



**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 JULY 2020**

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**Key Management Personnel, Board of Governors and Professional Advisers**

**Key management personnel**

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

Ms P M Brennan-Barrett - Principal and CEO; Accounting officer  
Mr P Leavey - Deputy Principal – Teaching, Learning and Success  
Mr S A Rankine – Deputy Principal of Finance and Corporate Affairs  
Mr G Brough – Assistant Principal Resources  
Ms J Hutt – Assistant Principal - Human Resources and Student Services  
Mr P O'Hara - Vice Principal - Curriculum & Student Progress

**Board of Governors**

A full list of Governors is given on page 13 of these financial statements.

Mrs J Brasier acted as Clerk to the Corporation throughout the period.

**Professional advisers**

**Financial statements auditors and reporting accountants:**

RSM UK Audit LLP  
Chartered Accountants  
Rivermead House  
7 Lewis Court  
Grove Park  
Leicester  
LE19 1SD

**Internal Auditors:**

Haines Watts  
Sterling House  
97 Lichfield Street  
Tamworth  
Staffordshire  
B79 7QF

**Bankers:**

Lloyds Bank plc  
249 Silbury Boulevard  
Secklow Gate West  
Milton Keynes  
MK9 1NA

**Solicitors:**

Tollers  
Castilian Chambers  
2 Castilian Street  
Northampton  
NN1 1JX

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## Strategic Report

### NATURE, OBJECTIVES AND STRATEGIES:

The governing body present their annual report together with 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 Northampton College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

### Mission

The College's mission as approved by its members during the period covered by these accounts was:

*"To enhance the lives of our students and other customers, maximising their potential through learning."*

### Public Benefit

Northampton College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in 2016, its principal regulator is the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 13.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Progression to employment or further and higher education
- Provision of wide range of Apprenticeships
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

### Implementation of Strategic Plan

In July 2018, the College adopted a strategic plan for the period 1 August 2019 to 31 July 2020. This strategic plan sits alongside estates and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing key strategic objectives are:

- Quality teaching and learning – excellence for all  
Quality remains paramount. Our highest priority is to ensure that our students achieve well and grow during their time in college so that they are ready to move on with confidence into further study, employment or self-employment
- Be an effective and productive College  
Our aim is to use the resources available to us in the most efficient way possible so that we develop and grow through effective planning
- Be the college in the community – drive the economy

The College belongs to Northamptonshire and exists to serve the interests of local people. We will listen carefully to the communities we serve and develop our offer alongside other organisations to make sure we support wider economic recovery.

The College's specific objectives, linked to the strategic priorities, for 2019-20, which have been regularly reviewed by senior College managers and governors, are addressed below:

- Place students at the centre of all our activities
- Provide an outstanding experience of teaching, learning and assessment
- Stretch, challenge and inspire our students
- Build knowledge, skills, character and resilience
- Improve continuously through innovation – sharing ideas
- Provide an outstanding environment as a learning organisation
- Achieve the College's overall financial plan by ensuring that commercial reality drives decisions and actions
- Ensure sound business planning
- Use data, research and information effectively
- Maximise operational efficiency
- Promote a culture of sustainability throughout the organisation
- Continue to invest in world class learning environments
- Respond to the changing landscape
- Give our students an outstanding opportunity to reach their goals
- Develop the curriculum map for our community and LEP priorities
- Develop a skilled workforce through upskilling technical and professional workers
- Identify and respond to the needs of our customers
- Develop the College reputation through outstanding outcomes for students and employers

### **Financial objectives**

The College's key financial objectives are to:

- Maintain outstanding financial health
- Achieve the College's overall financial plan by ensuring that commercial reality drives decisions and directions
- Ensure sound business planning
- Use data, research and information effectively
- Maximise operational efficiency

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

### **Performance indicators**

The College is committed to observing the importance of sector measures and indicators and uses the ESFA financial health scores.

<b>Key Performance Indicator</b>	<b>Measure/Target</b>	<b>Actual for 2019/20</b>
16-18 student number targets	3285	3454
Student achievement	91%	91.7%
Education EBITDA as % of income	>/= 8%	6.7%
Adjusted Current Ratio	>/= 1.6	4.8
Borrowing as % operating income	< 20%	15.9%
Staff costs as % of income	< 65%	69.9%
Financial Health Score	>/= 240	230

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The College is assessed by ESFA as having an Outstanding financial health grading.

## FINANCIAL POSITION

### Financial results

The College incurred a deficit for the year of £881,000 (2019: deficit of £210,000). A reconciliation of the deficit for the year with the underlying operating result is shown below:

	2020 £'000	2019 £'000
Deficit for the year	(881)	(210)
Adjustment for non-operating items:		
Depreciation and amortisation	4,144	4,079
Capital grants released	(3,075)	(2,892)
Surplus on disposal of assets	-	(12)
Investment income	(85)	(79)
Interest payable	143	329
FRS 102 Pension costs less contributions payable	1,555	1,327
 Underlying operating surplus	 1,801	 2,542

Total comprehensive income of (£4,915,000) (2019: (£4,064,000)) is after crediting surplus on disposal of assets of £Nil (2019: £12,000) and charging actuarial adjustments in the respect of pension schemes and other provisions of £4,034,000 (2019: crediting £3,854,000).

The College has accumulated reserves of £9,467,000 (2019: £14,382,000) and short term investments and bank and cash balances of £10,543,000 (2019: £10,910,000).

Tangible fixed asset additions during the year amounted to £1,228,000 (2019: £3,531,000) of which £205,000 related to the refurbishment of the AM2 Test Centre on the Booth Lane campus, due to open November 2020; and £632,000 to the extension of the main Booth Lane building which is due to open in September 2020 (2019: £3,380,000 related to the Advanced Construction Engineering Centre on the Booth Lane campus which opened in September 2019.)

The College has significant reliance on education sector funding bodies, largely from recurrent grants. In 2019/20 the funding bodies provided approximately 86% of the College's total income.

### Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

### Cash flows and liquidity

The operating cash inflow from operating activities was £722,000 in the year (2019: £2,773,000).

The net cash outflow of £3,396,000 resulted from capital expenditure at the Booth Lane campus, placing of short term deposit and the management of other resources, amongst other things, as detailed on the Statement of Cash Flows on page 25.

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

### Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no designated or restricted reserves. At the balance sheet date, the Income and Expenditure account reserve stands at £2,371,000 (2019: £7,286,000). This is after a pension deficit of £20,046,000 (2019: deficit £14,457,000). It is the Corporation's intention to generate annual operating surpluses over the life of the Strategic Plan to offset the deficit in respect of pension schemes.

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

### Student numbers

In 2019/20 the College has delivered activity that has produced £22,360,000 (2019: £22,466,000) in funding body recurrent allocations.

The College had 5,975 funded and 570 non-funded students (2019: 7,484 funded and 628 non-funded students).

### Student achievements

Students continue to prosper and to achieve at the College. Overall, pass rates have increased in each of the last seven years.

Despite the severe challenges caused by the national lockdown from March; which meant teaching students online and remotely, achievement rates rose again in 2019/20 from 2018/19 from 90.7% to 91.7% (compared to the National Benchmark of 86.7%).

### Curriculum developments

The Covid-19 pandemic and national lockdown which started in March 2020 required the College to move overnight, to teaching nearly all students remotely and online. Teachers and students had to rapidly develop new teaching and learning skills and support procedures. This was a whole College effort which ensured that the College continued to increase its achievement rate compared to last year.

The College has a regional reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet student needs. A particular strength is in making students ready for the next stage in their lives.

The College's world class training facility, the Advanced Construction Engineering Centre, continued to grow in its second year of opening.

The College now has an established work experience team with over 90% of eligible full time students undertaking relevant work experience. Courses have been designed to ensure that students are able to move securely into the labour market, although this activity has been severely curtailed by the pandemic.

The College retains a developing HE offer, largely through a number of HNDs and with initial teacher training programmes.

The College is helping students move into work through the development of its Apprenticeship programme. In 2019/20 the College had 775 Apprentices in learning (2018/19: 982).

The College has invested in the delivery of Maths and English to all its full time students. In 2019/20 GCSE exams were cancelled due to the national lockdown in response to the pandemic.

The College continues to improve student outcomes through rigorous target setting with students and regular monitoring of progress at individual, course, section and school levels.

#### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations to pay suppliers within 30 days of the supplier performing its obligation. The College strives to pay all its suppliers within agreed terms and during the accounting period 1 August 2019 to 31 July 2020, the college incurred no interest charges in respect of late payment for this period.

#### **Events after the end of the reporting period**

None relevant to these accounts.

#### **Future prospects**

The College governors approved a three-year financial plan in July 2018 which sets objectives for the period to 2020.

The College has been allocated ESFA recurrent funding income totalling £22,268,000 for 2020/21, subject to meeting each of the targets across the funding streams:

- 16-18 students
- Adult Skills Budget
- 16-18 Apprenticeships
- 19+ Apprenticeships

In addition, the College has received a facility of £550k for 19+ Advanced Learning Loans.

The College has developed its planning and monitoring processes to ensure that it continues to be efficient and capable of maintaining activity at optimum levels commensurate with levels of funding. Alongside this activity, the College is continuing to explore ways of diversifying funding and extending operations.

The College continues to play a full role in strategic partnerships across the SEMLEP region, with representation on the South East Midlands Local Enterprise Partnership committees.

Following a review of demand from regional apprentices and employers, the College secured a £350k grant from SEMLEP towards the cost of an AM2 Test Centre to be located on the Booth Lane campus. The Centre will open in November 2020. During the period the College secured SEMLEP funding of £3.1m towards the construction and equipping of a new Digital Academy, due to open by September 2021.

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The College has developed a Higher Education strategy and has successfully applied to be on the Office for Students' register of HE providers.

The College places great emphasis on improving the quality of its learning delivery and in improving leadership and management. The College has judged itself Outstanding in all areas, apart from Apprenticeships (Grade 2), in its latest Self Assessment Report. The College received a full Ofsted inspection in October 2018 and was judged "Good with outstanding features".

#### **RESOURCES:**

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

Tangible resources include the main College site on 8.62 ha at Booth Lane, Northampton; the town centre campus at Lower Mounts, Northampton; and a 2.56 ha site at Daventry.

##### *Financial*

The College has £9.5 million of net assets (including a £20 million pension liability) and long term debt of £4.3 million (2019: £14.4 million of net assets after a £14.5 million pension liability and long term debt of £4.4 million).

##### *People*

During 2019/20, the College employed 487 people (expressed as full time equivalents) of whom 215 (44%) were teaching staff.

##### *Reputation*

The College has a good reputation locally and nationally. The College's Self Assessment Report confirms that the College judges itself, against a range of criteria, to remain at Grade 2. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

#### **PRINCIPAL RISKS AND UNCERTAINTIES:**

The College has continued to develop and enhance its Business Planning and Monitoring and Risk Management processes. These have enhanced the level of internal control, which has increased the protection of the College's assets and reputation.

Based on the strategic plan, the Risk Management Group (which consists of senior managers from across the College) undertakes a comprehensive and regular review of the risks to which the College is exposed. They identify systems and procedures, including specific actions to mitigate any potential impact on the College. These internal controls are then implemented and their impact is assessed by review of Key Performance Indicators.

In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A Strategic and Corporate Risk Register is maintained which is reviewed by the Audit Committee at each of its meetings. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the College.

Outlined below is a brief description of the Key Strategic Risks which the College faces and the actions which will be taken to mitigate these risks. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

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1. The College fails to manage its finances failing to deliver its target EBITDA
    - Business Planning and stringent Resource Allocation
    - Regular budgetary monitoring and close control of resources
  2. Failure to recruit target student numbers
    - Excellent IAG, developing reputation and marketing activity
  3. Fail to achieve value for money
    - Robust purchasing procedures, central procurement and use of contracts and consortia
    - Commissioning of Strategic Prospects Appraisal and close liaison with other Colleges and SEMLEP
  4. Breach of General Protection Data Regulations
    - Robust policies and procedures overseen by GDPR group reporting into Policy & Strategy Group

#### **COVID-19**

In response to the Covid-19 pandemic the College has taken extensive steps both physical and procedural to create a Covid safe environment for students and staff. These include a 50% reduction in footfall, staggered starts, at least 1.5m spacing of student desks, remote and online learning, one-way systems, compulsory wearing of masks together with enhanced cleaning, sanitising and use of PPE. The College has invested heavily, particularly in IT equipment, infrastructure and online materials to support remote learning, estate remodelling and physical screening. The College has a comprehensive Covid Risk Assessment which is published on its website. During the year the College has not furloughed staff or made any staff redundant. The College will aim to maintain this strategy to protect jobs and to maintain the College's capacity.

#### **STAKEHOLDER RELATIONSHIPS**

Northampton College works extensively within its community and has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Staff;
- Local employers;
- Local Authorities;
- Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies;
- Sector Skills Councils;
- Governors; and
- Local schools.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

#### **Equal opportunities and employment of disabled persons**

Northampton College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's "Dignity, Diversity and Equal Opportunities" Policy, including its Race Relations and Transgender Policies, are published on the College's Internet site.

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

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

The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. An Equalities Plan is published each year and monitored by managers and governors.

#### **Disability statement**

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

- (a) As part of the redevelopment of the buildings, the College has installed lifts and ramps so that now most of the facilities allow access to people with a disability. In new buildings all areas are accessible.
- (b) There is a list of specialist equipment, such as audio facilities, computer applications and assistive technologies, which the College can make available for use by students.
- (c) The admissions policy for all students is available on the College Website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- (d) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of Additional Learning Support Assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- (e) Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.
- (f) Counselling and welfare services are described on the College Website and in course directories/College Student Guides – these are issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

**Trade union facility time**

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

The data below covers the period 1 April 2019 to 31 March 2020.

**Relevant union officials**

Numbers of employees who were relevant union officials during the relevant period	FTE employee number
3	2.5

**Percentage of time spent on facility time**

Percentage of time	Number of employees
0%	0
1-50%	3
51-99%	0
100%	0

**Percentage of pay bill spent on facility time**

Total cost of facility time	£8,793
Total pay bill	£16,862,109
Percentage of total pay bill spent on facility time	0.05%

**Paid trade union activity**

Time spent on paid trade union activities as a percentage of total paid facility time	4.75%
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**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 8<sup>th</sup> December 2020 and signed on its behalf by:**



**Mr R Davey**  
**Chair of Board of Governors**

### **Statement of Corporate Governance and Internal Control**

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Governance for English Colleges ("the Code"); and
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector

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

**Statement of Corporate Governance and Internal Control (continued)**
**The Corporation**

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

	Date of Appointment (Original Appointment)	Term of Office	Date of Resignation	Status of appointment (External unless otherwise stated)	Corporation meeting attendance in 2019/20	Committees Served
Ms P M Brennan-Barrett	01/09/2013	N/A		Accounting Officer	4/5	1,5
Mr P Hilton**	01/08/2016 (07/11/2012)	Until 31/07/2020		Vice Chair	5/5	1,2,3,4
Dr G Schofield	01/08/2019 (27/07/2011)	Until 31/07/2023		Chair (until 31 December 2019) Vice Chair from April 2020 to 31 December 2020)	4/5	
Mrs T Griffiths	01/08/2017 (10/10/2013)	Until 31/07/2021			3/5	1,2
Ms E Buttler	01/08/2018 (25/09/2014)	Until 31/07/2022			3/5	5
Mr R Davey	01/08/2018 (25/09/2014)	Until 31/07/2022		Chair from 1 January 2020	4/5	2,4
Mr D Smith**	01/08/2016 (12/05/2015)	Until 31/07/2020			4/5	1,5
Mr W Chalker	01/08/2017 (14/06/2016)	Until 31/07/2021			5/5	3,4,5
Ms H Scott	01/05/2018	Until 30/04/2022			4/5	5
Mrs S Bunker	01/08/2018	Until 31/07/2022		Staff	4/5	
Mark Robbins	14/05/2019	13/05/2023			4/5	3,4
Gabriele Makaraite	08/10/2019	31/07/2020		Student	n/a	
Shane Crouch	08/10/2019	31/07/2020		Student	n/a	
<small>**Philip Hilton and David Smith were reappointed for a further 4 year term at the Corporation meeting of 16/06/2020                      Mrs J Brasier has acted as Clerk to the Corporation since 1 August 2015.                      Mr M Hall is a Co Opted member and Chair of the Audit Committee</small>						

Key to committees

- |   |              |   |  |
|---|--------------|---|--|
| 1 | Governance   | 4 | Curriculum Task and Finish                 |
| 2 | Remuneration | 5 | Quality, Teaching, Learning and Assessment |
| 3 | Audit        |   |  |

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

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation operates an approved schedule of regular meetings.

In addition to the five main Corporation meetings held during 2019/20, the Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Search and Governance, Remuneration, Audit, Task and Finish, and Quality, Teaching, Learning and Assessment. Full minutes of all Corporation meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [www.northamptoncollege.ac.uk](http://www.northamptoncollege.ac.uk) or from the Clerk to the Corporation at:

Northampton College  
Booth Lane  
Northampton  
NN3 3RF

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are 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 Chairman and Accounting Officer are separate.

### **Appointments to the Corporation**

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

Members of the Corporation are appointed for a term of office not exceeding four years, and may seek re-appointment for further periods.

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

#### **Corporation performance**

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2020 and graded itself as Outstanding on the Ofsted scale.

#### **Remuneration Committee**

Throughout the year ending 31 July 2020, the College's Remuneration Committee comprised three independent members of the Corporation. The Corporation has delegated to the Committee, which met twice during the year, the responsibility to determine the remuneration and benefits of the Accounting Officer and the Clerk to the Corporation.

Details of remuneration for the year ended 31 July 2020 are set out in note 6 to the financial statements.

#### **Audit Committee**

The Audit Committee comprises three members of the Corporation (excluding the Chairman of the Corporation and Accounting Officer) and is chaired by a co-opted member. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee met three times during 2019/20 and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. 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 both audit and non-audit work as well as reporting annually to the Corporation.

#### **Internal control**

##### *Scope of responsibility*

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

The Corporation has delegated the day-to-day responsibility to the 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 Northampton College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

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

#### *The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Northampton College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

#### *Capacity to handle risk*

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

#### *The risk and control framework*

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

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

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

#### *Review of effectiveness*

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

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

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

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

The executive 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 executive management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the executive management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 8<sup>th</sup> December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the executive management team and internal audit, and taking account of events since 31 July 2020.

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

#### **Going concern**

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. The College's three year forecasts and financial projections, which incorporate the impact of the coronavirus, indicate that it has adequate resources and can continue to operate within the existing borrowing facilities and covenants for the period to 31 July 2021, and for at least 12 months from the date of signing these financial statements.

The College reacted swiftly to the Corona virus pandemic. All teaching staff have had to adapt to remote and online teaching and support. All teaching has been maintained with additional resource to support students, especially those struggling to remain engaged. The success of this whole college effort is that achievement rates continued to rise, by 1%, in 2019-20 compared to the previous year. The whole student application and enrolment process moved online, and the success of this has been that enrolments have not reduced from the high point achieved in 2019-20. The pandemic has demonstrated the benefit of being financially resilient, with sufficient cash reserves to be able to react swiftly to events; to continue working and to maintain capacity. The College has worked hard to make the College Covid-safe and has taken measures beyond those required by regulators. The College has developed a comprehensive Covid-19 Risk Assessment, which is constantly reviewed and updated, and is published on the College website. The success of the College operating effectively throughout the pandemic is evidenced by the data supporting the College's Self-Assessment as Grade 1 overall and Grade 1 in all areas except Apprenticeships (Grade 2, up from Grade 3).

Approved by order of the members of the Corporation on 8<sup>th</sup> December 2020 and signed on its behalf by:



Mr R Davey



P M Brennan-Barrett

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**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 Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with 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 grant funding agreements and contracts with the ESFA.

We confirm, on behalf of the Corporation, that after due enquiry and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the 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 further 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.



**Mr R Davey**  
**Chair of Board of Governors**

**P M Brennan-Barrett**  
**Accounting Officer**

Date 8<sup>th</sup> December 2020

### **Statement of Responsibilities of the Members of the Corporation**

The members of the Corporation (who act as trustees for the charitable activities of the College) 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 College's Financial Memorandum between the ESFA, 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 *College Accounts Direction* issued by the ESFA, and the *Accounts Direction* issued by the Office for Students, 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 apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it 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 ESFA are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the ESFA and any other conditions that may be prescribed from time to time. They are also responsible for ensuring funds from Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them.

Approved by order of the members of the Corporation on 8<sup>th</sup> December 2020 and signed on its behalf by:



**Mr R Davey**  
**Chair of Board of Governors**

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## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF NORTHAMPTON COLLEGE

### Opinion

We have audited the financial statements of Northampton College (the 'College') for the year ended 31 July 2020 which comprise the college Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and the Statement of cash flows 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 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).

In our opinion, the financial statements:

- give a true and fair view of the state the College's affairs as at 31 July 2020 and of the College's deficit of income over expenditure 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 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 governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the Members' Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and 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.

### Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

#### **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 2019 to 2020 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;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if the College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

#### **Responsibilities of the Corporation of Northampton College**

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 19 the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the 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 liquidate the College or 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 the 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: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **RSM UK AUDIT LLP**

Chartered Accountants  
Rivermead House  
7 Lewis Court  
Grove Park  
Leicestershire  
LE19 1SD

Date:

**Statement of Comprehensive Income**

	Notes	2020 £'000	2019 £'000
<b>INCOME</b>			
Funding body grants	2	25,985	25,614
Tuition fees and education contracts	3	1,319	1,535
Other income	4	2,748	2,929
Investment income	5	85	79
<b>Total income</b>		<b>30,137</b>	<b>30,157</b>
<b>EXPENDITURE</b>			
Staff costs	6	18,925	18,324
Staff restructuring costs	6	126	215
Other operating expenses	7	7,363	7,157
Depreciation and amortisation	10 and 11	4,144	4,079
Interest and other finance costs	8	460	604
<b>Total expenditure</b>		<b>31,018</b>	<b>30,379</b>
<b>Deficit before other gains and losses</b>		<b>(881)</b>	<b>(222)</b>
Surplus on disposal of assets		-	12
<b>Deficit before tax</b>		<b>(881)</b>	<b>(210)</b>
Taxation	9	-	-
<b>Deficit for the year</b>		<b>(881)</b>	<b>(210)</b>
Re-measurement of net defined benefit pension liability	23	(4,034)	(3,854)
<b>Total Comprehensive Income for the year</b>		<b>(4,915)</b>	<b>(4,064)</b>
<b>Represented by:</b>			
Unrestricted comprehensive income for the year		<b>(4,915)</b>	<b>(4,064)</b>

**Statement of Changes in Reserves**

	Income and expenditure account  £'000	Revaluation reserve  £'000	Total  £'000
<b>Balance at 31<sup>st</sup> July 2018</b>	<b>11,350</b>	<b>7,096</b>	<b>18,446</b>
Deficit for the year	(210)	-	(210)
Other comprehensive income	(3,854)	-	(3,854)
<b>Total comprehensive income for the year</b>	<b>(4,064)</b>	<b>-</b>	<b>(4,064)</b>
 <b>Balance at 31<sup>st</sup> July 2019</b>	 <b>7,286</b>	 <b>7,096</b>	 <b>14,382</b>
Deficit for the year	(881)	-	(881)
Other comprehensive income	(4,034)	-	(4,034)
<b>Total comprehensive income for the year</b>	<b>(4,915)</b>	<b>-</b>	<b>(4,915)</b>
 <b>Balance at 31<sup>st</sup> July 2020</b>	 <b>2,371</b>	 <b>7,096</b>	 <b>9,467</b>

**Balance sheet as at 31 July**

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Tangible Fixed assets	10	78,464	81,259
Intangible Fixed assets	11	177	253
		<b>78,641</b>	<b>81,512</b>
<b>Current assets</b>			
Debtors	12	1,227	1,251
Investments	13	3,091	62
Cash at bank and in hand	20	<u>7,452</u>	<u>10,848</u>
		11,770	12,161
<b>Less: Creditors - amounts falling due within one year</b>	14	(5,647)	(6,674)
<b>Net current assets</b>		<b>6,123</b>	<b>5,487</b>
<b>Total assets less current liabilities</b>		<b>84,764</b>	<b>86,999</b>
Creditors - amounts falling due after more than one year	15	(55,187)	(58,107)
<b>Provisions</b>			
Defined benefit obligations	17	(20,046)	(14,457)
Other provisions	17	(64)	(53)
<b>Total net assets</b>		<b>9,467</b>	<b>14,382</b>
<b>Unrestricted Reserves</b>			
Income and expenditure account (including pension deficit of £20,046,000 - 2019: £14,457,000)		2,371	7,286
Revaluation reserve		7,096	7,096
<b>Total reserves</b>		<b>9,467</b>	<b>14,382</b>

The financial statements on pages 22 to 48 were approved and authorised for issue by the Corporation on 8<sup>th</sup> December 2020 and were signed on its behalf on that date by:


**Mr R Davey**  
 Chair of Board of Governors


**P M Brennan-Barrett**  
 Accounting Officer

**Statement of Cash Flows**

	Notes	2020 £'000	2019 £'000
<b>Operating activities</b>			
Net cash from operating activities	19	722	2,773
<b>Investing activities</b>			
Proceeds from sale of fixed assets		-	12
Investment income		85	79
Placing of deposits		(3,029)	-
Capital grants received		350	2,250
Payments made to acquire tangible and intangible fixed assets		(1,273)	(3,591)
		(3,867)	(1,250)
<b>Financing activities</b>			
Interest paid		(142)	(328)
Proceeds of new borrowing		142	4,538
Repayments of amounts borrowed		(251)	(8,118)
		(251)	(3,908)
<b>Decrease in cash and cash equivalents in the year</b>		<b>(3,396)</b>	<b>(2,385)</b>
Cash and cash equivalents at the beginning of the year		10,848	13,233
Cash and cash equivalents at the end of the year	20	<b>7,452</b>	<b>10,848</b>

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## Notes to the Accounts

### 1 Accounting Policies

#### General information

Northampton College is a Corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 14. The nature of the College's operations is set out in the Strategic Report.

#### Basis of accounting

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, except where otherwise indicated.

The financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

#### Basis of Consolidation

The financial statements are in respect of the College.

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

#### Going concern

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

The College had £4.1M (2019: £4.3M) of loans outstanding with bankers at 31 July 2020 on terms negotiated in 2018. The borrowing facility at 31 July 2020 is £5.5M.

The College's forecasts and financial projections, which incorporate the impact of the coronavirus pandemic, indicate that it will be able to operate within the existing facilities and covenants for the foreseeable future. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

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**Notes to the accounts (continued)**

**1 Accounting Policies (continued)**

**Recognition of Income**

*Revenue grant funding*

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Adult Education Budget ('AEB') grant funding income recognised is a best estimate of the amount receivable in accordance with the annual main funding guidance published by the ESFA and either determined as part of the reconciliation process or by separate agreement between the college and the ESFA at the reporting period end date. Any subsequent agreement to determination of the AEB funding after the reporting end date which is not provided for in the annual main funding guidance is not reflected in the income recognised. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

Levy funded and ESFA funding for co-investment model apprenticeship income is measured in line with best estimates of the provision delivered in the year.

The recurrent grant for HEFCE represents the funding allocations attributable to the current financial year and is recognised when received or receivable.

Grants from non-government sources, including grants relating to assets, are recognised in income when the performance related conditions have been met and the grants will be received. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

*Capital grant funding*

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met. The deferred income is allocated between creditors due within one year and those due after one year.

*Fee income*

Income from tuition fees, including employer funding for co-investment funded apprenticeships, is recognised in the period for which it is received.

*Investment income*

All income from short-term deposits is accrued in the period in which it is earned on a receivable basis.

*Other income*

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

### **Accounting for post-retirement benefits**

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are multi-employer defined benefit plans.

#### *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 method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore accounted for as a defined contribution plan and the contributions recognised as an expense in the Statement of Comprehensive Income 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.

#### *Northamptonshire Local Government Pension scheme (LGPS)*

The LGPS is a funded scheme and the assets of the scheme are held separately. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured on an actuarial basis 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.

Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the defined benefit liability) 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 College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

### **Enhanced Pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged to 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 funding bodies.

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**Notes to the accounts (continued)**

**1 Accounting Policies (continued)**

**Non-current Assets - Tangible Fixed Assets**

*Land and buildings*

Freehold land is stated in the balance sheet at Fair Value Existing Use Value at 1 August 2014 (the date of transition to FRS102), and then subsequently measured on the basis of deemed cost, based on this revalued amount.

Other tangible fixed assets are stated in the balance sheet at cost or deemed cost, less accumulated depreciation and accumulated impairment losses. Buildings inherited from the Local Education Authority which have been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of buildings, which were revalued in 1993, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

*Assets under construction*

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

*Equipment*

Expenditure costing less than £1,000 per individual item is recognised in expenditure in the period of acquisition. Equipment inherited from the local education authority is included in the balance sheet at valuation, which is based on its original cost less depreciation on a basis consistent with assets purchased after incorporation. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

*Depreciation and residual values*

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives as follows:

Freehold buildings	between 10 and 50 years
Major adaptations to buildings	between 10 and 50 years
Leasehold land and buildings	the shorter of the duration of the lease and 50 years
Computer equipment	3 years
Vehicles	between 3 and 5 years
Tools, equipment and furniture	between 5 and 10 years
Fixtures and fittings	10 years
Mechanical and electrical plant	15 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life. Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expensed as incurred.

**Notes to the accounts (continued)****1 Accounting Policies (continued)****Intangible assets**

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to the Statement of Comprehensive Income on a straight-line basis over their useful lives, and for purchased computer software this is between 3 and 5 years.

**Impairments of fixed assets**

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

**Borrowing costs**

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

**Leased Assets*****Finance leased assets***

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 an obligation under finance leases. 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.

***Operating leases***

All other leases are operating leases. Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income. Any lease premiums or incentives relating to leases are spread over the minimum lease term.

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**Notes to the accounts (continued)**

**1 Accounting Policies (continued)**

**Investments**

*Other investments*

Current asset investments are included in the Balance Sheet at cost less impairment.

**Cash and cash equivalents**

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

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

**Financial instruments**

The College 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 College 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 the 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.

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## Notes to the accounts (continued)

### 1 Accounting Policies (continued)

#### Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 2% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

#### Provisions and contingent liabilities

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

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

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

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the notes to the financial statements.

#### Agency arrangements

The College acts as an agent in the distribution of Bursary support funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College does not have control of the economic benefit related to the transaction.

#### Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates and assumptions*

- *Tangible fixed assets*

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

**Notes to the accounts (continued)**

**1 Accounting Policies (continued)**

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate.

Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Impairment of fixed assets*

The College considers whether tangible fixed assets are impaired. Where an impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of an appropriate discount rate in order to calculate the net present value of those cashflows.

**Notes to the accounts (continued)**
**2 Funding body grants**

	2020 £'000	2019 £'000
<b>Recurrent grants</b>		
Education and Skills Funding Agency – 16-18	16,348	16,781
Education and Skills Funding Agency – adult	3,615	3,524
Education and Skills Funding Agency – apprenticeships	2,305	2,063
Office for Students - HE	92	98
<b>Specific grants</b>		
Education and Skills Funding Agency	974	497
Releases of deferred capital grants	<u>2,651</u>	<u>2,651</u>
<b>Total</b>	<b>25,985</b>	<b>25,614</b>

The College's main funding body is the Education and Skills Funding Agency.

The recurrent grant from funding bodies in 2020 includes a clawback of £Nil (2019: clawback of £4,000) for Apprenticeships.

**3 Tuition fees and education contracts**

	2020 £'000	2019 £'000
<b>Tuition fees - FE</b>		
Tuition fees – HE income from taught awards (exclusive of VAT)	748	1,012
Education contracts	<u>557</u>	<u>500</u>
<b>Total</b>	<b>14</b>	<b>23</b>
<b>Total</b>	<b>1,319</b>	<b>1,535</b>

**4 Other income**

	2020 £'000	2019 £'000
<b>Catering</b>		
Other grant income	574	816
Release of non-funding body capital grants	<u>1,491</u>	<u>1,427</u>
Miscellaneous income	<u>424</u>	<u>376</u>
<b>Total</b>	<b>259</b>	<b>310</b>
<b>Total</b>	<b>2,748</b>	<b>2,929</b>

**5 Investment income**

	2020 £'000	2019 £'000
<b>Income from bank deposits</b>		
Income from bank deposits	<u>85</u>	<u>79</u>

**Notes to the accounts (continued)**
**6 Staff costs and key management personnel remuneration**

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

	2020 Number	2019 Number
Teaching staff	215	205
Non-teaching staff	272	298
	<b>487</b>	<b>503</b>

**Staff costs for the above persons:**

	2020 £'000	2019 £'000
Wages and salaries	13,427	13,258
Social security costs	1,171	1,168
Other pension costs	3,980	3,327
<b>Payroll sub-total</b>	<b>18,578</b>	<b>17,753</b>
Contracted out staffing services	347	571
	<b>18,925</b>	<b>18,324</b>
Staff restructuring costs – contractual	126	215
<b>Total staff costs</b>	<b>19,051</b>	<b>18,539</b>

**Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College's Executive Management Team which comprises the Principal; Deputy Principal – Teaching, Learning and Success; Deputy Principal of Finance and Corporate Affairs; Vice Principal Resources; Assistant Principal - Human Resources and Student Services; and Vice Principal – Curriculum & Student Progress.

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

	2020 Number	2019 Number
The number of key management personnel including the Accounting Officer was:	<u>6</u>	<u>5</u>

**Notes to the accounts (continued)**
**6 Staff costs and key management personnel remuneration (continued)**

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

	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,001 to £65,000	-	1	1	2
£65,001 to £70,000	2	1	1	1
£70,001 to £75,000	2	1	0	1
£90,001 to £95,000	2	2	-	-
£160,001 to £165,000	-	1	-	-
£170,001 to £175,000	1	-	-	-
	<b>6</b>	<b>5</b>	<b>2</b>	<b>3</b>

Key management personnel (including the Accounting Officer) compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries	558	475
Employer's National insurance	70	58
	<b>628</b>	<b>533</b>
Pension contributions	83	57
<b>Total key management personnel compensation</b>	<b>711</b>	<b>590</b>

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

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

	2020 £'000	2019 £'000
Salary	170	161
Pension contributions	-	-
<b>Total emoluments</b>	<b>170</b>	<b>161</b>

**Notes to the accounts (continued)**
**6 Staff costs and key management personnel remuneration (continued)**

The remuneration of the Accounting Officer for 2020 was determined by the College's Remuneration Committee, based on qualitative and quantitative measures of performance and benchmarking information. The Accounting Officer was not involved in setting their remuneration. The Board awarded a 1% pay increase to all college staff, including the Accounting Officer and other key management personnel.

The relationship between the accounting officer's emoluments, expressed as a multiple of all other employees (excluding agency staff) based on full-time equivalents, is set out below for both basic salary and total remuneration. Emoluments include bonuses paid and employers pension contributions.

	2020 £'000	2019 £'000
Basic salary as a multiple of median basic salary of staff	7.2	6.9
Total remuneration as a multiple of median total remuneration of staff	6.5	6.5

**Governors' remuneration**

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

The total expenses paid to or on behalf of the Governors during the year was £1,814; 4 governors (2019: £1,572; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and other events in their official capacity.

**7 Other operating expenses**

	2020 £'000	2019 £'000
Teaching costs	1,856	2,092
Non-teaching costs	3,641	3,062
Premises costs	<u>1,866</u>	<u>2,003</u>
<b>Total</b>	<b><u>7,363</u></b>	<b><u>7,157</u></b>

**Notes to the accounts (continued)**
**7 Other operating expenses (continued)**

	2020 £'000	2019 £'000
The deficit before taxation is stated after charging:		
Fees payable to RSM UK Audit LLP in respect of both audit and non audit fees:		
Financial statements audit	24	20
Other assurance services	1	1
Internal audit	12	9
Hire of assets under operating leases	26	38
Surplus on disposal of tangible fixed assets	0	12

**8 Interest and other finance costs**

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans		
Interest on provisions (note 17)		
Net interest on defined pension liability (note 23)	<u>317</u>	<u>275</u>
<b>Total</b>	<b>460</b>	<b>604</b>

**9 Taxation**

The members do not believe the College was liable for any corporation tax arising out of its activities during this period or in the previous period.

**Notes to the accounts (continued)**
**10 Tangible fixed assets**

	Land and Buildings		Equipment	Assets in the course of construction	Total
	Freehold £'000	Short leasehold £'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2019	78,989	51	32,798	3,495	115,333
Additions	-	-	596	632	1,228
Reclassified	3,422	-	73	(3,495)	-
Disposals	-	-	-	-	-
At 31 July 2020	82,411	51	33,467	632	116,561
<b>Depreciation</b>					
At 1 August 2019	14,653	15	19,406	-	34,074
Charge for the year	1,712	1	2,310	-	4,023
Elimination in respect of disposals	-	-	-	-	-
At 31 July 2020	16,365	16	21,716	-	38,097
<b>Net book value at 31 July 2020</b>					
<b>31 July 2020</b>	<b>66,046</b>	<b>35</b>	<b>11,751</b>	<b>632</b>	<b>78,464</b>
Net book value at 31 July 2019	64,336	36	13,392	3,495	81,259

Tangible fixed assets with a net book value of £54,830,000 (2019: £56,999,000) have been financed with Exchequer funds through for example, the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum, to surrender the proceeds.

Land was valued on 1 August 2014 (on transition to FRS102) at Fair Value Existing Use Value by Lambert Smith Hampton a firm of independent chartered surveyors.

Buildings and other tangible fixed assets inherited from the LEA at incorporation were originally valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice. If inherited fixed assets had not been revalued before being deemed as cost on transition they would have been included at a historical cost of £Nil.

**Notes to the accounts (continued)**
**11 Intangible fixed assets**

	Software £'000	Total £'000
<b>Cost</b>		
At 1 August 2019	561	561
Additions	45	45
At 31 July 2020	606	606
<b>Amortisation</b>		
At 1 August 2019	308	308
Charge for the year	121	121
At 31 July 2020	429	429
<b>Net book value at 31 July 2020</b>	<b>177</b>	<b>177</b>
Net book value at 31 July 2019	253	253

**12 Debtors**

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	220	558
Prepayments and accrued income	669	449
Amounts owed by the Education and Skills Funding Agency	338	244
<b>Total</b>	<b>1,227</b>	<b>1,251</b>

Prepayments includes £Nil (2019: £9,000) in respect of a five year hardware maintenance contract.

**13 Current asset investments**

	2020 £'000	2019 £'000
Short term deposits	3,091	62

Deposits are held with banks operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

**Notes to the accounts (continued)**
**14 Creditors: Amounts falling due within one year**

	2020 £'000	2019 £'000
Bank loans	221	221
Other loans	44	16
Trade creditors	620	1,165
Retentions on building contracts	69	289
Other taxation and social security	276	265
Accruals and deferred income	1,227	1,172
Deferred Income – government revenue grants	144	272
Deferred income – government capital grants	3,046	3,075
Amounts owed to the Education and Skills Funding Agency	-	199
<b>Total</b>	<b>5,647</b>	<b>6,674</b>

**15 Creditors: Amounts falling due after more than one year**

	2020 £'000	2019 £'000
Bank loans	3,907	4,128
Other loans	139	55
Deferred income – government capital grants	51,141	53,924
<b>Total</b>	<b>55,187</b>	<b>58,107</b>

**16 Maturity of debt**

	2020 £'000	2019 £'000
Loans are repayable as follows:		
Bank loans:		
In one year or less	221	221
Between one and two years	221	221
Between two and five years	663	663
In five years or more	3,023	3,244
	4,128	4,349
Other loans:		
In one year or less	44	16
Between one and two years	44	16
Between two and five years	95	39
	183	71
	4,311	4,420

**Notes to the accounts (continued)**
**16 Maturity of debt (continued)**

Summary of bank loans at 31 July 2020:

Lender	Final repayment date	Type	Interest rate	Due within one year £'000	Due in more than one year £'000
Santander UK Plc	2028	Term loan	2.1% + 3 Month LIBOR Rate	225	3,937
Santander UK Plc	2028	Arrangement fee		(4)	(30)
				221	3,907

Summary of other loans at 31 July 2020:

Lender	Final repayment date	Type	Interest rate	Due within one year £'000	Due in more than one year £'000
Salix Finance Ltd	2024	Energy efficiency loans	Nil	44	139

Loans due within one year are included in creditors in note 14 and amounts due in more than one year are included in note 15.

The loan facility with Santander UK plc is secured against the Daventry campus.

The term loan is repayable by quarterly instalments of £56,250 to September 2028, plus interest based on 3 month LIBOR + margin with a final capital payment in December 2028.

**17 Provisions for liabilities**

	Defined benefit obligations £'000	Enhanced Pensions £'000	Total £'000
At 1 August 2019	14,457	53	14,510
Amounts utilised	(1,256)	(6)	(1,262)
Additions in the period	6,845	17	6,862
<b>At 31 July 2020</b>	<b>20,046</b>	<b>64</b>	<b>20,110</b>

**Notes to the accounts (continued)**
**17 Provision for liabilities (continued)**

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

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.20%	2.20%
Discount rate	1.30%	2.00%

**18 Analysis of changes in net funds**

	At 1 August 2019 £'000	Cash Flows £'000	Other Changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	10,848	(3,396)	-	7,452
Bank Loans	(4,349)	221	-	(4,128)
Other Loans	(71)	(112)	-	(183)
<b>Net Funds</b>	<b>6,428</b>	<b>(3,287)</b>	<b>-</b>	<b>3,141</b>

**19 Notes to the statement of cashflows**

	2020 £'000	2019 £'000
<b>Deficit after tax for the year</b>	<b>(881)</b>	<b>(210)</b>
Adjustment for:		
Depreciation and amortisation	4,144	4,079
Capital grants released	(3,231)	(3,162)
Investment income	(85)	(79)
Interest payable	142	328
Surplus on sale of fixed assets	-	(12)
Increase in provisions	11	2
Pension costs less contributions payable	1,555	1,327
Operating cash flow before movements in working capital	1,655	2,273
Decrease in debtors	24	466
(Decrease) / increase in creditors due within one year	(957)	34
<b>Cash generated from operations</b>	<b>722</b>	<b>2,773</b>

**Notes to the accounts (continued)**
**20 Cash and cash equivalents**

	2020 £'000	2019 £'000
Cash at bank and in hand	<u>7,452</u>	<u>10,848</u>

**21 Capital commitments**

	2020 £'000	2019 £'000
Contracts for future capital expenditure not provided	<u>-</u>	<u>-</u>

**22 Lease obligations**

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Other assets	
	2020 £'000	2019 £'000
<b>Payment due</b>		
Not later than one year	20	17
Later than one year and not later than five years	<u>22</u>	<u>9</u>
<b>Total lease payments due</b>	<b><u>42</u></b>	<b><u>26</u></b>

**23 Defined benefit obligations**

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

**Total pension cost for the year**

	2020 £'000	2019 £'000
Teachers' Pension Scheme: contributions paid	1,486	1,020
Local Government Pension Scheme:		
- Contributions paid	1,256	1,289
- FRS102 (28) charge	<u>1,238</u>	<u>1,052</u>
Charge to Statement of Comprehensive Income	<u>2,494</u>	<u>2,341</u>
<b>Total pension cost for the year within staff costs</b>	<b><u>3,980</u></b>	<b><u>3,361</u></b>

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**Notes to the accounts (continued)**

**23 Defined benefit obligations (continued)**

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

Contributions amounting to £298,000 (2019: £244,000) were payable to the schemes at 31 July and are included within creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

**Valuation of the Teachers' Pension Scheme**

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2020 onwards, an increase from the previous rate of 16.48%. DfE paid a teacher pension employer contribution grant to cover additional costs during the 2019/20 academic year. However, legal challenge to the 2015 public sector pension reforms could have a further impact on the scheme, which would have retrospective application.

The pension costs paid to TPS in the year amounted to £1,486,000 (2019: £1,020,000).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

**Notes to the accounts (continued)**
**23 Defined benefit obligations (continued)**
**Local Government Pension Scheme**

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Northamptonshire County Council. The total contribution made for the year ended 31 July 2020 was £1,617,000 of which employers' contributions totalled £1,256,000 and employees' contributions totalled £361,000.

The agreed contribution rates for the year ended 31 March 2021 is 22.9% for employers, and between 5.5% and 12.5% for employees depending on salary.

**Principal Actuarial Assumptions**

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

	<b>At 31 July 2020</b>	<b>At 31 July 2019</b>
Rate of increase in salaries	2.7%	2.7%
Future pensions increase	2.2%	2.4%
Discount rate for scheme liabilities	1.4%	2.1%
Inflation assumption (CPI)	2.2%	2.4%
Commutation of pensions to lump sums - pre April 2008 service	50.0%	50.0%
Commutation of pensions to lump sums – post April 2008 service	75.0%	75.0%

The current valuation reflects the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension (GMP) equation between men and women which is required as a result of the removal of the Additional State Pension.

The assumed life expectations on retirement at age 65 are:

	<b>At 31 July 2020</b>	<b>At 31 July 2019</b>
	<b>Years</b>	<b>years</b>
<i>Retiring today</i>		
Males	21.5	21.2
Females	23.7	23.3
<i>Retiring in 20 years</i>		
Males	22.3	22.3
Females	25.1	24.7

**Notes to the accounts (continued)**
**23 Defined benefit obligations (continued)**

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

	Fair value at 31 July 2020 £'000	Fair value at 31 July 2019 £'000
Equities	24,477	25,896
Bonds	6,119	5,676
Property	4,320	3,193
Cash	<u>1,080</u>	<u>709</u>
<b>Total fair value of plan assets</b>	<b>35,996</b>	<b>35,474</b>
 <b>Actual return on plan assets</b>	 <b>(76)</b>	 <b>1,805</b>

	2020 £'000	2019 £'000
Fair value of plan assets	35,996	35,474
Present value of plan liabilities	<u>(56,042)</u>	<u>(49,931)</u>
<b>Net pensions liability</b>	<b>(20,046)</b>	<b>(14,457)</b>

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

	2020 £'000	2019 £'000
<b>Amounts included in staff costs</b>		
Current service cost	2,540	2,223
Past service cost	<u>(46)</u>	<u>118</u>
<b>Total</b>	<b>2,494</b>	<b>2,341</b>

**Amounts included in interest costs**

	2020 £'000	2019 £'000
Interest on plan assets	753	930
Interest on pension liabilities	<u>(1,070)</u>	<u>(1,205)</u>
	<b>(317)</b>	<b>(275)</b>

**Total amount recognised in Other Comprehensive Income**

	2020 £'000	2019 £'000
Return on pension plan assets	(829)	875
Changes in assumptions underlying the present value of plan liabilities	<u>(3,205)</u>	<u>(4,729)</u>
<b>Amount recognised in Other Comprehensive Income</b>	<b>(4,034)</b>	<b>(3,854)</b>

**Notes to the accounts (continued)**
**23 Defined benefit obligations (continued)**
**Asset and Liability Reconciliation**

	2020 £'000	2019 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	49,931	42,122
Current service cost	2,540	2,223
Past service cost	(46)	118
Interest cost	1,070	1,205
Contributions by Scheme participants	361	360
Changes in demographic assumptions	1,121	(2,850)
Changes in financial assumptions	5,749	(7,579)
Other experience	(3,665)	-
Estimated benefits paid	<u>(1,019)</u>	<u>(826)</u>
<b>Defined benefit obligations at end of period</b>	<b>56,042</b>	<b>49,931</b>
<b>Changes in fair value of plan assets</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Fair value of plan assets at start of period</b>	35,474	32,846
Interest on plan assets	753	930
Return on plan assets	(829)	875
Employer contributions	1,256	1,289
Contributions by Scheme participants	361	360
Estimated benefits paid	<u>(1,019)</u>	<u>(826)</u>
<b>Fair value of plan assets at end of period</b>	<b>35,996</b>	<b>35,474</b>

**24 Related party transactions**

Disclosure of key management compensation and expenses paid to or on behalf of governors is given in note 6.

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**INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF NORTHAMPTON COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY**

**Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Northampton College during the period 1 August 2019 to 31 July 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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.

**Basis for conclusion**

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

We are independent of Northampton College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

**Responsibilities of Corporation of Northampton College for regularity**

The Corporation of Northampton College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of Northampton College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

**Reporting accountant's responsibilities for reporting on regularity**

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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.

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Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

**Use of our report**

This report is made solely to the Corporation of Northampton College and the Secretary of State for Education acting through 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 Northampton College and the Secretary of State for Education acting through 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 Northampton College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

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Date: