Nottingham College

Financial statements

For the period ended 31 July 2020

Index to the financial statements

Key management personnel, Board of governors and professional advisors

Key management personnel

Key management personnel were represented by the following in 2019/20:

John Van De Laarschot – CEO; Accounting Officer
Joanne Clifford – Principal Finance
Phil Briscoe – Principal Curriculum
James Whybrow– Vice Principal Partnerships, Apprenticeships and Enterprise

Board of Governors

A full list of Governors is on page 16 of these financial statements.

Ian James acted as Clerk to the Corporation throughout the period.

Professional advisers

Bankers:

Barclays Bank PLC
PO Box 3333
Snow Hill Queensway
Birmingham
B3 2WN

Solicitors:

Eversheds Sutherland LLP
Water Court
116 – 118 Canal Street
Nottingham
NG1 7HF

Internal auditors:

KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

Financial statements auditor:

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Report of the Members of the Corporation (including the operating and financial review)

Objectives and key strategies

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Nottingham College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.
The College was created by the merger of New College Nottingham and Central College Nottingham on 8 June 2017.

Mission

Nottingham College has a clear mission to deliver, "Excellence in Education and Employment in Nottingham". We will do this by combining outstanding academic and vocational education in a curriculum co-created with and powered by employers and communities; delivered by the best talent drawn from the FE sector and beyond.

Public Benefit

Nottingham College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 16.

Report of the Members of the Corporation (including the operating and financial review)

Nottingham College has a commitment to deliver a significant, measurable public benefit, and a full Public Value statement, setting out how the College adds value to the social, economic and physical well-being of the community served by the College can be found on the Nottingham College website.

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.

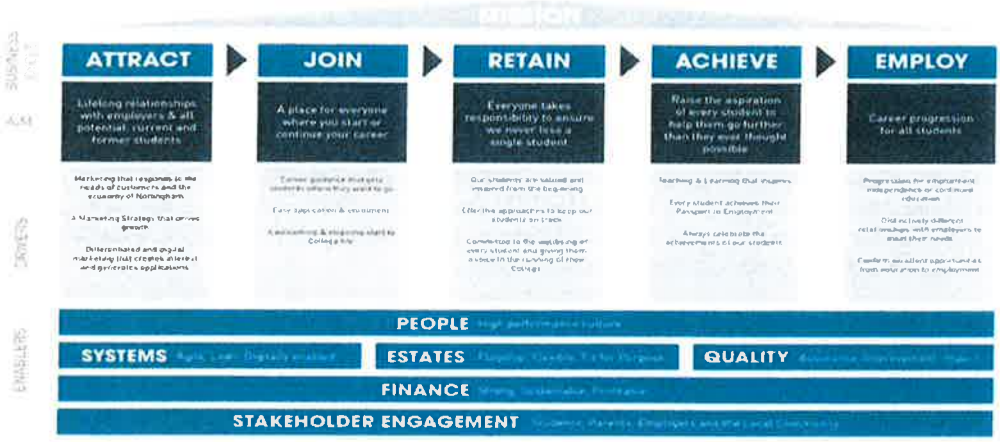
In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- Delivering high quality teaching, learning, assessment and support; with a place for everyone, regardless of their educational background.
- Producing learners who are successful and grow in confidence; providing additional support to those who need it.
- Providing information, advice & guidance and developing students to secure sustainable employment;
- Supporting the development of new skills and knowledge to meet the needs of emerging and growth sectors; via a Market Driven curriculum;
- Promoting a culture of safety, inclusivity, and respect where every individual matters and providing an environment where everyone feels safe;
- Raising ambitions by challenging learners to be the best they can be;
- Maximising strategic partnerships for the benefit of the community including those with the Local Enterprise Partnership, Local Authorities, key stakeholders, new & existing employers and colleges;
- Reflecting the needs of the community including learners and employers in the range of the education and training offer;
- Valuing our people;
- Gathering, listening to and acting on feedback from our learners;
- Maximising business efficiency, delivering financial viability and value for money and
- Continuous improvement through critical self-evaluation and improvement.

Implementation of Strategic Plan

During 2019-20 the Corporation continued to monitor the performance of the College against the plan approved during 2017-18. This strategic plan includes curriculum, property and financial plans covering the period 2017-18 to 2020-21. The Corporation monitors the performance of the College against these plans. The Colleges continuing strategic objectives are:

Report of the Members of the Corporation (including the operating and financial review)



The College strategic financial objectives are:

- EBITDA value to be above the covenant values at each point of measurement
- Minimum cash balances to be above the covenant values at each point of measurement
- City Hub capital project expenditure in line with approved budget
- Deliver the required return on asset disposals to support the debt reduction plan

COVID-19 Impact:

Throughout the pandemic the College has followed Government guidance. The College closed for most activities at the end of March 2020 and delivery was moved online where possible. However, the College remained open throughout for vulnerable students and the children of key workers. Nursery provision also remaining available. A dedicated campus remained open for our SEND students to continue their studies throughout the first national lockdown.

There was significant investment in cameras, headsets, and laptops to address digital poverty among adult learners. Following appropriate risk assessments some campuses partially reopened to enable vocational students to complete practical assessments. Apprenticeship delivery was moved online and the College supported subcontracting partners in modifying their delivery. Quality assurance and quality improvement procedures were adapted quickly to the changing circumstances.

The College recognised the need to build staff confidence and skills in terms of online delivery and training took place to ensure effective teaching, learning and development.
Bridging activities were used to allow students to catch up as appropriate.
Remote IT access was made available and professional services staff were able to continue to work remotely thus supporting curriculum delivery.

Following a review of the situation and risk assessment, including a review of social distancing, additional cleaning and provision of sanitisers, professional services staff were able to return to the College over the Summer
In the new academic year 20/21 enrolment was successfully carried out and students were able to return to College in classrooms and workshops where capacity in many cases had to be reduced, to ensure social distancing.
The College has introduced a robust ongoing process for dealing with any students or staff who test positive for the virus and staff are kept fully informed of all cases.

OFSTED Visit and Report

The College received a visit from OFSTED in January 2020, receiving a grade of "Requires Improvement" in line with the College's self-assessment. In the new academic year 20/21 an action plan was put in place to address the issues raised and to move the College to a grade of "Good".

Report of the Members of the Corporation (including the operating and financial review)

Resources

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

Financial

The College has negative net assets of £92.0 million when the £121.9 million pension liability is included and long term debt of £47.2 million. Whereas in 2018-19 there were net current assets of £11.0 million in 2019-20 there were net current liabilities of £37.7million as a result of to the College's loans having to be classified as current liabilities because of a breach of one of three covenants at July 2020. Tangible resources include a number of college sites which are mainly owned, including the new City Hub.

People

The College employs 1,091 people (expressed as full time equivalents), of whom 703 are teaching staff.

Student numbers

In 2019/20 the College has delivered activity that has produced £55,207,000 in funding body main allocation funding (2018/19: £60,888,000). Nottingham College engaged with over 20,500 students, including 2,186 apprentices, 5,838 full time 16-18 year olds, 475 higher education students, and over 18,000 adult SFA-or loans-funded students, and further students in community, family, commercial, pre-16 or international learning.

Reputation

The College is building a good reputation locally.

Stakeholder relationships

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

- Current, future and past students
- Staff and their trade unions
- Governors
- Local MPs
- Funding Agencies
- Local Enterprise Partnerships
- Local & national employers
- Local Authorities & Government Offices
- Corporate partners (banks, solicitors, auditors)
- The local community
- Sports clubs and bodies
- Schools and universities
- Other FE institutions
- Partner training providers
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College website, regular publications and by meetings.

Report of the Members of the Corporation (including the operating and financial review)

Development and Performance

Financial Results

The Group generated a deficit before other gains and losses in the year of £9,850 (2018/19: operating deficit of £6,057,000), with total comprehensive income (a deficit) of £42,488,000, (2018/19(deficit) £16,723,000).

The Group has a deficit on unrestricted reserves of (£92,060,000) and cash and short term investment balances of £15,956,000. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund and to re-invest in resources.

The table below sets out various items which have impacted on the trading result for 2019-20, and shows the adjusted operating surplus after removing them, giving an underlying surplus excluding exceptional items.

	2020	2019
	£'000	£'000
Deficit for the year	**(£9,850)**	(£6,057)
Write down of Property for sale	**£5,097**	£5,097
Restructuring costs	**£1,800**	£138
FRS 102 pension costs	**£4,950**	£5,564
Adjusted trading surplus for the year	**£1,997**	£4,742

The net book values of 4 properties that the College is releasing was written down during 2018-19 and 2019-20 to match the market value as at July 2020, which has resulted in an additional net charge to the SOCI of £5.097 million for each of the 2 years. The four properties were the College's Beeston, Clarendon, Clifton and Maid Marion Way campuses. The Clifton Campus was sold at the end of the financial year. Movements on the other three campuses are reported under post balance sheet events.

Developments

The college's redevelopment as part of the long term estates strategy includes tangible fixed assets under construction of £50,112,000 of which £30,156,000 is additions in the year. This relates to the new building, the City Hub.

Reserves

The College net reserves are in a negative position due to the significant pension deficit arising from the Local Government Pension scheme. The College reserves include £71,000 held as restricted reserves. The Group has accumulated Income and Expenditure reserves of £23,840,000 (2019 £25,473,000) and cash and short term investment balances of £15,956,000 (2019 £21,098,000).

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019-20 the FE funding bodies provided 80% of the Group's total income.

Group companies

The College has two subsidiary companies; Nottingham College Services Limited and EMTEC Colleges Limited. The activities of EMTEC Colleges Limited and Nottingham College Services Ltd have been consolidated into the Group account. Any surpluses generated are transferred to the College under deed of covenant.

Report of the Members of the Corporation (including the operating and financial review)

Future Prospects

Curriculum developments

The College continues to develop its apprenticeship and employer programmes across a number of disciplines and the vision of the new college is of an organisation that will be instrumental in helping employers raise productivity and, through training and education, support the implementation of innovation throughout the economy. The curriculum is driven by local economic need, growth plans and key sectors. To achieve this we will:

- Develop more extensive specialist apprenticeship provision
- Ensure the ongoing development of the curriculum offer to meet the needs of the local, regional and national labour market
- Create a fuller commercial offer servicing the training and mentoring needs of business
- Develop 'fully rounded' students with adaptable skills for employment and changing careers
- Embed English and maths, and core employability and independence skills
- Promote a coherent offer with progression opportunities from Entry to HE enabling the best opportunity for positive destinations
- Develop partnerships and commercial arrangements that benefit students, communities and employers
- Establish a quality proposition that delivers a great student experience driving the College to be outstanding in every way

The focus remains on improving outcomes and positive destinations (whether into further training or into employment) for our students.

Impact of Brexit

The College continues to take account of the AoC guidance available on the possible impact of Brexit. The College will continue to monitor the situation on an ongoing basis.

Financial plan

The College Board approved a financial plan in July 2019 which sets objectives for the period to 2021.

Treasury policies and objectives

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

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.

Impact of the Covid-19 Pandemic

The pandemic significantly impacted the College's commercial income streams during 2019-20. As the situation worsened in March 2020, coupled with the longer-term situation in China directly impacting the operation there, commercial income finished the year at less than half the target. Given the uncertainties in the economy, recruitment of new apprentices was adversely affected as employers were reluctant to take on new staff. In addition, sundry income such as refectory and rental income were significantly adversely affected as students and staff had to operate remotely.

Report of the Members of the Corporation (including the operating and financial review)

The pandemic also directly impacted on the LGPS defined benefit pension liability, the College's share of the deficit in the Nottingham County Council scheme increased from £84,481,000 at July 2019 to £121,883,000 at July 2020.

Cash flows and liquidity

During 2019-20 there was a net cash outflow of £5,142,000 as the College invested in the Hub build. In 2018-19 there was a net cash inflow of £4,696,000. During 2018-19, the net cash position had improved as a result of the HMG loan drawdown of £3.2 million and the receipt of LEP capital grants for the new build. The size of the College's total borrowing and its approach to interest rates was calculated to ensure an adequate cushion between the total cost of servicing debt and the operating cashflow. The debt servicing targets were achieved for the final 2 quarters of 2019-20.

The impact of the Covid19 situation on commercial and other income adversely affected the cash position too. The College was able to make use of the Coronavirus Job Retention Scheme and the Provider Relief Scheme and paid all staff in full (including pension contributions) throughout 19/20.

Going Concern

The College's financial position and going concern status

The group ended the year with negative reserves of £92,060k. This is made up of an income and expenditure reserve (positive) of £23,840k, a revaluation reserve (positive) of £5,912k, restricted reserves (positive) of £71k and a pension reserve (negative) of £121,883k. As can be seen the overall negative reserve position is dominated by the group's negative pension reserve which is a consequence of the group's participation in the Nottinghamshire Local Government Superannuation Scheme (see note 23 to the financial statements). At 31 July 2020 the group's share of the assets it held in this scheme, £116,671k, were not sufficient to cover the group's share of its liabilities (£238,554k). This has no immediate cash consequence for the college. The scheme is subject to a regular triennial review which leads to an adjustment in employer contributions. The last review was conducted as at 31 March 2019 and the college has been paying the consequential revised employer contributions since April 2020. The next review is expected to be conducted as at 31 March 2022 with the college paying the consequential revised contributions from April 2023. (New regulations came into force in September 2020 which permit schemes to review employer covenants and introduce changes to contribution rates between triennial valuations. However, the college has not been notified that the Nottinghamshire scheme intends to make use of this new flexibility).

The group's total comprehensive income for the year was negative £42,488k. Again this result was dominated by the college's participation in the Nottinghamshire Local Government Superannuation Scheme with an actuarial loss of £32,701k, a gain on disposal of assets of £63k and a deficit of £9,850k. Like many enterprises the college's operations were adversely affected in 2019/20 by the ingress of SARS-CoV-2 across the United Kingdom's borders. The pandemic adversely affected the college's apprenticeships, full-cost course and catering operations and the loss of income on these operations outweighed the gains made by furloughing staff and closing college buildings.

Despite continuing deficits and the challenge of the pandemic the college continued to generate cash from operations £8,376k in 2019/20 (£21,283k in 2018/19).

At 31 July 2020 the college had borrowed £47,198k from three organisations viz Her Majesty's Government, Nottingham City Council and Barclays Bank. These loans are secured against the college's land and buildings.

These loans have four covenants of which during the year one was breached. Since that time the college has been in discussion with its lenders about renewing / restructuring the loans. At present negotiations are ongoing but to date no lender has stated that they will be withdrawing facilities.

A request has been made to Her Majesty's Government for a capital repayment holiday to April 2022. This has not yet been formalised. Until it is, the college will minimise its commitments to ensure it had the funds available to continue as a going concern if the request is rejected.

Report of the Members of the Corporation (including the operating and financial review)

Nottingham City Council is receiving capital and interest payments on their loan as they fall due.

Barclays are receiving capital and interest repayments on their loan as they fall due. There is a revolving credit facility for £4.9m which is due for renewal in April 2022 and a term loan of £2.3m which is also up for renewal in June 2022. The college is currently working with Barclays to negotiate the renewal of all facilities before that time and the expectation of the corporation remains confident of a positive outcome.

The college has continued to pay suppliers invoices as they fall due throughout 2020/21. Scheduled principal repayments to Nottingham City Council and to Barclays Bank have continued to be made in accordance with the loan agreements. No capital repayments to Her Majesty's Government have been requested and so none have been made.

As noted in the post-balance sheet events section of the report the college has now sold its Beeston and Clarendon Campuses and the net proceeds of these sales amounting to £6,742k has been applied to reducing its loan balances.

The corporation has received and reviewed a financial forecast prepared by its staff, covering the next 12 month period, which shows that using its own resources the college can continue to pay its staff, meet its tax, and pension liabilities, pay creditors as they fall due and meet all currently scheduled debt payments of both interest and principal for a period of at least twelve months based on the financial assumptions within the forecast.

For all the reasons given above the corporation has concluded that while a material uncertainty exists the "going concern" assumption is the most reasonable assumption to use when presenting its accounts for 2019/20.

Principal risks and uncertainties

The College has well developed strategies to embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets, reputation and financial stability. The Board has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

Based on the strategic plan, the Risk Management Group undertake a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent appraisal will review their effectiveness and progress against risk mitigation actions. Risk Management Group will also consider any new or emerging risks as they arise.

A risk register is maintained at the College level which is reviewed termly by the Audit Committee and reports the key strategic risks to the Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system from the College's Risk Management Policy, which is reviewed every two years. Training is undertaken periodically to raise awareness of risk throughout the College.

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

1. Risk of income shortfalls or reductions in Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through Office for Students. In 2019-20 80% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College has based its forecasts on steady state ESFA (16-18) funding and Adult Education Budget. Apprenticeship funding at 16-18 and adult levels is assumed to increase internally, and there is a risk that this increase in activity may not be funded or achieved. Furthermore, the College is planning for the relationship with sub-contractor partners to change and the plans include a reduction in third party provision.
This risk is mitigated in a number of ways:

Report of the Members of the Corporation (including the operating and financial review)

- Funding is derived through a number of direct and indirect contractual arrangements;
- The College continues to strive for improvements in quality which will improve student recruitment and increase financial benefits for the College;
- College apprenticeship provision is made up of a mix of larger employers who are subject to the Employer Levy, and SME employers who are not;
- Robust future planning, horizon scanning and marketing strategy to ensure all opportunities are optimised; and
- Ensuring the College is focused on those priority sectors and identifying opportunities for income diversification.

2. **Risk of cost pressures or failure to achieve efficiency targets**
The College faces a number of financial pressures in line with most colleges in the sector. There are a number of ongoing efficiencies which need to be delivered to achieve the financial plan and added pressures e.g. from inflation and pension rate increases. There is a risk that the economies of scale are not realised as quickly as anticipated resulting in shortfalls in the future operating surpluses.
This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in developing an efficient curriculum delivery plan which recognises the contribution by course;
- Detailed financial planning including sensitivity analysis;
- Maximising efficiencies from centralised procurement and embedding value for money across the organisation;
- Maximise efficiencies through the use of technology and the streamlining of processes; and
- Comprehensive budget monitoring, forecasting and intervention plans, if required.

3. **Failure to develop a motivated, high performing workforce resulting in impacts on students and staff**
The transformation process to embed more flexible and modern employment contracts and pay related policies which are objective and non-discriminatory creates a number of risks due to the scale of change required and the impact on staff.
This risk is mitigated in a number of ways:
- Staff engagement and internal communication strategy
- Collaboration and negotiation with trade unions
- Comprehensive professional and legal advice

Performance indicators

The College reports on a suite of Key Performance Indicators (KPI's) to the Corporation including:

KPI	Target for KPI	Actual
% Retention (Classroom based students)	92%	91.9%
Pay costs as % of income (excl. restructuring/FRS102pension & adjusted for franchised income)	62.76%	64.6%
EBITDA as % of income – education specific	12.02%	5.0%

The College is committed to observing the importance of sector measures and indicators. 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. Based upon the Education and Skills Funding Agency assessment the financial health of the college is "Inadequate" for 2019-20.

Student achievements

For class room based provision, the College achievement rate for 2019-20 was 83.3% compared to 2018-19 at 85.2%, and the overall apprenticeship achievement rates decreased to 61.1% for 2019-20 from 65.9% in 2018-19.

Equality statement

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

Report of the Members of the Corporation (including the operating and financial review)

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

The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

During the year, the College signed up to the Association of College's Mental Health and Wellbeing Charter.

Disability statement

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

1. The College has a specialist student support team, who can provide information, advice and arrange support where necessary for students with disabilities. 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.
2. There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
3. The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
4. Specialist programmes are described in College prospectuses.
5. Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college

Numbers of employees who were relevant period	FTE employee number
50 to 1,500 employees	1,091

Percentage of time	Number of employees
0%	0
1-50%	12
51-99%	0
100%	0

Total cost of facility time	£18,444.57
Total pay bill	£41,523,000
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	100%

Report of the Members of the Corporation (including the operating and financial review)

Payment performance

The Late Payment of Commercial Debts (Interest) Act 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. During the accounting period 1 August 2019 to 31 July 2020, the percentage for the College was 79%.

Events after the end of the reporting period

The College started to teach from its new City Hub in November 2020.

The College's Beeston Campus was sold in November 2020, the sale proceeds were £3,537k

The Clarendon Campus was sold in December 2020, the sale proceeds were £3,205k

The sale proceeds from the sales of Beeston and Clarendon were used to reduce the College's borrowings from ESFA.

Like other colleges Nottingham College took part in the third national lockdown from 5 January to 8 March 2021 with very limited on-site teaching. Our students return to campus from 8 March 2021 onwards was accompanied by large scale lateral flow testing for SARS-CoV-2.

In February 2021 the College served notice on Nottingham City Council that it intended to complete the transfer of land which involved handing our former Maid Marion Way campus to the City Council. The College will realise a net receipt of £900k which will be used to reduce the College's borrowings from ESFA.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 29th March 2021 and signed on its behalf by:

Carole Thorogood

Carole Thorogood

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
iii. having due regard to the UK Corporate Governance Code 2014 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the period ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 14 June 2017.

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

Statement of Corporate Governance and Internal Control

The Corporation

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

Name	Date of appointment	Term of office expiry date	Date of retirement/ resignation	Status of appointment	Committees served	Attendance to 31st July 2020 %
Carole Thorogood (Chair)	8 June 2017	21 July 2021		External	Governance & Search Remuneration	100
Anja Beriro	16 April 2018	21 July 2021		External	Governance & Search	82
Claire Brookes	9 December 2019 14 September 2020	31 July 2020 31 July 2021	31 July 2020	Student		67
Mary Carswell	1 Aug 2013	31 July 2022		External	Governance & Search Remuneration Learning & Quality	100
Philip Crompton	4 March 2019	31 July 2022	2 September 2020	External	Governance & Search	92
Andrew Dickinson	16 April 2018	31 July 2021		External	Audit, Remuneration	86
Richard Donovan	8 June 2017	22 Nov 2019		External	Audit Resigned from Audit Committee 22.2.21	71
Michael Green	4 March 2019	31 July 2022		External	Remuneration	60
Patricia Harman	30 March 2020	31 July 2023		External	Governance & Search Learning & Quality	100
Jonathan Hawley	4 March 2019	31 July 2022		External	Audit	71
Shauna Hipkiss	1 August 2019	31 July 2020	31 July 2020	Student		44
Neghat Khan	1 Oct 2018	31 July 2021		External		70
John van de Laarschot	21 Sep 2016	N/A		Chief Executive Officer	Governance & Search Learning & Quality	92
Rebecca Pate	22 Jan 2018	31 July 2019	14 September 2020	Staff		100
Liam Perkins	1 Aug 2018	31 July 2020	31 July 2020	Staff		100
Melanie Pope	4 March 2019	31 July 2022	5 November 2019	External	Governance & Search	0
Andrew Unitt	16 Apr 2018	31 July 2021		External	Governance & Search	100
Michael Wisher	1 Aug 2014	31 July 2021		External	Audit	93
Henry Icke	14 September 2020	31 July 2021		Student	Learning & Quality	
Nick Proverbs	12 October 2020	31 July 2022		Staff		
Liam Sewell	12 October 2020	31 July 2022		Staff	Learning & Quality	
Sharon Townes	25 January 2021	24 January 2025		External	Learning & Quality	
Allen Motsi	25 January 2021	24 January 2025		External	Audit from 22.2.21	
Andy Griffin	25 January 2021	24 January 2025		External	Audit from 22.2.21	
Andrew Simpson	25 January 2021	24 January 2025		External		

Ian James served as Clerk to the Corporation.

Statement of Corporate Governance and Internal Control

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 twice each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Governance & Search, Audit and Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.nottinghamcollege.ac.uk or from the Clerk to the Corporation at:

Nottingham College
Highfields Campus
Jesse Boot Avenue
The Science Park
Nottingham
NG7 2RU

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

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

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

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

The Corporation assesses its performance as good based on:

- Results of internal and external audits
- Attendance and decision making at Corporation meetings

Remuneration Committee

Throughout the period ended 31 July 2020 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel. Details of remuneration for the period ended 31 July 2020 are set out in note 7 to the financial statements.

Statement of Corporate Governance and Internal Control

Audit Committee

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

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

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

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

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

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 Chief Executive Officer, 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 they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Nottingham College and the funding bodies. The Accounting Officer is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Nottingham College for the period ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

Statement of Corporate Governance and Internal Control

- 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.

Nottingham College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

- The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation carried out the annual assessment for the period ended 31 July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2020.
- Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

Approved by order of the members of the Corporation on 29th March 2021 and signed on its behalf by:

Carole Thorogood

Carole Thorogood
Chair of Governors

J van de Laarschot

John van de Laarschot
Accounting Officer

Governing Body's statement of the College's regularity, propriety and compliance with Funding Body Terms and Conditions of funding

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

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

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

Carole Thorogood	John van de Laarschot
Chair of Governors	Accounting Officer
29 March 2021	29 March 2021

Statement of the responsibilities of the members of the Corporation

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

Within the terms and conditions of the College's grant funding agreements and contracts with ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus/deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

The Members of the Corporation are responsible for the integrity of the College's 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 ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 College's resources and expenditure, so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 29 March 2021 and signed on its behalf by:

Carole Thorogood

Carole Thorogood
Chair of Governors

Independent auditor's report to the members of Nottingham College

Opinion

We have audited the consolidated financial statements of Nottingham College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2020 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

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

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to the Going Concern accounting policy on page 31 in the consolidated financial statements. As stated on page 31, these events or conditions, along with the other matters as set forth in the Report of the Members of the Corporation, indicate that a material uncertainty exists that may cast significant doubt on the College and Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other information

The Corporation are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 21, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other required reporting

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the financial statements, has been materially misstated.

Use of the audit report

This report is made solely to the Corporation as a body 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 Group and College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP Mazars LLP

Chartered Accountants and Statutory Auditor

Park View House

58, The Ropewalk

Nottingham

NG1 5DW

Date 31/3/2021

To: The corporation of Nottingham College and Secretary of State for Education acting through Education and Skills Funding Agency ("ESFA")

In accordance with the terms of our engagement letter dated 6 October 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Nottingham College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Nottingham 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 Nottingham 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 Nottingham College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Nottingham College and the reporting accountant

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

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

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. 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 to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA/ funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

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

Signed: Mazars LLP

Mazars LLP

Date: 31/3/2021

Statement of comprehensive income

	Notes	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
INCOME					
Funding body grants	2	55,207	55,207	60,888	60,888
Tuition fees and education contracts	3	7,989	7,758	9,576	9,265
Other grants and contracts	4	3,408	3,236	868	868
Other income	5	2,506	3,460	3,627	4,253
Investment income	6	188	188	54	53
Donations and Endowments		-	-	-	-
Total income		**69,298**	**69,849**	**75,013**	**75,327**
EXPENDITURE					
Staff costs	7	43,773	42,999	44,880	43,039
Restructuring costs	7	1,800	1,800	138	123
Other operating expenses	8	20,397	21,758	23,032	25,455
Depreciation	11	10,162	10,159	9,928	9,928
Interest and other finance costs	9	3,016	3,016	3,092	3,092
Total expenditure		**79,148**	**79,732**	**81,070**	**81,637**
Deficit before other gains and losses		**(9,850)**	**(9,883)**	**(6,057)**	**(6,310)**
Gain on disposal of assets	11	63	63	1	1
Deficit before tax		**(9,787)**	**(9,820)**	**(6,056)**	**(6,309)**
Taxation	10	-	-	(1)	-
Deficit for the year		**(9,787)**	**(9,820)**	**(6,057)**	**(6,309)**
Actuarial gain (loss) in respect of pension schemes	23	(32,701)	(32,701)	(10,666)	(10,666)
Total Comprehensive Income for the year		**(42,488)**	**(42,521)**	**(16,723)**	**(16,975)**

The notes on pages 31-54 form part of these financial statements.

Statement of changes in reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2018	(44,883)	12,034	(32,849)
Deficit from the income and expenditure account	(6,057)	-	(6,057)
Other comprehensive income	(10,666)	-	(10,666)
Transfers between revaluation and income and expenditure reserves	2,669	(2,669)	-
	(14,054)	(2,669)	(16,723)
Balance at 31st July 2019	(58,937)	9,365	(49,572)
Deficit from the income and expenditure account	(9,787)	-	(9,787)
Other comprehensive income	(32,701)	-	(32,701)
Transfers between revaluation and income and expenditure reserves	3,453	(3,453)	-
Total comprehensive income for the year	(39,035)	(3,453)	(42,488)
Balance at 31st July 2020	**(97,972)**	**5,912**	**(92,060)**
College			
Balance at 1st August 2018	(44,629)	12,034	(32,595)
Deficit from the income and expenditure account	(6,309)	-	(6,309)
Other comprehensive income	(10,666)	-	(10,666)
Transfers between revaluation and income and expenditure reserves	2,669	(2,669)	-
	(14,306)	(2,669)	(16,975)
Balance at 31st July 2019	(58,935)	9,365	(49,570)
Deficit from the income and expenditure account	(9,820)	-	(9,820)
Other comprehensive income	(32,701)	-	(32,701)
Transfers between revaluation and income and expenditure reserves	3,453	(3,453)	-
Total comprehensive income for the year	(39,068)	(3,453)	(42,521)
Balance at 31st July 2020	**(98,003)**	**5,912**	**(92,091)**

The notes on pages 31-54 form part of these financial statements.

Balance Sheet

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Fixed assets					
Tangible fixed assets	11	134,792	134,791	113,345	113,341
Investments	12	-	1	-	1
Investment Property	13	1,400	1,400	3,469	3,469
		136,192	**136,192**	**116,814**	**116,811**
Current assets					
Stocks		61	43	69	64
Trade and other receivables	14	4,091	4,427	5,580	5,761
Cash and cash equivalents	19	15,956	15,374	21,098	20,868
		20,108	**19,844**	**26,747**	**26,693**
Less: Creditors – amounts falling due within one year	15	(57,821)	(57,588)	(15,704)	(15,644)
Net current assets		**(37,713)**	**(37,744)**	**11,043**	**11,049**
Total assets less current liabilities		**98,479**	**98,448**	**127,858**	**127,860**
Less: Creditors – amounts falling due after more than one year	16	(66,187)	(66,187)	(90,617)	(90,617)
Provisions					
Defined benefit obligations	18	(121,883)	(121,883)	(84,481)	(84,481)
Other provisions	18	(2,469)	(2,469)	(2,332)	(2,332)
Total net assets		**(92,060)**	**(92,091)**	**(49,572)**	**(49,570)**
Restricted reserves					
Thomas Earp funds gifted the the college		43	43	43	43
Other funds gifted to the college		28	28	28	28
Total restricted reserves		71	71	71	71
Unrestricted reserves					
Income and expenditure account		23,840	23,809	25,473	25,475
Pension reserve	23	(121,883)	(121,883)	(84,481)	(84,481)
Revaluation reserve		5,912	5,912	9,365	9,365
Total unrestricted reserves		**(92,131)**	**(92,162)**	**(49,643)**	**(49,641)**
Total reserves		**(92,060)**	**(92,091)**	**(49,572)**	**(49,570)**

The financial statements on pages 27 to 54 were approved and authorised for issue by the Corporation on 29th March 2021 and were signed on its behalf on that date by:

Carole Thorogood

Carole Thorogood
Chair of Governors

John van de Laarschot
Accounting Officer

The notes on pages 31-54 form part of these financial statements.

Consolidated Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
(Deficit) for the year		(9,787)	(6,057)
Adjustment for non cash items			
Depreciation of tangible assets		10,162	9,928
Gain on fair value of investment property		(133)	-
(Increase) in stocks		8	(18)
(Increase)/decrease in debtors		1,489	(722)
Increase/(decrease) in creditors due within one year		(4,660)	(3,065)
Increase/(decrease) in creditors due after one year		5,347	14,538
Increase/(decrease) in provisions		137	63
Pensions costs less contributions payable		2,915	3,580
Adjustment for investing or financing activities			
Investment income		(55)	(54)
Interest payable		3,016	3,092
Taxation paid		-	(1)
Profit on sale of fixed assets		(63)	(1)
Net cash flow from operating activities		**8,376**	**21,283**
Cash flows from investing activities			
Proceeds from sale of fixed assets		1,463	1
Investment income		55	54
Payments made to acquire fixed assets		(30,807)	(17,616)
		(29,289)	(17,561)
Cash flows from financing activities			
Interest paid		(1,229)	(1,310)
Interest element of finance lease rental payments		(1)	(2)
New unsecured loans		17,985	3,200
Repayments of amounts borrowed		(481)	(467)
Capital element of finance lease rental payments		(503)	(447)
		15,771	974
Increase in cash and cash equivalents in the year		**(5,142)**	**4,696**
Cash and cash equivalents at beginning of the year	18	21,098	16,402
Cash and cash equivalents at end of the year	18	15,956	21,098

Notes to the financial statements

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

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

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

The financial statements are presented in Sterling (£), rounded to the nearest thousand.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiary companies, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. The students union is run as a completely separate entity with all cash flow going through an independently controlled bank account although monitoring of the account is carried out by the learner service function.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members Report on page 10. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £47.2m of loans outstanding with bankers and central and local government on terms negotiated in 2011 onwards. The loans are secured by a fixed and floating charge over College assets.

In line with the view stated above in the Members Report, while a material uncertainty exists, the "going concern" assumption is the most reasonable assumption to use when presenting the accounts for 2019/20

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under 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 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

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

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

Capital grant funding
Government capital grants are capitalised, held as deferred income and recognised in 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.

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

Investment income
All income from short-term deposits is credited to the statement of consolidated income account in the period in which it is earned on a receivable basis.

Accounting for 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 and contracted out of the State Second Pension.

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

Nottinghamshire Local Government Pension Scheme
The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses

Notes to the financial statements

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current assets - tangible fixed assets

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Buildings – 50 years
- Refurbishments – 50 years

Freehold land is not depreciated.

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

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

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Notes to the financial statements

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

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

- technical equipment 7 years
- motor vehicles 4 years
- computer equipment 3 years
- furniture, fixtures and fittings 7 years

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

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

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

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

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

Investments
Investments in subsidiaries
Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Investment Property
Investment properties are held at fair value in the balance sheet. Formal market valuations are completed at least bi-annually with any material movements released to the income and expenditure account.

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

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

Notes to the financial statements

Financial liabilities and equity

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

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

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 income 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 sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when;

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

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

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

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

Agency arrangements

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

Notes to the financial statements

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risk and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

Tangible fixed assets
Tangible fixed assets, other than investment properties, are depreciation 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 disposed 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 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount on the pension liability.

Notes to the financial statements

2 Funding council grants

	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	17,441	17,441	18,695	18,695
Education and Skills Funding Agency – 16 -18	31,709	31,709	32,278	32,278
Education and Skills Funding Agency - apprenticeships	3,690	3,690	7,146	7,146
Office for Students	350	350	550	550
Specific Grants				
Releases of government capital grants	1,917	1,917	2,219	2,219
HE grant	-	-	-	-
Apprenticeships Provider Relief Scheme	100	100	-	-
Total	55,207	55,207	60,888	60,888

Under the Provider Relief Scheme, the College received funding of £100,000 this amount was fully spent in the year.

3 Tuition fees and education contracts

	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
Adult Education Fees	1,243	1,012	2,051	1,740
Apprenticeship contracts	354	354	164	164
Fees for FE loan supported courses	3,085	3,085	3,297	3,297
Fees for HE loan supported students	3,207	3,207	3,687	3,687
International students' fees	100	100	377	377
Total	7,989	7,758	9,576	9,265

Details of grant and fee income

Grant income from the OfS	350	350	550	550
Grant income from other bodies	52,840	52,840	58,119	58,119
Fee income for taught awards (exclusive of VAT)	3,207	3,207	3,687	3,687
Fee income for research awards (exclusive of VAT)	-	-	-	-
Fee income from non-qualifying courses(exclusive of VAT)	4,782	4,551	5,889	5,578
Total grant and fee income	61,180	60,949	68,245	67,934

4 Other grants and contracts

	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
Erasmus	-	-	17	17
Coronavirus Job Retention Scheme	934	762	-	-
Other grants and contracts	2,474	2,474	851	851
Total	3,408	3,236	868	868

The College furloughed some of the catering, cleaning,estates and commercial income staff under the Government's Coronavirus Job Retention Scheme. The funding received of £934,000 relates to staff costs included in the staff costs note below.

Notes to the financial statements

5 Other income

	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
Catering and residences	1,024	1,025	1,389	1,389
Other income generating activities	426	425	881	843
Other grant income	216	216	498	498
Non government capital grants	759	759	677	677
Miscellaneous income	81	1,035	182	846
Total	2,506	3,460	3,627	4,253

6 Investment income

	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000	Year ended 31 July 2019 Group £'000	Year ended 31 July 2019 College £'000
Other interest receivable	55	54	54	53
Gain on revaluation of investment property	133	133	-	-
	188	188	54	53

Notes to the financial statements

7 Staff costs - Group

The average number of persons (including key management personnel) employed by the College during the year, on an average headcount basis, was:

	2020 No.	2019 No.
Teaching staff	876	936
Non teaching staff	479	434
	1,355	1,370

Staff costs for the above persons

		2020 £'000	2019 £'000
Wages and salaries		30,254	32,184
Social security costs		2,548	2,793
Other pension costs		8,721	8,434
Payroll sub total		**41,523**	**43,411**
Contracted out staffing services		2,250	1,469
		43,773	**44,880**
Restructuring costs -	contractual	1,800	138
	non contractual	-	-
		45,573	45,018

The corporation does not have any salary sacrifice arrangements in place.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Chief Executive Officer, Principals and Vice Principal. Staff costs include compensation paid to key management personnel for loss of office.

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:	4	4

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:

	Senior post-holders		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£70,001 to £75,000	-	-	6	6
£80,001 to £85,000	-	1	3	3
£85,001 to £90,000	1		-	-
£90,001 to £95,000	-	-	-	1
£105,001 to £110,000	2	2	-	-
£200,001 to £210,000	1	1	-	-
	4	4	9	10

Access and Participation (Payroll Element)

	2020 £'000
Access Investment	23
Financial Support	-
Disability Support (excluding expenditure included in the two categories above)	34
Research and Evaluation	12
	69

Notes to the financial statements

7 Staff costs - Group and College

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries - gross of salary sacrifice and waived emoluments	503	420
Employers National Insurance	65	57
	568	**477**
Pension contributions	28	28
Total emoluments	**596**	**504**

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

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

	2020 £'000	2019 £'000
Salaries	207	207
	-	-
	207	207
Pension contributions	-	-

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

The remuneration package of the Chief Executive Officer is subject to review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The 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 Chief Executive Officer pay and remuneration expressed as a multiple;

Chief Executive Officer's basic salary as a multiple of the median of all staff	7.4	(2018-19 8.4)
Chief Executive Officer's total remuneration as a multiple of the median	7.4	(2018-19 8.4)

There was no compensation paid to former key management personnel in respect of loss of office.

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

Notes to the financial statements

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	10,206	10,205	13,775	13,729
Non teaching costs	5,248	6,694	5,194	7,768
Premises costs	4,943	4,859	4,063	3,958
Total	20,397	21,758	23,032	25,455

Other operating expenses include:	2020	2019
	£'000	£'000
Auditors' remuneration:		
Financial statements audit *	51	49
Tax compliance	2	3
Other services	7	3
Internal audit	48	47
Operating lease expense	19	19

* Includes £46,000 in respect of the College (2018-19 £46,000)

Access and Participation	2020
	£'000
Access Investment (i)	198
Financial Support	162
Disability Support (excluding expenditure included in the two categories above) (ii)	37
Research and Evaluation (iii)	16
	413

(i) £23k of these costs are already included in the overall staff cost figures included in the financial statements, see note 7
(ii) £34k of these costs are already included in the overall staff cost figures included in the financial statements, see note 7
(iii) £12k of these costs are already included in the overall staff cost figures included in the financial statements, see note 7

Nottingham College's Access and Participation Plan can be accessed via the link below;
https://www.nottinghamcollege.ac.uk/study/university-centre/welcome-to-the-university-centre-at-nottingham-college/key-information-and-supporting-documents

Notes to the financial statements

9 Interest payable - Group and College

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans:	1,229	1,310
	1,229	1,310
On finance leases	1	1
Net interest on defined pension liability (note 23)	1,786	1,781
Total	**3,016**	**3,092**

10 Taxation - Group only

	2020 £'000	2019 £'000
Tax payable by the group	-	1

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year. The tax charge relates to its trading subsidiary companies.

Notes to the financial statements

11 Tangible fixed assets (Group)

	Land and buildings	Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2019	131,535	32,581	19,956	184,072
Transfer from Investment Property	2,202	-	-	2,202
Additions	536	115	30,156	30,807
Disposals	(7,458)	-	-	(7,458)
At 31 July 2020	**126,815**	**32,696**	**50,112**	**209,623**
Depreciation				
At 1 August 2019	40,695	30,032	-	70,727
Charge for the year	2,596	1,196	-	3,792
Accelerated Depreciation Charge	6,370	-	-	6,370
Elimination in respect of disposals	(6,058)	-	-	(6,058)
At 31 July 2020	**43,603**	**31,228**	**-**	**74,831**
Net book value at 31 July 2020	**83,212**	**1,468**	**50,112**	**134,792**
Net book value at 31 July 2019	90,840	2,549	19,956	113,345

The net book value of equipment includes an amount of £nil (2018/19 – £nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £nil (2018/19 – £nil).

Notes to the financial statements

11 Tangible fixed assets (College only)

	Land and buildings	Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2019	131,535	32,551	19,956	184,042
Transfer from Investment Property	2,202	-	-	2,202
Additions	536	115	30,156	30,807
Disposals	(7,458)	-	-	(7,458)
At 31 July 2020	**126,815**	**32,666**	**50,112**	**209,593**
Depreciation				
At 1 August 2019	40,692	30,009	-	70,701
Charge for the year	2,595	1,194	-	3,789
Accelerated Depreciation Charge	6,370	-	-	6,370
Elimination in respect of disposals	(6,058)	-	-	(6,058)
At 31 July 2020	**43,599**	**31,203**	-	**74,802**
Net book value at 31 July 2020	**83,216**	**1,463**	**50,112**	**134,791**
Net book value at 31 July 2019	99,399	3,193	19,956	113,341

The net book value of equipment includes an amount of £nil (2018/19 – £nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £nil (2018/19 – £nil).

Notes to the financial statements

12 Non current Investments

	College 2020 £'000	College 2019 £'000
Investments in subsidiary companies	1	1
Total	1	1

The College owns 100 per cent of the issued ordinary £1 shares of Nottingham College Services Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of Emtec Colleges Limited, a company incorporated in England and Wales. The principal business activity of Nottingham College Services Limited is the provision of cleaning services. Emtec Colleges Limited is an intermediate holding company.

13 Investment Property

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Opening balance	3,469	3,469	3,469	3,469
Transfer to Fixed Assets	(2,202)	(2,202)	-	-
Gain on fair value	133	133	-	-
Total	1,400	1,400	3,469	3,469

The freehold Property was valued as at 31 July 2020 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation – Global Standards 2020 and guidance set out in UK national supplement 2018 [collectively "the Standards"] published by the Royal Institution of Chartered Surveyors (RICS) and Financial Reporting Standard 102 and the Statement of Recommended Practice 'Accounting for Further and Higher Education. The valuation was undertaken on a Fair Value basis and valued by reference to the comparative method.

14 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	2,592	2,595	2,083	1,961
Amounts owed by group undertakings:				
Subsidiary undertakings	-	334	-	304
Prepayments and accrued income	1,499	1,498	3,497	3,496
Amounts owed by the ESFA	-	-	-	-
Total	4,091	4,427	5,580	5,761

Notes to the financial statements

15 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans *	47,198	47,198	481	481
Obligations under PFI	564	564	503	503
Trade payables	300	280	720	668
Other taxation and social security	1,273	1,277	1,216	1,202
Accruals and deferred income	6,686	6,469	8,454	8,460
Deferred income - government capital grants	1,800	1,800	1,300	1,300
Unspent capital grants	-	-	2,890	2,890
Learner Support Funds	-	-	140	140
Total	57,821	57,588	15,704	15,644

* Following a breach of one of four covenants during the year, the College's borrowing has been reclassified as falling due within one year.

16 Creditors: amounts falling due after one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans	-	-	29,214	29,214
Obligations under PFI	1,341	1,341	1,905	1,905
Rent Creditor	424	424	479	479
Deferred income - government capital grants	64,422	64,422	59,019	59,019
Total	66,187	66,187	90,617	90,617

Notes to the financial statements

17 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	47,198	47,198	481	481
Between one and two years	-	-	3,615	3,615
Between two and five years	-	-	9,644	9,644
In five years or more	-	-	15,955	15,955
Total	**47,198**	**47,198**	**29,695**	**29,695**

The College's loans are detailed as follows;

Lender	**Term**	**Rate**	**Amount £'000**
Barclays RCF	**Jun 2022**	**3.37%**	**4,940**
Barclays Facility A	**Jun 2022**	**3.37%**	**2,082**
Barclays Facility B	**Jun 2022**	**3.37%**	**2,268**
Nottingham City Council	**Apr 2030**	**5.00%**	**21,708**
ESFA	**Oct 2030**	**1.41%**	**16,200**
TOTAL			**47,198**

The loans are secured on a portion of the freehold land and buildings of the College.

(b) PFI leases

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

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	564	564	503	503
Between two and five years	1,341	1,341	1,905	1,905
Total	**1,905**	**1,905**	**2,408**	**2,408**

PFI lease obligations are secured on the assets to which they relate.

Notes to the financial statements

18 Other Provisions
Group and College

	Defined benefit obligations £'000	Enhanced benefit obligations £'000	Other £'000	Total £'000
At 1 August 2019	(84,481)	(2,332)	-	(86,813)
Expenditure in the period	(4,950)	112	-	(4,838)
Actuarial loss	(32,452)	(249)	-	(32,701)
At 31 July 2020	**(121,883)**	**(2,469)**	**-**	**(124,352)**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

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

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.20%	2.20%
Discount rate	1.30%	2.20%

19 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	21,098	(5,142)	-	15,956
Overdrafts	-	-	-	-
Total	**21,098**	**(5,142)**	**-**	**15,956**

20 Capital commitments

	Group and College 2020 £'000	2019 £'000
Commitments contracted for at 31 July	4,529	33,306

Notes to the financial statements

21 Lease Obligations

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

	Group and College	
	2020	2019
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	500	493
Later than one year and not later than five years	1,564	1,331
Later than five years	616	846
	2,680	2,670
Other		
Not later than one year	157	156
Later than one year and not later than five years	364	520
later than five years	-	-
	521	676
Total lease payments due	3,201	3,346

22 Contingent liabilities

There are no contingent liabilities as at 31 July 2020 or 31 July 2019.

Notes to the financial statements

23 Defined benefit obligations

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

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

Total pension cost for the year		**2020 £'000**		**2019 £'000**
Teachers Pension Scheme: contributions paid		2,759		2,085
Local Government Pension Scheme:				
Contributions paid	2,859		2,653	
Pension Strain	44		27	
FRS 102 (28) charge	3,119		2,458	
Charge to the Statement of Comprehensive Income		6,022		5,138
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year included within Staff Costs		8,782		7,223

Teachers' Pension Scheme

The Teachers' Pension Budgeting and Valuation Account

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

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

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

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

The pension costs paid to TPS in the year amounted to £2,759,000 (2019: £2,085,000)

Notes to the financial statements

23 Defined benefit obligations (continued)

FRS 102 (28)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Nottinghamshire County Council . The total contribution made for the year ended 31 July 2020 was £3,735,000, of which employer's contributions totalled £2,859,000 and employees' contributions totalled £876,000. The agreed contribution rates for future years are 18.5% for employers and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions

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

	At 31 July 2020	**At 31 July 2019**
Rate of increase in salaries	3.25%	3.85%
Future pensions increases	2.25%	2.35%
Discount rate for scheme liabilities	1.35%	2.15%
Inflation assumption (CPI)	2.20%	2.35%
Commutation of pensions to lump sums	50%	50%

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	21.8	21.6
Females	24.4	24.4
Retiring in 20 years		
Males	23.2	23.3
Females	25.9	26.2

Notes to the financial statements

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020	Long-term rate of return expected at 31 July 2019	Fair Value at 31 July 2019
		£'000		£'000
Equity instruments	60%	69,729	62%	72,412
Gilts	4%	4,530	3%	3,799
Other Bonds	9%	9,993	9%	10,810
Property	13%	15,354	14%	15,787
Cash	4%	4,584	2%	2,819
Inflation-linked pool fund	4%	4,392	4%	4,240
Infrastructure	6%	6,839	5%	5,616
Unit Trust	1%	1,250	1%	1,183
Total market value of assets		**116,671**		**116,666**

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

	2020 £'000	2019 £'000
Fair value of plan assets	116,671	116,666
Present value of plan liabilities	(238,420)	(201,009)
Present value of unfunded liabilities	(134)	(138)
Net pension liability	**(121,883)**	**(84,481)**

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	5,978	5,068
Past service cost	-	1,325
Total	**5,978**	**6,393**
Amounts included in investment		
Net interest	1,786	1,781
	1,786	**1,781**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(3,437)	298
Other actuarial losses on assets	652	-
Change in financial assumptions	(33,944)	(21,595)
Change in demographic assumptions	3,462	10,790
Experience losses arising on defined benefit obligations	815	-
Amount recognised in Other Comprehensive Income	**(32,452)**	**(10,507)**

Notes to the financial statements

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability) during the year

	2020 £'000	2019 £'000
(Deficit) in scheme at 1 August	(84,481)	(68,410)
Movement in year:		
Current service cost	(5,978)	(5,068)
Employer contributions	2,859	2,653
Past service cost	-	(1,325)
Net interest on the defined (liability)	(1,786)	(1,781)
Administrative expenses	(45)	(43)
Actuarial gain or loss	(32,452)	(10,507)
Net defined benefit (liability) at 31 July	**(121,883)**	**(84,481)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2020 £'000	2019 £'000
Defined benefit obligations at start of period	201,147	182,084
Current Service cost	5,978	5,068
Interest cost	4,298	4,790
Contributions by scheme participants	876	845
Experience gains and losses on defined benefit obligations	(815)	-
Changes in financial assumptions	33,944	21,595
Change in demographic assumptions	(3,462)	(10,790)
Estimated benefits paid	(3,402)	(3,770)
Unfunded pension payments	(10)	-
Past Service cost	-	1,325
Defined benefit obligations at end of period	**238,554**	**201,147**

Reconciliation of Assets

	2020 £'000	2019 £'000
Fair value of plan assets at start of period	116,666	113,674
Interest on plan assets	2,512	3,009
Return on plan assets	(3,437)	298
Other actuarial losses	652	-
Administration expenses	(45)	(43)
Employer contributions	2,859	2,653
Contributions by Scheme participants	876	845
Estimated benefits paid	(3,412)	(3,770)
Fair value of plan assets at end of period	**116,671**	**116,666**

Notes to the financial statements

24 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £284; 9 governors (2018-19: £492; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.
No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2019: None).

25 Amounts disbursed as agent

Learner support funds

	2020 £'000	2019 £'000
Funding body grants – bursary support	1,671	1,533
Funding body grants – discretionary learner support	1,252	1,293
Funding body grants – residential bursaries	-	-
Other Funding body grants	-	-
Interest earned	-	-
	2,923	2,826
Disbursed to students	(2,836)	(2,563)
Administration costs	(87)	(123)
Balance unspent as at 31 July, included in creditors	0	140

26 Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principle activity
EMTEC Limited	UK	Ordinary	100%	Dormant
EMTEC (Shanghai) Limited	China	Ordinary	100%	Provision of education.
Nottingham College Services Limited	UK	Ordinary	100%	Provision of cleaning services.