020 £'000	2019 £'000
Changes in the present value of defined benefit pension obligations		
Defined benefit pension obligations at start of period	126,984	92,089
Current service cost	5,630	3,032
Interest cost	3,992	3,000
Contributions by Scheme participants	943	575
Experience (gain) on defined benefit pension obligations	9,763	(8)
Changes in financial assumptions	28,214	14,400
Estimated benefits paid	(4,339)	(2,625)
Change in demographic assumptions	(75)	(6,209)
Liabilities assumed / (extinguished) on settlements	64,784	22,112
Past Service cost	-	-
Curtailments and settlements	60	618
Defined benefit pension obligations at end of period	**235,956**	**126,984**

Changes in fair value of plan assets

	2020 £'000	2019 £'000
Fair value of plan assets at start of period	90,310	62,857
Interest on plan assets	2,713	2,153
Return on plan assets	(469)	7,011
Employer contributions	2,369	1,700
Contributions by Scheme participants	943	575
Estimated benefits paid	(4,339)	(2,625)
Other actuarial (losses)	(1,384)	57
Settlement prices received	39,422	18,582
Fair value of plan assets at end of period	**129,565**	**90,310**

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 Business Acquisitions & Mergers

Havering College of Further & Higher Education

On 1 August 2019, the College merged with Havering College of Further & Higher Education. Given the relative size of the two colleges, this has been accounted for using the acquisition method of accounting.

The net assets as at 1 August 2019 were as follows:

	Book value at 31 July 2019	Fair value adjustment	Total value on Merger
	£'000	£'000	£'000
Tangible Fixed Assets	52,883		52,883
Current Assets			
Debtors	648		648
Cash and cash equivalents	1,179		1,179
Creditors falling due within one year	(8,248)		(8,248)
Net Current Assets	**(6,421)**	**0**	**(6,421)**
Total assets less current liabilities	**46,462**	**0**	**46,462**
Creditors falling due after more than one year	(2,671)		(2,671)
Provisions			
Defined benefit pension obligations	(17,300)	(2,894)	(20,194)
Other provisions	(1,495)		(1,495)
Total net assets	**24,996**	**(2,894)**	**22,102**
Reserves			
Income and expenditure accounts	(2,938)	25,040	22,102
Revaluation reserve	27,934	(27,934)	0
Total unrestricted reserves	**24,996**	**(2,894)**	**22,102**

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 Business Acquisitions & Mergers

Havering Sixth Form College

On 1 August 2019, the College merged with Havering Sixth Form College. Given the relative size of the two colleges, this has been accounted for using the acquisition method of accounting.

The net assets as at 1 August 2019 were as follows:

	Book value at 31 July 2019	Fair value adjustment	Total value on Merger
	£'000	£'000	£'000
Tangible Fixed Assets	13,703	13,575	27,278
Current Assets			
Debtors	149		149
Cash and cash equivalents	3,263		3,263
Creditors falling due within one year	(1,765)		(1,765)
Net Current Assets	**1,647**	**0**	**1,647**
Total assets less current liabilities	**15,350**	**13,575**	**28,925**
Creditors falling due after more than one year	(3,218)		(3,218)
Provisions			
Defined benefit pension obligations	(3,373)	(1,795)	(5,168)
Total net assets	**8,759**	**11,780**	**20,539**
Reserves			
Income and expenditure accounts	2,933	17,606	20,539
Revaluation reserve	5,826	(5,826)	0
Total unrestricted reserves	**8,759**	**11,780**	**20,539**

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 Post Balance Sheet Events

The College as part of the transfer of assets and liabilities of the pension fund from the merger with the Havering Colleges and to reduce the employer contribution rate for three years will provide a charge on the Hackney campus to the Local Government Pension Scheme (LGPS) for a value £63.19 million.

25 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.

Only the details below concerning the College's subsidiary companies and four members of the Board of Governors were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

OKN1 Limited (Formerly The Trading Company (Hackney) Limited), a subsidiary of the college

There were no trading transactions in the year. The balance due to the College outstanding at the year end amounted to £876,000 (2019 - £658,000).

New City Fitness Limited (Formerly Shoreditch Community Sports Centre Limited,) a subsidiary of the college

There were no trading transactions in the year. The balance due to the College outstanding at the year end amounted to £391,000 (2019 - £499,000).

Poplar HARCA – a company in which Neal Hunt is a Director of Poplar Harca Projects and Developments

Purchase transactions in the year amounted to NIL (2019 NIL). Sales transactions in the year amounted to £840 (2019 £1,680) relating to hire of the workhouse pitches. The debtor balance outstanding at the year end amounted to £175 (2019 - £420). There were no creditor balances at the year end (2019 NIL).

Association of Colleges – a company in which Gerry McDonald is a Board member

Purchase transactions in the year amounted to £49,262 (2019 £78,674) relating to the college's annual subscription and conference fees. The balance outstanding at the year end amounted to NIL (2019 £1,368).

Greater London Authority (GLA) contains the Skills for Londoners Board – and Gerry McDonald is a member of the board.

Sales transactions in the year amounted to £16,330,487 (2019 £NIL) relating to Adult Education Budget funding. The debtor balance outstanding at the year end amounted to £100,000 (2019 - NIL). There were no creditor balances at the year end (2019 NIL).