HIGHBURY COLLEGE

Annual Report and Financial Statements
For the year ended 31 July 2020

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as the members of the Senior Management Team and were represented by the following in 2019-2020 and up to the date of this report:

Stella Mbubaegbu - Principal and CEO, Accounting Officer until 4 December 2019
Penny Wycherley – Interim Principal and Accounting Officer from 5 December 2019
Jonathan Cox – Group Finance Director until 14 February 2020
John Owen – Interim Chief Finance Officer from 7 January 2020 to 31 July 2020
Denise Cheng-Carter – Interim Chief Finance Officer from 13 July 2020
Sue Martin – Interim Vice Principal – Learning & Quality from 9 January 2020 until 20 July 2020
Pat Denham – Interim Vice Principal – Learning & Quality from 20 July 2020
Paul Graham – Managing Director, Highbury Technical Professional until 30 November 2019
Teresa Cole – Managing Director, Highbury Foundation and Adult Learning
Helen Brennan – Managing Director, Student Central
Craig Mincher – Managing Director, Employer & Commercial Services from 10 January 2020
Sarah Warren – Managing Director, Faculty of Learning for Young People from 23 January 2020

Board of Governors

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

Paola Schweitzer was Clerk to the Corporation for the year.

Professional advisers

Financial statements auditors and reporting accountants:

Mazars LLP
Chartered Accountants and Statutory Auditor
Floor 5, Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

Internal auditors:

Southern Internal Audit Partnership
The Castle
Winchester
Hampshire
SO23 8UJ

Bankers:
Barclays Bank
Southampton City 2 Branch
50-52 London Road
Southampton
Hampshire
SO15 2SF

Svenska Handelsbanken AB
Portsmouth Branch
Ground Floor
1000 Lakeside North Harbour
Western Road
Portsmouth
PO6 3EN

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal Status

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

The Corporation was incorporated as Highbury College. The Registered Office is Highbury College, Tudor Crescent, Portsmouth, Hampshire, PO6 2SA.

In March 2020, the Board of Governors for Highbury College agreed a purpose statement to underpin the strategic and operational leadership and management of the College. This statement has been welcomed by stakeholders including the staff, learners, Solent Local Enterprise Partnership, Portsmouth City Council and the University of Portsmouth.

Highbury College Purpose Statement
To contribute to a more prosperous and equitable Portsmouth and its surrounding areas through the provision of technical, vocational, and professional education (from Level 1-5) that meets the needs of learners, communities, and employers.

1. Key Strategic Objective One: **Provision**
To contribute to a more prosperous and equitable Portsmouth and its surrounding areas by providing technical, vocational, and professional education (from level 1-5) by planning and delivering:

- 1.1 an education and training offer which is mapped to local skills needs and integrates with other providers of education and training;
- 1.2 an education and training offer to develop skills for life including literacy, numeracy, language and digital skills, success in employment and progression to further education and training;
- 1.3 programmes in partnership with communities, employers and other education and training providers;
- 1.4 information, advice, and guidance processes which lead to the best possible programme for the individuals and signpost local and wider opportunities; and
- 1.5 events, information, and programmes which celebrate the diversity of the population and promote equality of opportunity.

2. Key Strategic Objective Two: **Quality**
To deliver excellent education and training opportunities in technical, vocational, and professional education by:

- 2.1 providing high quality learning opportunities for individuals aged 14+ that promote equality of opportunity and lead to continuously improving success rates by our learners;
- 2.2 using the views of external quality agencies to inform our own learning and development;
- 2.3 seeking out the views and aspirations of our stakeholders to inform our planning and development;
- 2.4 ensuring we provide a safe and healthy learning environment, promote safeguarding of our learners and develop their awareness of safe working practices; and
- 2.5 seeking out best practice and innovative approaches to excite and enthuse all those involved in learning.

3. Key Strategic Objective Three: **Staff**
To value and develop our staff by:

- 3.1 further improving two-way communications and involvement which recognise staff as having expertise;
- 3.2 planning and delivering an annual programme of professional development which recognises individual and organisational objectives;
- 3.3 recognising ability and developing excellence;
- 3.4 developing a culture that attracts and retains outstanding staff and inspires staff to excel; and
- 3.5 recognising and rewarding the work and commitment of staff.

Strategic Report (continued)

4. Key Strategic Objective Four: **Partnerships**

To work collaboratively with partners and stakeholders to promote our values and purpose by:

4.1 engaging with businesses, voluntary and community organisations and agencies of government to create and deliver learning and employment opportunities;
4.2 actively supporting local agencies of government, employer and community organisations to promote learning, employment prosperity, equality of opportunity and to celebrate diversity;
4.3 working with other education and training providers to achieve business effectiveness and efficiency;
4.4 seeking to partner and co-create with other education and training providers to provide sub-regional services to meet the needs of individual learners, communities, and employers; and
4.5 embedding involvement of partners and stakeholders in our decision making and quality improvement processes.

5. Key Strategic Objective Five: **Leadership, Governance and Resources**

To ensure our organisation, financial management and infrastructure are highly effective in supporting our vision and mission by:

5.1 informed and challenging governors playing a fully supportive role;
5.2 optimising income;
5.3 robust financial management;
5.4 investing, within our financial constraints, technology, estates, and resources to support accessible, high quality and appropriate innovative learning; and
5.5 developing the College's Management Team at all levels to deliver inclusive leadership and robust performance management.

Public Benefit

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

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 purpose, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent progression into employment for learners
- Strong learner support systems
- Strong links with employers, industry, and commerce.

Financial Objectives

The Group's performance measured against the targets set for financial performance in 2019/20 were:

Financial Objective	Target	Actual
Liquidity – Adjusted Current Ratio	>= 0.34	0.81%
Expenditure - Pay Costs as a % Income (exc. restructure costs)	Less than 66%	68%
Margin - EBITDA Ratio	>=5%	0.71%
Gearing – Long-term Debt as a % of Income	Less than 40%	0.89%
Cash – Net Cash Inflow from Operating Activities	> £1m	£(1,188)k

Strategic Report (continued)

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website and looks at measures such as achievement rates through the National Achievement Rate Tables. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College was assessed by the ESFA as having an **"**Inadequate**"** financial health following FE Commissioner intervention in November 2019.

FINANCIAL POSITION

Financial Results

The Statement of Comprehensive Income shows a deficit for the Group of £23k (2018/19 surplus: £1,590k). This includes an impairment charge of £1,214k, due to the revaluation of buildings at the main college site at Cosham.

The deficit for the College is £1,841k (2018/19 surplus: £1,219k). The prior year's surplus was mainly due to the release of capital grants in relation to an asset disposal.

The cash balance at the year-end stood at £1,549k (2018/19: £724k) and the net current liabilities are £4,580k (2019: £4,755k).

The cost of tangible fixed asset additions during the year amounted to £2,334k.

The College has significant reliance on the funding bodies for its principal funding source, largely from recurrent grants. In 2019/20, the funding bodies provided 80% of the College's total income (80% 2018/19).

The College has three principal subsidiary companies:

	Country of Incorporation	Ownership	Activity
Highbury Apprenticeships (Birmingham) Ltd	England &Wales	100%	Apprenticeship Training
Highbury College Commercial Services Ltd	England &Wales	100%	Not trading
New Work Training Ltd	England &Wales	70%	Not trading
Highbury College (Nigeria) Limited	Nigeria	99%	Not trading

The College continues to hold a 50% shareholding in the Joint Venture Company, Highbury Burton Saudi Arabia Limited (HBSA). HBSA is registered in Saudi Arabia. Its business is to deliver a contract for the Colleges of Excellence to manage and operate a College in Jeddah. The dividend from the joint venture accrued to the College in the 2019/20 financial year was £768k. A dividend of £600k was received by the College in 2019/20.

Financial health at the year-end has improved from 'Inadequate' to 'Requires Improvement'.

Apart from the impact of Covid-19, a main financial challenge faced by the College during 2019/20 related to its ability to meet its financial obligations. This required a £1,381k emergency loan funding from the ESFA. Since the receipt of the final tranche of the emergency funding, the College's cash position has improved steadily.

Future Prospects

The College's 2020/21 budget has been reviewed by the ESFA and the FE Commissioner's team. It shows a deficit of £60k with an EBITDA of 5.8%. The current ratio is budgeted to be positive of 1:1 and

Strategic Report (continued)

borrowing as a % of income falls to just 8.81%.

Cash balances have fallen during the year because of the repayment not only of the £750k bank loan, which is due during the year, but also the full repayment of the ESFA Emergency Funding of £1,381k.

The College's 2021/22 and 2022/23 forecast continues to be prudent and based largely on rolling forward assumptions from 2020/21. The plan shows the repayment of the bank loan and the emergency funding with a breakeven position in 2021/22, an EBITDA of 6.1%, a Financial Health score of 210 and a £25k surplus. The position further improves in 2022/23 with an EBITDA of 6.7% and the financial health score of 230 points. The financial health score improves from 'Requires Improvement' in 2019/20 to 'Good' in 2020/21 and subsequent years.

Going Concern

In January 2020, it became apparent to the interim Senior Leadership Team that the College was at risk of running out of cash in March 2020. As a result, the College applied for a reprofiling of its main ESFA funding allocation and received £800k in March 2020. £400k of this was repaid in April 2020 and a further £200k in May 2020. The balance was repaid in June 2020. The College applied for emergency funding of £1,381k from the ESFA in May 2020, and this was granted in June 2020.

In February 2020, the ESFA referred the College for FE Commissioner intervention. In response to the FE Commissioner recommendations, during 2019/20, the College is partaking in an FE Commissioner led Strategic and Prospect Appraisal (SPA). The SPA included a submission of a College 'standalone' option. A detailed financial plan and cash flow covering the period 2019/20 to 2022/23 has been produced in support of Highbury College's proposals to remain as a stand-alone institution.

The plan shows that taking a prudent, risk-averse and pragmatic approach the College will move from 'Requires Improvement' financial health in 2019/20 (with a score of 120) to 'Good' financial health in 2020/21 (score 190) and will sustain this 'Good' rating with a steadily improving financial health score of 210 in 2021/22 and 230 in 2022/23. This supports the College's case that it is and can remain a financially viable, independent entity.

The College's EBITDA improves from 5.8% to 6.7% from 2020/21 to 2022/23, thus recovering from being negative in 2019/20.

The plan also assumes that by the end of 2020/21, the College will have repaid both its currently outstanding fixed-term bank loan of £750k and the £1,381k emergency loan funding received from the ESFA in 2019/20. The small amount of remaining borrowing through leasing ceases in 2022/23.

The College has been engaged in a joint venture in Saudi Arabia with Burton & South Derbyshire College. The plan takes into account dividends of £1,368k actually received from this joint venture since 1 August 2019. However, the plan does not take into account the likely receipt of a further £3,500k - £3,700k as a result of the negotiations the College has been pursuing to dispose of its interest in this joint venture company. Excluding this potential income at this stage is considered to be the most prudent approach to the College's medium-term financial planning. It is though anticipated that this income will be received by December 2020, and this would fundamentally improve the College's financial position.

The three-year monthly cashflow shows that the College's cash position remains tight but manageable during the period of the plan with year-end cash days (expenditure basis) increasing from 13 at the end of 2020/21 to 23 by the end of 2022/23. Moreover, month-end cash holdings only fall below £750k (18 cash days) in ten months during this 36-month period. No overdraft is required during the period. The adjusted current ratio improves steadily from 0.89 at 31 July 2020 to 1.58 at 31 July 2023.

Whilst uncertainties remain in respect of the Strategic Prospect Appraisal, the College believes that there is an adequate level of flexibility within its income and expenditure budget to be able to absorb short-term fluctuations, such that the operating position and cash flow can be sustained, and therefore believes that presenting these financial statements on a going concern basis is appropriate.

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Treasury Policies and Objectives

Treasury management is the management of the College's cash flows and its banking transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place. All borrowing requires the authorisation of the Corporation and shall comply with any requirements of the Financial Memorandum with the ESFA.

Cash Flows and Liquidity

Net cash outflow from operating activities was £1,188k, Inflow (2018/19: £762k). The Statement of Cash Flow analyses the movements in cash flows in more detail. £250k of commercial debt was repaid during the year.

The College does not operate with an overdraft facility.

Reserves Policy

The College has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation and seeks to ensure that there are adequate reserves to support the College's core activities. The Group reserves do not include any restricted reserves. As at the balance sheet date the Income and Expenditure reserve of the Group stands at (£14,597k) (2019: (£4,114k)), the overall Income and Expenditure reserves include the pension reserves deficit of (£25.5m) (2019: (£17.1m)), and the impairment charge of £2,873k. It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2019/20, the College has delivered activity that has produced £12,490k in funding body main allocation funding (2018/19: £11,937k). In 2019/20, the College delivered to 1,296 16-18-year olds, 38 more than the 1,258 contracted for, meaning that allocations for 2020/21 have been increased through the lagged funding methodology.

Curriculum Achievements

Following the Inspection in 2018, the staff worked hard to improve the quality of provision and the outcomes of learning for 2018/19 showed marked improvement for learners aged 16-18 and maintained high achievement rates for adults. In 2019/20, despite the pandemic, achievement rates have been maintained for 16-18 at 85.3% and adults at 91.9%.

Overall in 2019/20, learners achieved 88.8% of their qualification aims (90.2% in 2018/19).

In the College's April 2018 Ofsted inspection, the College received an overall grade of 3 "Requires Improvement". A subsequent Ofsted progress review meeting identified that the College had made satisfactory progress in all areas. Quality improvement action plans have been developed and continue to be implemented by the College to ensure the next inspection improves the overall grade to "Good".

An Interim Ofsted visit at the College took place on 13th and 14th October 2020. These Interim visits are to help learners, parents, employers, and government understand how providers are meeting the needs of learners and apprentices in this period, including learners with high needs and those with special educational needs and disabilities.

Some direct quotes from Ofsted report:

'Staff have been helping learners struggling with web-based technologies during the pandemic, as well as identifying those learners who are new to College and require support with remote learning'.

'Leaders and Managers identified the impact of the pandemic on particular group. Learners with special educational needs and/or disabilities missed social interactions, so staff provided social activities for

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example virtual parties. Staff have adapted their approach to careers advice in response to learners' concerns on future opportunities'.

'Employers felt College staff responded quickly to minimise disruption to apprentices learning. The local authority reported that the leader at the College play a very active role in the community response to the pandemic'.

'Managers have adapted the method they use to assure themselves that the quality of teaching remains high'.

'Leaders keep staff and learners informed of new or increased risks resulting from the pandemic'.

Curriculum Developments

Highbury College has a very different qualification profile from the majority of General Further Education Colleges. 26% of its delivery is for learners aged 16-18, whereas the national rate is 35% of provision and for the South East is higher. The proportion of the qualifications studied by learners aged 16-18 is also significantly different to the national position with less than a third of its learners taking qualifications at Level 3 at 31%. That leaves 69% learners aged 16-19 studying at Level 2 or below.

However, the proportion of learners doing an apprenticeship is c 5% higher than the national average, with a growing proportion doing higher levels including the pharmacy technicians at Level 3/4.

The number of learners aged 16-18 progressing from 2019/20 to 2020/21 is 7% higher than the previous year at 53%. College systems and target setting processes for 2020/21 are focused on this and raising the aspirations of learners. The College's provision is substantially focused (84%) on the local skills priorities and our aim is to build on the progression routes both internally and working in partnership with the University of Portsmouth to raise the overall level of qualifications for the community of Portsmouth.

Partnership Working

Over the last 10 months the new Leadership and Management Team has been exploring the development of partnerships to serve the City of Portsmouth. The Corporation and Leadership see this as central to the future of Portsmouth. Discussions have already started and include those listed below. Following the outcome of the SPA process, the College sees opportunities to develop further joint working including supporting the space shortages in other Colleges with an expanding number of young people aged 16-18.

The University of Portsmouth. Discussions are underway to strengthen working through:

- expansion of the College's Access to Higher Education Programme to provide seamless progression routes to degree programmes;
- partnership provision for Levels 4 and 5 with the University; and
- development of new entry programmes.

MPTC, the outstanding national training provider delivering entry provision to the armed forces. This will now be based at the College in Portsmouth and has dedicated provision within the College.

Links with local social enterprises to support delivery and supported internships.

Shaping Portsmouth to work with local employers.

Portsmouth City Council: links with the Council have been strengthened and are raising new areas for joint work e.g. residential provision for those with high needs, support for troubled families and new initiatives such as Kickstart.

DWP: the College is delivering Sector Based Work Academies.

Pharmacy Technicians

The Pharmacy Technician programme was designed in partnership with seven NHS trusts and led to Highbury College being awarded national provider status for the NHS. This license to practice programme,

Strategic Report (continued)

accredited by the General Pharmaceutical Council, ensures that medicines and prescriptions are manufactured, handled, and dispensed safely. There are now 11 NHS trusts that have provided 41 apprentices with discussion ongoing with a further seven possible sign-ups.

DWP Bid Through Collab

Highbury College, in collaboration with the Collab Group, have submitted a tender for the DWP Commercial Agreement for the provision of Employment & Health Related Services (CAEHRS) which will run for 5 years with a value of £7.5bn, to provide programmes that assist the unemployed and those with health conditions back into work. The College is part of the Southern Region Lot which sees a direct partnership with Chichester College, Activate Learning, Bournemouth & Poole College and Bridgewater & Taunton College. The estimated value of the southern region lot over 5 years is £240,000k with a prudent value to Highbury College of £2,000k - £5,000k per annum. The College is in the southern region and the College has now been successful in the final stage.

Sector-Based Work Academies

The sector-based work academy is designed to help meet employers' immediate and future recruitment needs. We are currently in discussions with Compass Group to launch the first academy for the hospitality and catering industry. The partnership will see the participants undertake an enhanced employability programme including Maths & English, work experience and a guaranteed interview with Compass Group. Further employers are being sought to benefit other key local industries.

Commercial Provision Associated with AAT qualifications

A new partnership with Mindful Education has enabled the College to enter the full fee-paying distance learner market for AAT and CIPD qualifications, with the option to extend to Team Leading and CILEX. The wholly online programme, with award winning media rich content, will be supported by Highbury's tutors, and learners will visit their local AAT Test Centre to take the exam. The commercial provision as an estimated launch date of November 2020, and focused marketing will target the local area and provide a retraining option for those seeking new roles following the increase in redundancies due to Covid-19.

Traineeships

Our 13-week skills development traineeship will combine employability skills, Maths & English qualifications and 90-hours work experience. We are starting discussions with DWP to assist with the learner pipeline and have already engaged employers to secure work placements. Our traineeships will offer progressions into apprenticeships, full time programmes and work through a guaranteed interview scheme at the end of the programme.

T Levels

From 2022, T Levels are being opened up to enable a wider group of Colleges to deliver these new qualifications. These new courses which follow GCSEs and are equivalent to three A levels offer the higher-level technical qualifications set out in the College Purpose. These 2-year courses, which launched in September 2020, have been developed in collaboration with employers and businesses so that the content meets the needs of industry and prepares learners for work, further training or study. Highbury College is looking initially at developing these in construction, engineering, and digital skills.

High Needs Development

Portsmouth has a growing population of young people up to the age of 25 with high needs who wish to develop their independent lives, ideally in employment. This has already become a specialism for the College and initial discussions have started to use the vacant residential accommodation in the Tower to support a "half-way house" approach for young people wishing to move to independent living. This goes alongside our expanding offer in this area with the development of an independent living learning facility within the main building and shortly a new unit within the Tower. Plans are also developing for internships and for a wider provision including the care of small animals, a wider main vocational offer at Level 1 and our new traineeships curriculum. The possible income from these developments is not included within the financial forecast but given the growing need within Hampshire and the city and the current practice of moving learners out of area, there is scope for meeting this need with the Cosham Campus.

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Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of an agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During 2019/20, the College paid 70 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

The Governing Boards of Portsmouth College and Highbury College have agreed to continue merger discussions following work carried out by a collaborative steering group as part of a Structure and Prospects Appraisal led by the FE Commissioner. The group included members of Portsmouth City Council, the Solent Local Enterprise Partnership, the Education and Skills Funding Agency and the FE Commissioner's team. Following a unanimous decision by the steering group, the FE Commissioner is recommending to the Minister of State for Apprenticeships and Skills the merger of the two Colleges.

Subject to ministerial approval, plans will move to the next stage of consultation with stakeholders including current staff, students, parents, local employers, universities, and secondary schools.

We are delighted to be embarking on this journey together and will soon be inviting the views of the wider community to share their thoughts, ideas, and ambitions. We hope you will participate in this consultation and support the proposed merger which we believe will be the chance to realise a 'one city, one College' vision.

Resources:

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

Tangible resources include the Highbury Campus and the Highbury Northarbour Centre.

Financial
As at the 31 July 2020, the College Group had £4,581k of net liabilities including a £25,519k pension liability, bank debt of £750k ordinarily repayable by 31 July 2020, and deferred income from capital grants of £20,169k. Net Assets exclusive of the pension liabilities and the deferred income from capital grants were £31,091k.

People
The College employed an average of 380 people (expressed as head counts) of whom 127 were on teaching contracts during 2019/20.

Reputation
The College has had a good reputation for many years having been graded as 'Outstanding' by Ofsted in 2011. However, in 2019 its reputation became more uncertain with a visit by the Further Education Commissioner's team and press coverage that was critical of senior management. Maintaining a quality brand is essential for the College's success at attracting learners and external relationships.

Principal Risks and Uncertainties:

The College Leadership Team undertakes a comprehensive review of the risks on a half-termly basis, with more frequent reviews through the Executive meetings of more urgent risks. Where risks are identified, systems and procedures including specific preventable actions which mitigate potential negative impact on the College are implemented. A risk register, covering low, medium and high-level risks, is maintained at College level. 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 now scored using a points score system based on finance, reputation and likelihood with a maximum 30-point scale system.

Strategic Report (continued)

The internal controls for managing risks deemed as medium and high are incorporated into an annual risk management action plan. The effectiveness of the College's internal controls in managing those identified risks is monitored by the Audit Committee for risks deemed as high, and through the College Leadership Team's monthly Business Results meetings for those deemed as medium and high. In addition to the annual review, the College Leadership Team will also consider any risks which arise during the year, for example, as a result of a new area of work being undertaken by the College or external factors such as changes in funding arrangements. These new risks will be added to the plan and submitted to the Corporation for approval of the risk rating and the mitigating actions to manage the risk.

The College's approach to risk management is supported by an approach which raises awareness of risk throughout the College. In addition, Directors and Heads of Department incorporate risk management in their self-assessment reports and quality improvement plans. 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.

The main funding bodies change the policies regarding funding resulting in reductions of funds

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2019/20, approximately 86% of the College's revenue was 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. It is critical that action to respond to changes is taken rapidly and the College is flexible in its approach. The College's learner profile with above average provision at Level 1 and 2 and a high proportion of adult learners means that it is particularly vulnerable to low levels of funding and therefore has to have a lean approach to management and to systems. Curriculum planning and staff utilisation are two of the major keys to managing resources and funding effectively.

The College will continue to seek alternative sources of income to reduce the reliance on government funded provision.

The ESFA funding target may not be achieved

The College recruited approximately a slightly higher number of 16-18-year-old learners in 2019/20 as in 2018/19. This reduced in 2019/20, with a consequent funding reduction in 2020/21. Future financial projections, as included in the financial planning for the College, assume growth for learner allocations in line with the demographic trends.

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

Impact of COVID-19

The COVID-19 pandemic has severely disrupted normal College activity, and there is a risk that this will continue. The College has developed a detailed COVID risk register in order to minimise the risk

STAKEHOLDER RELATIONSHIPS

In line with other Colleges and with universities, Highbury College has many stakeholders. These include:

- Learners
- Staff
- Education sector funding bodies
- FE Commissioner
- Local employers (with specific links)
- Local Authorities
- Government Offices
- The Local Enterprise Partnership
- The local community
- Other FE institutions

Strategic Report (continued)

- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with each of them.

Equal opportunities and employment of disabled persons

Highbury College is committed to ensuring equality of opportunity for all who learn and work at the College. We respect and positively value differences in race, gender, gender reassignment, sexual orientation, pregnancy and maternity, marriage and civil partnerships, religious belief, ability, class, and age. We strive vigorously to remove conditions which place people at a disadvantage, and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equal Opportunities Policy and Single Equality Scheme, including its Race Relations and Transgender policies are published on the College's website.

The College values equality and celebrates diversity and welcomes applications from people with disabilities. Through its Human Resources Policies and Procedures, the College seeks to ensure that:

- Full and fair consideration is given to applications for employment from applicants with disabilities, having regard for any reasonable adjustments that are required.
- The College continues to support and assist staff who have a disability during their employment through making reasonable adjustments such as changing working hours or work patterns, additional equipment, appropriate training, or retraining.
- Staff with disabilities have equitable opportunities for training, career development and promotion.

Disability Statement

Disability Statement – Policy

Highbury College is committed to equality of opportunity for all learners, including those with learning difficulties and/or disabilities. The College aims to provide appropriate support to enable learners to benefit from their studies and intends to continue developing such provision within the guidelines of the Equality Act 2010 and previously the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

The aim of Highbury College is that learners with learning difficulties or disabilities should be fully included wherever possible. For those who are not ready for inclusion, the College also offers a range of entry and foundation courses and other personalised provision. Learners with learning difficulties or disabilities are interviewed in the same way as any other learner with an additional confidential interview on the same day with a specialist member of staff, to discuss individual support needs.

Disability Statement - Educational Support

The Learning Support Service employs staff with experience in working with learners and apprentices who have difficulties with English, mathematics, language, study skills, social emotional and behavioural issues, or specific learning difficulties such as dyslexia. 1:1 and small group support is delivered at all levels including Entry and Foundation on discrete and other programmes. Support needs are identified through initial and diagnostic assessments. All support is delivered in rooms that are accessible to learners with mobility difficulties.

The College employs a team of specialists (the SEN team) who work alongside teachers to provide support for learners and apprentices with learning difficulties and/or disabilities. A team of learning assistants also supports groups and individual learners in classrooms, workshops and Study Centres. British Sign Language communicators are available for learners with hearing impairment.

The Leadership Team of Highbury College is committed to provide a safe and healthy workplace and to protect the health and safety of all staff, learners and any other persons that may be affected by the College's activities. Using the process of risk assessments, the College will make reasonable adjustments

Strategic Report (continued)

to working practices or premises so that best practice can be employed to provide appropriate support for learners with learning difficulties or disabilities.

Disability Statement – Complaints Procedure

Highbury College has a formal complaints procedure, which is explained to learners via the Student/Apprentice handbook which is explained during induction. Where a learner with disabilities or learning difficulties wishes to make a complaint and needs assistance with this, support will be given. Feedback forms for informal student feedback are also available for informal comments. The College also undertakes a range of independent surveys to collect qualitative feedback.

Disability Statement - Examinations and Assessments

Where learners require special arrangements for examinations or assessments e.g. extra time, reader, or writer, this can be discussed in confidence. The first stage of an internal assessment is to meet with a specialist member of the College staff. The College will liaise with the Exam Board or Lead Assessment Body, and where an external assessment is required, e.g. an Educational Psychologist assessment, the College is able to make arrangements for this with current learners. Special arrangements are at the sole discretion of the Exam Board or Lead Assessment Body. If a separate room, additional invigilator, or reader/writer are approved by the examining body, the College is able to provide these for current learners.

Disability Statement – Physical Access

Much of Highbury is accessible to people with disabilities and it is College policy to use, wherever possible, accessible rooms for groups, which include a learner or learners with disabilities.

Trade Union Facility Time

In 2019/20, there was no employee of the College who held a position as a trade union official.

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 26 January 2021 and signed on its behalf by:

Signed ……………………………………………….
Paul Quigley, Chair of Governing Body

Date 26 January 2020

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. The Statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and principal 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 English Colleges' Code of Good Governance ("the Code"); and
iii. Having due regard to the UK Corporate Governance Code in so far 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. It has not adopted, and therefore does 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. 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 account of the English Colleges Code of Good Governance issued by the Association of Colleges which it formally adopted in July 2020.

Following the appointment of the Interim Chair of Corporation and Interim Principal & CEO (January 2020 and December 2019 respectively), sweeping changes have been instigated within the College, particularly concerning governance.

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 (continued)

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

Name	Date of Present Appoint-ment	Term of Office (yrs)	Resignation / End of Term of Office	Status of Appointment	Committees Served	Attend-ance (No of meetings)
Nazir Ahmed	12-Nov-19	4	06-Oct-20	Staff	F&E	10
Stephen Burke	14-May-19	4	21-May-23	Independent	Audit, S&G	21
Vanessa Cooter	06-Oct-20	4	05-Oct-24	Staff	L&Q	2
Max Craft	27-Mar-12	1	26-Mar-21	Independent	F&E, S&G, Remuneration	19
Ashley Cullen	22-Sep-20	4	21-Sep-24	Independent	Audit	2
Katie Danvers Hewitt	20-Mar-18	4	08-Jul-20	Independent	Audit, L&Q, Remuneration	15
Robin Dickens	16-Mar-20	4	15-Mar-24	Independent	F&E	11
Martin Doel	01-Jan-20	4	31-Oct-20	Independent	S&G	14
Callum Farminer	26-Jan-20	1	31-Jul-20	Student	-	4
Lena Itangata	05-May-20	4	04-May-24	Independent	Audit	3
Tim Jackson	22-Sep-20	4	21-Sep-24	Independent	L&Q	
Tim Mason	20-Mar-18	4	19-Mar-22	Independent	F&E, L&Q, Remuneration	22
Kayembe Mbombo	14-May-19	4	21-Nov-19	Independent	Audit	2
Stella Mbubaegbu	01-Oct-01		04-Dec-19	Principal & CEO		2
Andrew Minter	08-Jul-14	4	31-Dec-19	Independent	Audit	4
Rob Nitsch	05-May-20	4	04-May-24	Independent	Audit, S&G	9
Mark Pembleton	27-Nov-18	4	26-Nov-22	Independent	Audit	13
Max Prangnell	19-Mar-19		11-Sep-19	Independent		0
Ian Pretty	27-Nov-18	4	17-Dec-19	Independent	Audit	1
Paul Quigley	28-Jan-20	4	27-Jan-24	Independent	F&E	11
John Royston-Ford	20-Mar-18	4	19-Mar-22	Independent	Audit, L&Q, Remuneration	15
Karen Wood	17-Dec-19	4	06-May-20	Staff	L&Q, S&G	3
Penny Wycherley	05-Dec-19		31-Dec-20	Principal & CEO	S&G	14

F&E = Finance & Estates Committee
L&Q = Learning & Quality Committee
S&G = Search & Governance Committee

Ms Paola Schweitzer acts as Clerk to the Corporation

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 at least six times each year.

The Corporation conducts some of its business through Committees. Each Committee has terms of reference, which have been approved by the full Corporation.

Current Committees are Audit, Finance & Estates (F&E), Learning & Quality (L&Q), Search & Governance (S&G) and Remuneration (Rem). In addition, the financial statements are considered at a joint Audit and Finance & Estates Committee meeting. At its meeting on 28 January 2020, the Corporation confirmed that it was no longer following the policy governance (Carver) model and was returning to a more traditional FE College governance structure. Full minutes of all meetings are available from the Clerk to the Corporation at:

Statement of Corporate Governance and Internal Control (continued)

Highbury College
Tudor Crescent
Portsmouth
PO6 2SA

Minutes are also available online at www.highbury.ac.uk.

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. Governors review their Declaration of Interest annually prior to the academic year and updates are made throughout the year as necessary. The register is available for inspection at the above address with a summary available on the College website. The Register of Interests is reviewed annually by the Audit Committee and the Search & Governance Committee and is supported by a Conflict of Interest policy agreed by the Corporation on 6 October 2020. All Corporation/Committee meetings have Declaration of Interest as a standing agenda item.

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 also 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 of the Corporation and Principal of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. Potential new members are interviewed by the Search & Governance Committee which makes a recommendation to the Corporation. 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. The total period of membership is normally limited to two four-year terms of office.

Statement of Corporate Governance and Internal Control (continued)
Corporation Performance

The Search & Governance Committee reviews the Corporation's performance annually and this is reported to the Corporation. Performance is assessed against Governance Performance Indicators. Performance against the Governance Performance Indicators for 2019/20 can be seen the table as follows:

Area	Performance Indicator			Evidence	Comments
Attendance	1)	a)	80% attendance at all main Corporation meetings in the year	Corporation meeting minutes	Achieved (86%)
		b)	80% attendance at all Committee meetings in year (by the Committee)	Committee meeting minutes	Achieved (100% at the Audit, Finance & Estates, Learning & Quality and Remuneration Committees. 88% at the Search & Governance Committee)
		c)	All scheduled Corporation and Committee meetings are quorate	Corporation/Committee meeting minutes	All meetings were quorate with the exception of the Audit Committee, 12 November 2019
Guiding and monitoring the strategic direction of the College	2)		The Corporation to consider the strategic direction of the College once each year	Corporation meeting minutes	New College Purpose agreed by the Corporation on 16 March 2020 (Min 2955)
	3)		Key strategic objectives and financial performance of the College to be formally monitored by the Corporation each term	Corporation meeting minutes & Annual Accounts	Management Accounts (formerly Monitoring Report & Forecast) are a standing agenda item at the Corporation's meetings: 1 October 2019 (College Finance Update Min 2863), 12 November 2019 (Min 2889), 17 December 2019 (Min 2909), 28 January 2020 (Min 2934), 5 May 2020 (Min 2980), 26 May 2020 (Financial Accounts 2018/19 Min 2992) and 7 July 2020 culminating in the Integrated Financial Model (Min 3003 & 3004).
	4)		Monitor achievement of College annual targets for retention and achievement.	Corporation meeting minutes	'Quality Monitoring Report' (which includes reporting on retention and achievement targets) is a standing agenda item at the Corporation's meetings: 1 October 2019 (Min 2862), 17 December 2019 (Learning & Quality update Min 2907, 28 January 2020 (SAR & QIP Min 2933), 16 March 2020 (QIP & position statement Mins 2959 & 2965) and 7 July 2020 (QIP Min 3007). Data was also reported in the Principal's Report as appropriate.
Senior post holders/Clerk	5)		Annual appraisal of Principal and Clerk undertaken by Chair.	Chair's report to Corporation	Interim Principal appointed in December 2019. The Clerk appraised by the Chair in September 2019.
Equality of Opportunity	6)		Monitoring reports are presented to the Corporation as appropriate.	Corporation/Committee meeting minutes	Equality, Diversity & Inclusion Policy / Single Equality Scheme approved by the Corporation 28 January 2020 (Min 2939).

Risk Management	7)	The Corporation approves the annual Risk Management Action Plan. The Audit Committee monitors the implementation of the Plan.	Corporation/Committee meeting minutes	Revised Risk Management Process and Risk Register agreed by the Corporation 16 March 2020 (Min 2963), with the headline risks subsequently considered in the Principal's Report at all Corporation meetings (5 May 2020 Min 2977 and 7 July 2020 Min 2999). The Audit Committee monitored implementation of the plan on 3 March 2019 (Min 931) and 19 May 2020 (Min 934). The Finance & Estates and Learning & Quality Committees monitor headline risks as appropriate to their terms of reference.
Area	**Performance indicator**		**Evidence**	**Comments**
Audit Arrangements	8)	The Corporation receives Annual Report from Audit Committee.	Corporation Minutes	The Audit Committee Annual Report was received by the Corporation 26 May 2020 (Min 2991).
		The Audit Committee and Auditors comply the with Audit Code of Practice.	Audit Committee minutes and Audit/Inspection reports.	The Audit Committee Annual Report to the Corporation (26 May 2020 Min 2991), the Strategic Internal Audit Plan (3 March 2020 Min 928) and the annual internal audit report (Min 929). The Audit Committee's Terms of Reference were not reviewed in 2019/20.

There is an Induction Programme to support new Governors in their role at the College, with further training and development opportunities taking place in line with the annually agreed Board Development Plan (includes regular Prevent and Safeguarding training). The Clerk takes part in regular training and development activities through the Association of Colleges etc, and is currently being mentored through the National Leaders for Governance (NLG) programme.

Statement of Corporate Governance and Internal Control (continued)

Remuneration Committee

Throughout 2019/20, the College's Remuneration Committee comprised between three and five members of the Corporation including the Vice Chair (but excluding the Chair, Principal and Staff and Student members). On 5 May 2020, the Corporation revised the Committee's Terms of Reference so that the Committee no longer has delegated responsibility for senior postholders and the Clerk's pay and conditions, but instead acts in an advisory capacity with all remuneration decisions made by the Corporation. Details of remuneration for the year ended 31 July 2020 are set out in note 7 of the financial statements.

Audit Committee

During 2019/20, the Audit Committee comprised between four members (excluding the Chair of the Corporation, learner and staff governors, members of the Finance Committee and the Principal).

The Audit Committee is scheduled to meet on a termly basis. In 2019/20, there were three meetings, one of which was inquorate. The Committee provides a forum for reporting by the College's internal, financial statements and regularity 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, regularity and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Finance & Estates Committee

The Finance & Estates Committee comprises 5 members of whom one is the College Principal. The Chair of the Committee is a qualified accountant.

The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to determine and advise the Corporation on all financial and estates matters, in particular matters of budget monitoring and setting and recommendations for capital investment.

The Finance & Estates Committee meets 6 times a year and as required.

COVID-19

A Governors' working group was established to support the Executive Team in extending the re-opening of the College during the COVID-19 pandemic and to provide assurance to members on the identification of priorities. The group met three times. Discussions included the central government checklist for education institutions, risk assessments and the headline risk register. On 26 May 2020, the Corporation considered the arrangements (including themes and priorities) for re-opening the College and agreed an addendum to the Safeguarding Policy in response to COVID-19. On 7 July 2020, the Corporation agreed an addendum to the Health & Safety Policy in response to COVID-19. Governors have monitored the impact of the COVID-19 pandemic on the College through the Principal's Report at Corporation meetings as well as updates at Finance & Estates Committee meetings (impact on finance) and Learning & Quality Committee meetings (impact on learning outcomes and quality assurance).

Statement of Corporate Governance and Internal Control (continued)

Internal Control

Scope of Responsibility

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

The Corporation has delegated the day to day responsibility to the Principal as Accounting Officer for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. She 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 Highbury College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation agreed a revised risk management process and risk register in March 2020. The process and register will be reviewed annually by the Corporation, with the Audit Committee considering the process as a standing agenda item and other Committees regularly considering the items from the headline risk register associated with their areas. The Corporation is of the view that there is now a formal ongoing process for identifying, evaluating and managing the College's significant risks.

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. It includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation. This will now be scrutinised by the recently reconvened Finance & Estates Committee.
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts.
- setting targets to measure financial and other performance.
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA 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 least annually, the Internal Auditors provide the Corporation with a report on internal audit activity in the College.

The report includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls, and governance processes.

Statement of Corporate Governance and Internal Control (continued)

Review of Effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of her 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 approves the Risk Management Process annually and receives an annual report on progress as well as details of risk management monitoring through the minutes of the Audit and other Committees. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College now has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Going Concern

After considering the financial risks and uncertainties facing the College outlined on Page 11, and after making appropriate enquiries, the Corporation considers that the College has adequate access to resources to continue in operational existence for the foreseeable future.

For this reason, it continues to adopt the going concern basis in preparing the financial statements. Further information behind this judgement can be found on Page 7 of the Strategic report and accounting policies disclosures on page 34.

Approved by order of the Members of the Corporation on 26 January 2021 and signed on its behalf by:

Signed ………………………………………………………………

Paul Quigley, Chair of Governing Body

Signed ………………………………………………………………

Penny Wycherley, Accounting Officer

Governing Body's statement on the College's regularity, propriety and compliance with Funding Body terms and conditions of funding

The Corporation has considered its responsibility to notify the ESFA of material irregularity, impropriety, and non-compliance with ESFA's terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

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

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.

See Statement of Corporate Governance, Internal Control section above.

Approved by order of the members of the Corporation on 26 January 2021 and signed on its behalf by:

Signed ………………………………………………………………………….
Paul Quigley, Chair of Governing Body

Signed ………………………………………………………………………….
Penny Wycherley, Accounting Officer

Dated 26 January 2021

Statement of the Responsibilities of the Members of the Corporation

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

The law applicable to charities in England and the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College requires the corporation of the College to prepare financial statements and the Strategic Report for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's deficit of income over expenditure for that period.

In preparing the financial statements the Corporation is required to:

- select suitable accounting policies and then 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; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

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

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

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

Approved by order of the members of the Corporation on 26 January 2021 and signed on its behalf by:

Signed ……………………………………………………………………

Paul Quigley, Chair of Governing Body

Independent Auditor's Report to the Corporation of Highbury College

Opinion

We have audited the financial statements of Highbury College (the 'College') and its subsidiaries ("the Group") for the year ended 31 July 2020, which comprise the Consolidated Statements of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Balance Sheets, 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.

Conclusions relating to going concern

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

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

Other information

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

Independent Auditor's Report to the Corporation of Highbury College (continued)

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; or
- 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 24, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and 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.

Independent Auditor's Report to the Corporation of Highbury College (continued)

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

5th Floor, Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

Date: 29 January 2021

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 July 2020	Year ended 31 July 2020	Year ended 31 July 2019	Year ended 31 July 2019
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	1	13,264	12,945	16,342	16,342
Tuition fees and education contracts	2	1,217	1,217	1,883	1,883
Other grants and contracts	3	928	928	858	858
Other income	4	2,670	1,136	1,391	659
Total Income		**18,079**	**16,226**	**20,474**	**19,742**
EXPENDITURE					
Staff costs	5	11,610	11,422	11,971	11,726
Restructuring costs	5	84	84	171	171
Other operating expenses	6	5,121	4,837	4,541	4,348
Depreciation	9	1,594	1,563	1,838	1,760
Buildings impairment	9	1,214	1,214	-	-
Interest and other finance costs	7	428	428	1,017	1,017
Total expenditure		**20,051**	**19,548**	**19,538**	**19,023**
(Deficit)/surplus before other gains and losses		**(1,972)**	**(3,322)**	**936**	**719**
Loss on disposal of assets	9	-	-	(18)	-
Share of operating surplus/(deficit) in [joint venture/associate]		1,949	1,481	672	500
(Deficit)/surplus before tax		**(23)**	**(1,841)**	**1,590**	**1,219**
Taxation	8	-	-	-	-
(Deficit)/surplus for the year		**(23)**	**(1,841)**	**1,590**	**1,219**
Unrealised loss on revaluation of assets	9	(1,659)	(1,659)		
Actuarial loss in respect of pensions schemes	22	(7,688)	(7,688)	(2,760)	(2,760)
Total comprehensive Income for the year		**(9,372)**	**(11,188)**	**(1,170)**	**(1,541)**
Represented by:					
		-	-	-	-
Unrestricted comprehensive income		(9,372)	(11,188)	(1,170)	(1,541)
		(9,372)	**(11,188)**	**(1,170)**	**(1,541)**
Surplus for the year attributable to:					
Non-controlling interest		-	-	(6)	-
Group		(23)	(1,841)	1,596	1,219

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total excluding Non-controlling interest	Non-Controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Balance at 31 July 2018	(4,497)	1,659		(2,838)	(101)	(2,939)
Adjustment to opening reserves due to additional depreciation on asset reclassification	(1,112)	-		(1,112)		(1,112)
Balance at 31 July 2018 Restated	(5,609)	1,659		(3,950)	(101)	(4,051)
Surplus/(deficit) from the income and expenditure account	1,590			1,590	(6)	1,584
Other comprehensive income	(2,760)			(2,760)		(2,760)
Balance at 31 July 2019 Restated	**(6,779)**	**1,659**		**(5,120)**	**(107)**	**(5,227)**
Transfer from Revaluation Reserve re impairment charge	1,659	(1,659)				-
(Deficit) from the income and expenditure account	(1,682)	–	–	(1,682)	–	(1,682)
Other comprehensive income	(7,688)	–	–	(7,688)	–	(7,688)
Total comprehensive income for the year	(7,711)	(1,659)	–	(9,370)	–	(9,370)
Balance at 31st July 2020	**(14,490)**	**–**	**–**	**(14,490)**	**(107)**	**(14,597)**

Consolidated and College Statement of Changes in Reserves (continued)

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total excluding Non-controlling interest	Non-Controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
College						
Balance at 31 July 2018	(3,541)	1,659		(1,882)		(1,882) –
Adjustment to opening reserves due to additional depreciation on asset reclassification	(1,112)			(1,112)		(1,112) –
Balance at 31 July 2018 Restated	(4,653)	1,659	–	(2,994)		(2,994)
Surplus from the income and expenditure account	1,219			1,219		1,219
Other comprehensive income	(2,760)			(2,760) –		(2,760) –
Balance at 31st July 2019 Restated	**(6,194)**	**1,659**	**–**	**(4,535)**	**–**	**(4,535)**
Impairment charge to Revaluation Reserve		(1,659)		(1,659)		(1,659)
(Deficit) from the income and expenditure account net of Revaluation Reserve	(1,841)			(1,841)		(1,841)
Other comprehensive income	(7,688)			(7,688)		(7,688)
Total comprehensive income for the year	(9,529)	(1,659)	–	(11,188)	–	(11,188)
Balance at 31st July 2020	**(15,723)**	**–**	**–**	**(15,723)**	**–**	**(15,723)**

Balance Sheets as at 31 July 2020

	Notes	Group	College	Group Restated	College Restated
		2020	**2020**	**2019**	**2019**
		£'000	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible fixed assets	9	31,011	30,889	33,144	32,991
Intangible fixed assets	9	53	36	76	56
Investments in joint venture	10	4,607	1,221	2,659	1,221
		35,671	**32,146**	**35,879**	**34,268**
Current assets					
Trade and other receivables	11	2,286	5,509	1,817	2,106
Cash and cash equivalents	16	1,549	1,528	724	169
		3,835	**7,037**	**2,541**	**2,275**
Less: Creditors – amounts falling due within one year	12	(8,415)	(9,218)	(7,300)	(4,730)
Net current liabilities		**(4,580)**	**(2,181)**	**(4,759)**	**(2,455)**
Total assets less current liabilities		**31,091**	**29,965**	**31,120**	**31,812**
Less: Creditors – amounts falling due after more than one year	13	(20,169)	(20,169)	(19,207)	(19,207)
Provisions					
Defined benefit obligations	22	(25,519)	(25,519)	(17,140)	(17,140)
Total net liabilities		**(14,597)**	**(15,723)**	**(5,227)**	**(4,535)**
Unrestricted reserves					
Income and expenditure account		(14,490)	(15,723)	(6,779)	(6,194)
Revaluation reserve		-	-	1,659	1,659
Non-controlling interest		(107)	-	(107)	-
Total unrestricted reserves		**(14,597)**	**(15,723)**	**(5,227)**	**(4,535)**
Total reserves		**(14,597)**	**(15,723)**	**(5,227)**	**(4,535)**

Balance Sheets as at 31 July 2020 (continued)

The financial statements on pages 28 to 59 were approved and authorised for issue by the Corporation and were signed on its behalf on 26 January 2021 by:

Paul Quigley, Chair of Governing Body ………………………………………………………

Penny Wycherley, Accounting Officer ……………………………………………………….

Consolidated Cash Flow Statement

	Notes	2020	2019
		£'000	**£'000**
Cash inflow from operating activities			
Surplus/(deficit) for the year		(23)	1,590
Adjustment for non-cash items			
Depreciation	9	1,626	1,868
Buildings impairment	9	1,214	
Deferred capital grants released to income	13	(774)	(4,405)
(Increase)/decrease in debtors	11	(467)	152
Increase/(decrease) in creditors due within one year	12	(93)	1,014
Increase/(decrease) in creditors due after one year	13	-	(320)
Share of operating surplus of JV	10	(3,427)	(672)
Pension finance cost	22	363	370
Pensions costs less contributions payable	22	328	500
Adjustment for investing or financing activities			
Interest payable	7	65	647
Loss on sale of fixed assets		-	18
Net cash flow from operating activities		**(1,188)**	**762**
Cash flows from investing activities			
Proceeds from sale of fixed assets	9	-	5,692
Dividend from JV	10	1,478	-
Investment from JV	10	-	(368)
Grants receipts	13	1,778	3
Payment made to acquire fixed assets	9	(2,344)	(756)
		912	**4571**
Cash flows from financing activities			
Interest paid	7	(65)	(647)
Payments on Finance Leases	13	35	(124)
New Loans	12	(250)	1,000
ESFA Loans	12	1,381	
Repayments of amounts borrowed		-	(5,424)
		1,101	**(5,195)**
Increase/(decrease) in cash and cash equivalents in the year		**825**	**138**
Cash and cash equivalents at beginning of the year	16	724	591
Cash and cash equivalents at end of the year	16	1,549	724

Notes to the Accounts

1. Accounting Policies

Statement of Accounting Policies

The work to resolve historic fixed asset records have been completed. Therefore, 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 2019 to 2020 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

The following exemptions have been taken in these financial statements.

• Revaluation as deemed cost – at 31 July 2019, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value. There was an impairment review done as at 1 August 2019.

• Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition.

• The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2019 FE HE SORP and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of Accounting

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

The consolidated financial statements are presented in Sterling which is also the functional currency of the College, and all monetary values are rounded to the nearest whole £1,000, except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Highbury College Commercial Services Limited, Highbury Apprenticeships (Birmingham) Ltd and New Work Training Limited. Highbury College (Nigeria) Limited has not been included in the consolidation as it is deemed immaterial.

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.

All financial statements are made up to 31 July 2020.

Notes to the Accounts (continued)

Going concern

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

1 Management Approach to a Going Concern Assessment

1.1 The following areas have been included in assessing the College's ability to operate as a going concern:

a. overview of the 2020/21 and 2021/22 budget, and forecast.
b. review of cash flow forecasts, including monthly cash requirement.
c. compliance with covenants for the bank loan facilities and sensitivity analysis.
d. defined benefit pensions impact; and
e. events after the reporting period.

2 Overview of the 2020/21 and 2021/22 Budget and Forecast

2.1 The annual budget for 2020/21 was approved by the Corporation in July 2020 predicting an operating deficit of £60k. As we received material allocations after the budget was set, the College has carried out a forecast at period 3 and is predicting an operating surplus of £167k before FRS 102 pension adjustments.

2.2 The plan for 2021/22 is predicting an operating surplus of £330k before FRS 102 pension adjustments.

3 Review of Cash Flow Forecasts

3.1 Cash flow forecasts to July 2022 are based on the November forecast submitted to the ESFA. Since July 2020, the College has received total dividends from its Saudi joint venture of £4,278k. The College has used these funds to fully repay the ESFA emergency loan of £1,381k at the end of October 2020. The lowest cash balance is forecast to be £2,983k in March 2022, which equates to 61 cash days, with the highest being £4,899k in December 2020, which equates to 100 cash days.

4 Compliance with Covenants for the Bank Loan Facilities and Sensitivity Analysis

4.1 The loan facility with Handelsbanken matures on 2 August 2021. The cash forecast assumes full repayment of the loan will take place in July 2021. There should be no requirement for any further loans.

4.2 The College has been realistic in its assumptions around its financial forecasts. The risk register identifies significant risks to the College's plans and the sensitivity analysis are drawn from the risk register, where planning assumptions could be affected.

Significant risks affecting planning assumptions are identified as:

- Merger discussions and implementation leads to "planning blight", process failures and limits achievement of purpose
- Apprenticeships
- Major failure/ misuse of IT systems (including spread of IT virus) e.g., misuse of the internet/social media by staff/students
- Failure to meet retention and achievement targets

Notes to the Accounts (continued)

As part of the forecast, the College assessed the risk associated with each of its main income streams:

Income Stream	% of Total Income	% of Total Income
Apprentices	15%	17%
HE Tuition Fees/FCR	2%	
External Funding/Contracts	3%	10%
Commercial	5%	
FE Tuition Fees	2%	
16-18	46%	73%
AEB	17%	
High Needs	5%	
Advance Learner Loans	5%	

This risk has not changed since the budget approval and therefore, the sensitivity analysis and variables modelled into the original budget still stand.

With regards to recruitment the College is expecting to be 100 more in the **16-19** forecast enrolments and is slightly behind of profile for **Adult Education Budget** enrolments for the first term.

The College has exceeded **Advanced Learner Loan allocations** and has over-recruited on **Access courses**, predominately in the Health & Social Care areas.

Apprenticeship enrolment has been slow, but this was prudently forecast and reflected in the cash forecasts. The requirement for employers to register online with the Digital Apprenticeship Service (DAS) has caused some delay in the signing up of apprentices and the College is prioritising working with employers to alleviate bottlenecks in the conversion to enrolment process. As seen above, apprenticeship income stream remains a high risk for the College and is being monitored regularly.

HE recruitment is below forecast, and this cohort is particularly impacted by Covid-19, this will be closely monitored throughout the year, there will be some offset in savings in the non-pay expenditure.

6 Defined Benefit Pensions Impact – Local Government Pension Scheme (Lgps)

The FRS 102 adjustment in 2019/20 increased our LGPS deficit by £8.4 million to a total of £25.5 million (2018/19: £17.1 million). These adjustments are non-cash movements and therefore has no impact on the College's ability to carry on trading.

7 Events After the Reporting Period

Following the Further Education Commissioner-led Highbury College Structure and Prospects Appraisal, Portsmouth VI form College is the preferred provider to progress with a potential merger with Highbury College, the merger is in its early stages. The merged Highbury College and Portsmouth College cash flow indicates the lowest cash days in March 2022 of 63 days.

Notes to the Accounts (continued)

8 Conclusion

Following the above analysis, we conclude that the College has taken a robust approach to assessing its ability to continue as a going concern.

In addition to the above analysis, there is no pending litigation that would result in a significant cost to the College or significant reputational damage such that would alter the going concern assessment.

Recognition of Income

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 streams involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. 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.

Income from Levy-funding and ESFA funding for apprenticeships attracting co-investment is measured in line with best estimates of the provision delivered in the year.

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

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. A proportion (58%) of the capital grant received for the build of the College building “HCPC” and held as deferred income was released in line with the sale of the asset in 2018/19 with the carried balance of £3m released in 2018/19. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees including employer funding for co-investment funded apprenticeships is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

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

Post-employment benefits

Retirement benefits to employees of the College are provided by the Teachers’ Pension Scheme (TPS) and by the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit schemes.

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 projected unit credit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Notes to the Accounts (continued)

Hampshire Local Government Pension Scheme (LGPS)

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

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

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 Group. Any unused benefits are accrued and measured as the additional amount the Group 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 the Group annually. An estimate of the expected future cost of enhancement to the ongoing pension of a former member of staff is charged in full to the Statement of Comprehensive 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 ESFA.

Tangible Fixed Assets

(a) *Land and Buildings*

Land and buildings are stated at deemed cost at the date of transition to FRS102 less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Inherited freehold buildings are depreciated over their expected useful economic life to the Group of 40 years. Buildings constructed since incorporation are depreciated over 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 and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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. An impairment review was carried out as at 1 August 2019 and the results of that review are set out in note 11 to the financial statements.

Assets under construction are accounted for at cost, based on the value of architect's certificates and other direct costs incurred to 31st July. They are not depreciated until they are brought into use. Where purchases are made as part of a wider project, there is no cost limit below which items are written off to the Statement of Comprehensive Income rather than being capitalised.

Notes to the Accounts (continued)

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 Group, in which case it is capitalised and depreciated over the shorter of twenty years or the remaining lease term.

(b) *Equipment*

Equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy with the related grant being credited to a deferred income account and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment as follows:

Motor Vehicle and Electronic Equipment	4 - 6 years
Other General Equipment	10 years

Notes to the Accounts (continued)

Heavy Duty Equipment	15 years

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 1 August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1 August 2014.

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

Interest in subsidiaries are assessed for impairment in the individual financial statements.

Investments in Joint Ventures (JV)

Investments in JVs are recognised initially in the consolidated Balance Sheet at the transaction price and subsequently adjusted to reflect the group's share of total comprehensive income and equity of the JV less any impairment.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the JV recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the JV. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in a JV are recorded as a provision only when the College has incurred legal or constructive obligations or has made payments on behalf of the JV.

Interest in JVs are assessed for impairment in the individual financial statements.

Notes to the Accounts (continued)

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the Statement of Comprehensive Income in the period in which they arise.

Termination Benefits

The College has a redundancy procedure for staff approved by the Corporation. Termination decisions are made by the Accounting Officer unless submitted to Corporation due to strategic significance.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010, and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

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.

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 certain Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to learners are excluded from the income and expenditure account and are shown separately in note 25, except for the 5 per cent of the grant received, which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Notes to the Accounts (continued)

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. 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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Intangible Assets

Intangible assets are measured initially at cost. The asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life over which period the asset will be amortised is 10 years, beginning from the first full financial year after which the College has acquired the asset. If the asset is linked to a contractual period, the asset will be amortised in accordance with the duration of the contract.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether inter-company balances held at College level should be impaired. These decisions are based on the expected future financial performance of the subsidiary, performance against the business plans to date and the viability of the subsidiary going forward.
- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

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 24, 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

Notes to the Accounts (continued)

liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

1. Funding Council Grants	**Year ended 31 July 2020**		**Year ended 31 July 2019**	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Recurrent grants				
Education and Skills Funding Agency – adult	2,853	2,853	2,939	2,939
Education and Skills Funding Agency – 16-18	6,655	6,655	6,319	6,319
Education and Skills Funding Agency - Apprenticeships	2,836	2,517	2,491	2,491
Higher Education Funding Council	146	146	188	188
Specific Grants				
Releases of government capital grants	774	774	4405	4405
Total	**13,264**	**12,945**	**16,342**	**16,342**

2. Tuition fees and education contracts	**Year ended 31 July 2020**		**Year ended 31 July 2019**	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Adult education fees	565	565	835	835
Apprenticeship fees and contracts				
Fees for FE loan supported courses	398	398	486	486
Fees for HE loan supported courses	159	159	230	230
International learners fees	28	28	196	196
Total tuition fees	**1,150**	**1,150**	**1,747**	**1,747**
Education contracts	67	67	136	136
Total	**1,217**	**1,217**	**1,883**	**1,883**

3. Other grants and contracts	**Year ended 31 July 2020**		**Year ended 31 July 2019**	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Other grants and contracts	928	928	858	858
Total	**928**	**928**	**858**	**858**

Notes to the Accounts (continued)

4. Other Income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Catering and residences	90	90	158	158
Other income generating activities	512	512	429	429
Other investment income	1,481	-	-	-
Miscellaneous income	587	534	804	72
Total	**2,670**	**1,136**	**1,391**	**659**

5. Staff Numbers and Costs

Staff Numbers

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	2020	2020	2019	2019
	Group	**College**	**Group Restated**	**College Restated**
	No.	**No.**	**No.**	**No.**
Teaching staff	133	127	125	120
Non-teaching staff	258	253	269	266
	391	**380**	**394**	**386**

Staff costs for the above persons	**2020**	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	8,738	8,570	8,979	8,759
Social security costs	685	669	727	705
Other pensions costs	2,187	2,184	2,265	2,262
Payroll sub total	**11,610**	**11,423**	**11,971**	**11,726**
Fundamental restructuring costs - contractual	84	84	171	171
	11,695	**11,507**	**12,142**	**11,897**

Notes to the Accounts (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the College and are represented by the Senior College Team which comprises the Principal, Chief Finance Officer, Vice Principal and the Directors.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	10	5

The number of key management post holders and other staff who received annual emoluments, excluding pension and NI contributions but including benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2020	2019	2020	2019
£50,001 to £55,000	1		3	5
£55,001 to £60,000	4		1	1
£60,001 to £65,000				
£65,001 to £70,000	1	1		
£70,001 to £75,000	2	1		
£75,001 to £80,000				
£80,001 to £85,000		1		
£85,001 to £90,000				
£90,001 to £105,000	1			
£105,001 to £110,000				
£110,001 to £115,000		1		
£115,001 to £120,000				
£125,001 to £130,000				
£130,001 to £150,000				
£150,001 to £160,000	1	1		

Key management post holder emoluments are made up as follows:

	2020 £'000	2019 £'000
Salary – gross of salary sacrifice and waived emoluments	768	493
Employers National Insurance (or Social Security contributions)	105	62
Benefits in kind	48	0
	921	**555**
Pension contributions	127	94
Total emoluments	**1048**	**649**

Notes to the Accounts (continued)

The Vice Principal accommodation will be paid for the year to include council tax and utilities, the total amount paid in the year was £357(2019: £0).

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 2 Accounting Officers during the year (who are also the highest paid officers) of:

	2020 **£'000**	**2019** **£'000**
Stella Mbubaegbu *(Aug 19 – April 20)*		
Salaries	117	156
Pay in lieu of Notice	50	-
National Insurance	18	20
	185	176
Pension contributions	27	26
	212	202

	2020 **£'000**	**2019** **£'000**
Penny Wycherley (Dec 19 – July 20)		
Salaries	72	-
National Insurance	9	-
	81	-
Pension contributions	14	-
	95	-
Total Emoluments	**307**	**202**

The pension contributions in respect of the Accounting Officer are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other employees. 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.

Pay Multiple

The accounting officers basic pay divided by the median pay of all other corporation employees (all on a full-time equivalent basis 6.11 (2019: 7.3).

The Accounting Officer's salary has remained unchanged for a number of years, based on current benchmarking this would fall into the upper quartile of similar Colleges.

This reflects the level of responsibility the role requires in order to enable all our learners to succeed whilst overcoming human, political, demographic, financial, economic and social issues within the locality and education sector. The salary level set reflects the salary when the College's revenue was circa £24m, in subsequent years revenue has declined, but no downward alignment of salary has taken place.

The severance payment was approved by the College's remuneration committee.

The members of the Corporation other than the Accounting Officer and the staff member 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 Accounts (continued)

6. Other operating expenses	**Year ended 31 July 2020**		**Year ended 31 July 2019**	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Teaching costs	1,862	1,815	1,911	1,818
Non-teaching costs	1,432	1,377	885	832
Premises costs	1,795	1,616	1,714	1,670
Amortisation of intangible assets	32	30	30	28
Total	**5,121**	**4,838**	**4,540**	**4,348**

Other operating expenses include:	**2020 £'000**	**2019 £'000**
Auditor's remuneration		
Financial statements audit*	44	124
Internal audit**	35	14
Hire of assets under operating leases	928	905

7. Interest payable – Group and College	**2020**	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
On banks, overdrafts and other loans:	65	65	647	647
	65	65	647	647
On finance leases				
Net interest on defined pension liability (note 22)	363	363	370	370
Total	**428**	**428**	**1,017**	**1,017**

8. Corporation Tax

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year.

Notes to the Accounts (continued)

9. Tangible fixed assets (Group)

	Group			
	Land and buildings Freehold	**Equipment**	**Assets in the Course of Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2019	53,412	11,412	-	64,824
Adjustment for asset reclassification and FAR rebuild prior years including write off of assets with nil NBV	(2,490)	(9,863)	298	(12,055)
At 1 August 2019 (Restated)	**50,922**	**1,549**	**298**	**52,769**
Impairment charge	(2,873)	-	-	(2,873)
Additions in year 2019/20	4	389	1,941	2,334
At 31 July 2020	**48,053**	**1,938**	**2,239**	**52,230**
Depreciation				
At 1 August 2019	19,462	11,106		30,568
Adjustment for asset reclassification and FAR rebuild prior years including write off of assets with nil NBV	(733)	(10,210)		(10,943)
At 1 August 2019 (Restated)	**18,729**	**896**		**19,625**
Charge for the year 2019/20	1,303	291		1,594
At 31 July 2020	**20,032**	**1,187**	**-**	**21,219**
Net book value at 31 July 2020	**28,021**	**751**	**2,239**	**31,011**
Net book value at 31 July 2019 Restated	32,193	653	298	33,144

Notes to the Accounts (continued)

9. Tangible fixed assets (College only)

	Land and buildings Freehold	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2019	53,236	11,151		64,387
Adjustment for asset reclassification and FAR rebuild prior years including write off of assets with nil NBV	(2,490)	(9,863)	298	(12,055)
At 1 August 2019 (Restated)	**50,746**	**1,288**	**298**	**52,332**
Impairment charge	(2,873)			(2,873)
Additions in year 2019/20	4	389	1,941	2,334
At 31 July 2020	**47,877**	**1,677**	**2,239**	**51,793**
Depreciation				
At 1 August 2019	19,389	10,895	-	30,284
Adjustment for asset reclassification and FAR rebuild prior years including write off of assets with nil NBV	(733)	(10,210)	-	(10,943)
At 1 August 2019 (Restated)	**18,656**	**685**	**-**	**19,341**
Charge for the year 2019/20	1,282	281	-	1,563
At 31 July 2020	**19,938**	**966**	**-**	**20,904**
Net book value at 31 July 2020	**27,939**	**711**	**2,239**	**30,889**
Net book value at 31 July 2019 Restated	32,090	603	298	32,991

Group balances have been restated to account for changes to the College's fixed assets register as detailed in the notes for College fixed assets. There were no other changes to the group's assets.

During the year the fixed assets register was rebuilt, and the opening balances have been restated. £1,647k was reallocated from buildings to equipment due to misclassification in the register. £472k has been written off from the buildings cost and depreciation and £11,583k from equipment in relation to assets that have been disposed of in prior year and assets that have been fully depreciated and have a zero net book value. The buildings were also revalued during the year and following the above adjustments, impairment charge of £2,873k has been recognised. At the end of 2018/19 £298k relating to Tower refurbishment works was included in the balance of assets, this has been reclassified to assets under construction and has yet to be depreciated as works are still ongoing.

Notes to the Accounts (continued)

9. Intangible fixed assets (Group)

	Software £'000	Total £'000
Cost or valuation		
At 1 August 2019	**76**	**76**
Additions	10	10
At 31 July 2019	**86**	**86**
Depreciation	**58**	**58**
At 1 August 2019		
Charge for the year	32	32
At 31 July 2020	**32**	**32**
Net book value at 31 July 2020	**53**	**53**
Net book value at 31 July 2019	**76**	**76**

9. Intangible fixed assets (College)

	Software £'000	£'000
Cost or valuation		
At 1 August 2019	**56**	**56**
Additions	10	10
At 31 July 2019	**66**	**66**
Depreciation		
At 1 August 2019	**56**	**56**
Charge for the year	30	30
At 31 July 2020	**30**	**30**
Net book value at 31 July 2020	**36**	**36**
Net book value at 31 July 2019	**56**	**56**

If inherited land and buildings had not been revalued, they would have been included at the following historical cost amounts:

	£'000
Cost	51,225
Aggregate depreciation based on cost	(20,032)
Net book value based on cost	**31,193**

Notes to the Accounts (continued)

10. Non-Current Investments

	Group 2020 £'000	Group 2019 £'000	College 2020 £'000	College 2019 £'000
Investments in subsidiary companies	4,607	2,659	1,204	1,204
Investments in associate companies	-	-	17	17
Total	**4,607**	**2,659**	**1,221**	**1,221**

The College owns 100% of the issued ordinary shares of Highbury Apprenticeships (Birmingham) Limited, and 100% of the issued ordinary shares of Highbury College Commercial Services Limited, both companies being incorporated in England and Wales. Throughout the period the College owned 1,200,000 ordinary shares in Highbury College Commercial Services Limited, but the amount remained unpaid.

Highbury Apprenticeships (Birmingham) Limited commenced trading in November 2014. The business specialises in provision of IT training.

The principal business activity of the Highbury College Commercial Services Limited was to manage on site student accommodation on behalf of the College. This activity has now been transferred to the College and Highbury College Commercial Services Limited is not currently trading.
The College has a shareholding in a Saudi Arabian registered company operating as Highbury Burton Saudi Arabia Ltd. The principal activity of the company is to manage and operate an education institution in the Kingdom of Saudi Arabia. The College has a holding of 50% of the shares with voting rights attached to those shares on a share per share basis.

The company has issued performance bonds (PB) as a condition of the contract with the Saudi Colleges of Excellence to manage and run the female College in Jeddah. Highbury College's share of the bond is limited to 50% and a value of SAR 12.885m (£2.7m).

The College acquired a 70% holding in the company New Work Training Limited in April 2016, for a sum of £0.2m. The company's business is to establish an apprenticeship jobs board platform that would both create a commercial opportunity providing services to other organisations whilst also driving apprenticeship growth through the College from the Sussex region. Difficult trading conditions and the need for investment led to the Company ceasing operations in 2017/18.

11. Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	396	324	609	462
VAT	89		132	
Amounts owed by group undertakings:				
Subsidiary undertakings	-	3,410	-	623
Prepayments and accrued income	1,302	1,276	871	816
Amounts owed by the ESFA	499	499	205	205
Total	**2,286**	**5,509**	**1,817**	**2,106**

Notes to the Accounts (continued)

12. Creditors: amounts falling due within one year	**Group**	**College**	**Group**	**College**
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans and overdrafts	750	750	1,000	1,000
ESFA loans	1,381	1,381	-	-
Payments received in advance	395	398	387	387
Trade payables	912	870	635	546
Amount owed to group undertakings	-	3,319	-	-
Pension creditors	110	110	279	278
Obligations under finance leases	133	133	140	140
Other taxation and social security	210	210	250	243
Accruals and deferred income	3,276	799	3,445	972
Deferred income – government capital grants	960	960	876	876
VAT repayments	288	288	288	288
Total	**8,415**	**9,218**	**7,300**	**4,730**

Finance Leases are now reported under FRS102 requirements, the correction to carrying value of lease obligation being £272k.

At the balance sheet date, the College had a £750k loan with Svenska Handelsbanken AB repayable by 31 July 2021.

13. Creditors: amounts falling due after one year	**Group**	**College**	**Group**	**College**
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Obligations under finance leases	139	139	97	97
Deferred income- government capital grants	20,030	20,030	19,110	19,110
Total	**20,169**	**20,169**	**19,207**	**19,207**

Notes to the Accounts (continued)

14. Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:	**Group**	**College**	**Group**	**College**
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less	750	750	1,000	1,000
Total	**750**	**750**	**1,000**	**1,000**

(b) Finance leases

The new finance lease obligations to which the institution are committed are:	**Group**	**College**	**Group**	**College**
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less	133	133	140	140
Between two and five years	139	139	97	97
Total	**272**	**272**	**237**	**237**

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

15. Provisions

	Group and College	
	Defined benefit obligations	**Total**
	£'000	**£'000**
At 1 August 2019	**17,140**	**17,140**
Expenditure in the period	8,379	8,379
Total	**25,519**	**25,519**

Defined benefit obligations relate to the liabilities under the College's membership of the **Local Government pension Scheme.** Further details are given in Note 24.

Notes to the Accounts (continued)

16. Cash and Cash Equivalents

	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	724	825	1,549
Total	**724**	**825**	**1,549**

17. Financial instruments

	Group 2020	College 2020	Group 2019	College 2019
Financial instruments				
Other debtors	984	823	946	668
Owed by group subs	-	3,410	-	623
Accrued income	1,301	1,276	871	816
	2,285	**5,509**	**1,817**	**2,107**
Bank loans	750	750	1,000	1,000
Payments received in advance	391	391	387	387
Other creditors	2,479	4,233	2,173	2,077
Accruals	807	801	3,442	972
Finance lease contracts	272	272	237	237
	4,699	**6,447**	**7,239**	**4,673**

18. Capital commitments

	Group and College 2020 £'000	2019 £'000
Commitments contracted for at 31 July	**2,720**	**0**

Notes to the Accounts (continued)

19. Lease Obligations

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

	Group and College	
	2020	**2019**
Future minimum lease payments due	**£'000**	**£'000**
Land and buildings		
Not later than one year	783	779
Later than one year and not later than five years	3,001	2,717
Later than five years	1,304	1,991
	5,088	**5,487**
Other		
Not later than one year	133	153
Later than one year and not later than five years	139	97
Later than five years	-	-
	272	250
Total lease payments due	**5,360**	**5,737**

20. Contingent liabilities

The College is part of a consortium, Highbury Burton Saudi Arabia Limited Ltd, that operates a contract in the Kingdom of Saudi Arabia. A condition of the contract requires the consortium to supply a Performance Bond of £5,500k to cover any non-performance against the terms of the contract. The College's share of that Bond currently is £2,700k. The contract has been extended for a further year ending 31st March 2021 and HBSA has met or exceeded all performance targets to date. The College has successfully operated the contract for 7 years and remains confident a call on the Performance Bond will not be required.

21. Events after the reporting period

The College is in the process of divesting from its operations in Saudi Burton joint venture, to be concluded in 2020/21.

Also, following the Further Education Commissioner-led Highbury College Structure and Prospects Appraisal, Portsmouth VI form College is the preferred provider to progress with a potential merger with Highbury College. The merger is in its early stages.

22. Pensions and similar obligations

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

Notes to the Accounts (continued)

Total pension cost for the year

		2020 £'000		2019 £'000
Teachers' Pension Scheme: contributions paid		813		455
Local Government Pension Scheme: contributions paid	1,268		1,262	
FRS 102 (28) charge	328		500	
Charge to the Statement of Comprehensive Income		1,596		1,762
Total Pension Cost for Year		**2,409**		**2,217**

Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016 and the results published on 5th March 2019. The key results of the valuation were:

- new employer contribution rates were set at 23.68% of pensionable pay with effect from September 2019 and will remain in place until 2023.
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218.1m, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196.1m giving a notional past service deficit of £22m (2012 valuation deficit £15m); and
- the employer cost cap of 10.9% of pensionable pay has been paused until there is certainty about the value of pensions to employees from April 2015 onwards.

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 £570k (2018: £455k).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hampshire Local Authority. The total contribution made for the year ended 31 July 2020 was £1,300k, of which employer's contributions totalled £1,107k and employees' contributions totalled £240k. The agreed contribution rates for future years are 17.3 % for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Notes to the Accounts (continued)

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	3.30%	3.70%
Future pensions increase	2.30%	2.20%
Discount rate for scheme liabilities	1.40%	2.20%
Inflation assumption (CPI)	2.30%	2.20%
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 years	At 31 July 2019 years
Retiring today		
Males	23.00	23.10
Females	25.50	25.85
Retiring in 20 years		
Males	24.70	24.70
Females	27.20	27.60

22. Local Government Pension Scheme (Continued)

	Fair value at 31 July 2020 £'000	Fair value at 31 July 2019 £'000
Equities	18,256	18,927
Bonds	6,904	6,477
Property	2,025	2,264
Cash	531	3,773
Other	5,477	
Total market value of assets	**33,193**	**31,441**
Actual return on plan assets	**(1,460)**	**(1,970)**

Notes to the Accounts (continued)

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

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

	2020 £'000	2019 £'000
Fair value of plan assets	33,193	31,440
Present value of plan liabilities	(56,676)	(46,550)
[Present value of unfunded liabilities]	(2,036)	(2,030)
Net pensions (liability)/asset (Note 17)	**(25,519)**	**(17,140)**

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:	**2020**	**2019**
	£'000	**£'000**
Amounts included in staff costs		
Current service cost	1,557	1,130
Past service cost	39	600
Total	**1,596**	**1,730**
Amounts included in investment income		
Net interest income	363	370
	363	**370**
Amounts recognised in other Comprehensive Income		
Return on pension plan assets	765	1,150
Experience losses arising on defined benefit obligations	(8,453)	(3,910)
Amount recognised in Other Comprehensive Income	**(7,688)**	**(2,760)**

22. Pensions and Similar Obligations (continued)

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

	2020 £'000	2019 £'000
Surplus/(deficit) in scheme at 1 August	**(17,140)**	**(13,510)**
Movement in year:		
Current service cost	(1,557)	(1,130)
Employer contributions	1,268	1,230
Past service cost	(39)	(600)
Net interest on the defined (liability)/asset	(363)	(370)
Actuarial loss	(7,688)	(2,760)
Net defined benefit (liability) at 31 July	**(25,519)**	**(17,140)**

Notes to the Accounts (continued)

Asset and Liability Reconciliation	**2020**	**2019**
	£'000	**£'000**
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	**48,580**	**42,760**
Current service cost	1,557	1,130
Interest cost	1,058	1,190
Contributions by Scheme participants	233	230
Experience gains on defined benefit obligations	8,453	3,820
Changes in financial assumptions	-	90
Estimated benefits paid	(1,208)	(1,240)
Past service cost	39	600
Defined benefit obligations at end of period	**58,712**	**48,580**

Reconciliation of Assets

Fair value of plan assets at start of period	**31,440**	**29,250**
Interest on plan assets	695	820
Return on plan assets	765	1,150
Employer contributions	1,268	1,230
Contributions by Scheme participants	233	230
Estimated benefits paid	(1,208)	(1,240)
Fair value of plan assets at end of period	**33,193**	**31,440**

23. Related Party Transactions

Owing to the nature of the College's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it 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.

Ian Pretty is Chief Executive of Collab Group. He resigned in December 2019. Collab Group is a membership body of further education Colleges and College groups for which the College paid a membership subscription of £15k in the year (2019: £15k). There was £nil outstanding at the year end.

The total expenses paid to or on behalf of the Governors during the year was £357 (2019: £244). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and other events in their official capacity. The number of Governors in receipt of expenses was 1 (2019: 1).

The Chair of Governors has received remuneration as approved by the charity commissioner of £17k during the year (2019: None).

Key Management compensation disclosure is given in note 7.

Notes to the Accounts (continued)

24. Amounts disbursed as agent

Learner Support Funds

	2020 £'000	**2019 £'000**
Funding body grants – [identify grant]	363	327
	363	327
Distributed to learners	(278)	(304)
Administration costs	(14)	(12)
Balance unspent as at 31 July, included in creditors	**71**	**11**

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

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF HIGHBURY COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

The Corporation of Highbury 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 5 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 Highbury 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 Highbury 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 Highbury 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 Highbury College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Highbury College and the reporting accountant

The Corporation of Highbury 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.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached year
- 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: 29 January 2021