

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

Contents

	Page Number
Key Management Personnel, Board of Governors and Professional Advisers	2
Operating and Financial Review	3
Statement of Corporate Governance and Internal Control	17
Statement of the Responsibilities of the Members of the Corporation	26
Independent Auditor's Report to the Corporation of City of Sunderland College	27
Reporting Accountant's Report on Regularity to the Corporation of City of Sunderland College and the Secretary of State for Education acting through the Education and Skills Funding Agency	29
Consolidated and College Statement of Comprehensive Income	31
Consolidated and College Statement of Changes in Reserves	32
Consolidated and College Balance Sheets	33
Consolidated Statement of Cash Flows	34
Notes to the Financial Statements	35

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

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

Ellen Thinnesen	Chief Executive Officer and Accounting Officer
Nigel Harrett	Principal of Northumberland College
David Howells	Vice Principal Finance and Resources (Chief Operating Officer from 1 October 2019)

Board of Governors

A full list of Governors is given on pages 18 to 21 of these financial statements.

C Stretesky acted as Clerk to the Corporation for the period from 24th April 2019 to 31st July 2020.

Professional advisers

Financial statement and regularity auditor

MHA Tait Walker
Chartered Accountants and Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Bankers

Bank of Scotland
300 Lawnmarket
Edinburgh
EH1 2PH

Solicitors

Womble Bond Dickinson
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

OPERATING AND FINANCIAL REVIEW

Nature, objectives and strategies

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

Legal status

City of Sunderland College ("the College") was formed in 1996 from the merger of Monkwearmouth and Wearside colleges which were Corporations established under the Further and Higher Education Act 1992. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated in 1996 as City of Sunderland College.

On 1 August 2017 City of Sunderland College merged with Hartlepool Sixth Form College and more recently, on 22 March 2019, with Northumberland College. The College has re-branded and is trading as Education Partnership North East (EPNE), as Sunderland College, Hartlepool Sixth Form College and Northumberland College.

Public benefit

City of Sunderland College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body are disclosed on pages 18 to 21.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent positive destination results for students
- Strong student support systems
- Strong links with employers, industry and commerce.

The delivery of public benefit is covered throughout the Members Report.

Vision

The 2019-2023 Strategic Plan, launched during the course of the 2018-19 financial year aspires to put "Excellence at the heart of everything we do".

We aspire to be the best in all that we do and to enable our employees and students to reach their full potential. We know that a culture of strong values means strong results for all of our stakeholders. This is why our professional values are fundamental to our pursuit for excellence and why they must underpin all of our activities.

Our Professional Values and Behaviours provide a valuable framework for use by people at every level of our organisation. They help us to evaluate our decisions and be confident in the choices we make.

To realise our vision we will excel in our pursuit of excellence to enable us to grow our student population and the College's performance by uniting our people and culture and strengthening our reputation locally, regionally and nationally.

Purposefully bold and challenging, we aspire to be:

- In the top 10 Colleges nationally for student achievement.
- In the top 25% Colleges nationally for financial health.

We know our passion is our strength, we have demonstrated this continuously and this is why we will pursue our vision with enthusiasm and determination.

Strategic ambitions

Our vision and mission will be achieved through the pursuance of five strategic ambitions which will direct all of our activity over the next three years – the remaining life of the plan:

1. Shape & evolve a careers focused curriculum;
2. Create outstanding learning opportunities for students;
3. Unite our culture & empowering our people;
4. Strengthen our financial resilience & invest in our resources;
5. Engage locally, regionally and nationally and build our reputation.

These ambitions have been developed and shaped with the production of individual plans for each goal, in order to set out further the key elements of the Groups ambitions over the remaining life of the plan

Goal 1: Shape and evolve a careers focussed curriculum

Our focus is providing curriculum pathways that meet the current and future demands of the region's labour market.

We will:

- Partner with employers to co-design and co-deliver a career-focussed curriculum within academic, technical and professional pathways;
- Strengthen our specialisms in growing areas of our regional economy, investing in digital industries, advanced manufacturing and engineering, construction, health and life sciences, and finance, professional, and business services;
- Innovate and support the development of the creative industries through cross-disciplinary working with colleagues from across the College and externally;
- Specialise in special educational needs and disability ensuring access to a broad and balanced curriculum;
- Grow our apprenticeship and higher education offer producing job ready apprentices and graduates with the skills needed to progress into and through the labour market;
- Positively influence the English, maths and digital skills of our communities;
- Deliver an innovative and accessible offer that supports upskilling and retraining to support labour market needs;
- Develop and articulate a refreshed 'adult' offer and increase accessibility for those on the lowest income and aged 50+ in order to address labour market changes.

Goal 2: Create outstanding learning opportunities for our students

An unwavering and relentless focus on developing our students through outstanding teaching, learning, support and assessment.

We will:

- Ensure the interests, aspirations and needs of our students are at the centre of all that we do;
- Develop inspiring, safe, accessible and supportive learning and physical environments across all of College campuses;
- Develop and embed innovative approaches to teaching, learning and assessment including investing in technologies;
- Promote a culture of high expectation that is underpinned by quality and enable students to achieve and make progress;

- Ensure our students can identify routes into work, supported through experience and exposure to the world of work and inspiration;
- Provide the best student experience possible through outstanding approaches to personal development, the development of employability skills and citizenship.

Goal 3: Unite our culture and empower our people

We will build our culture and develop high performing people, empowered to lead, innovate and take ownership.

We will:

- Full integration and utilisation of our HR systems;
- Ensure we have a diverse and inclusive workforce;
- Enhance our people engagement in order to further develop the fulfilment and performance of our workforce;
- Develop, design and deliver programmes to support and enhance the skills of our staff and to support the next generation of our leaders and managers;
- Enable leaders and managers to proactively assess and manage staff wellbeing and safety within their teams and across the whole college;
- Use workforce planning to attract and retain the best people, and plan for succession.

Goal 4: Strengthen our financial resilience and invest in our resources

We will build our financial resilience and strengthen our resources to ensure all stakeholders benefit from outstanding learning environments.

We will:

- Grow income and learner numbers across school leavers, apprenticeships, higher education and adult provision;
- Further invest in our estate to ensure that it remains a high-quality, safe, accessible learning environment, and providing state of the art facilities;
- Innovate and invest in our digital infrastructure to continue developing excellent learning technologies and information systems;
- Continue to diversify our income sources;
- Innovate and optimize our management information systems to improve and strengthen access to information ensuring services meet the needs of the business;
- Minimise our environmental footprint and promote sustainable working practices.

Goal 5: Engage locally, regionally and nationally and build our reputation

We will be an engaged and influential sector leader with a strong reputation and winning partnerships.

We will:

- Collaborate on innovative employer-led projects and a wide range of social responsibility activities, in order to continually enhance the student experience;
- Nurture strong mutually beneficial partnerships with industry and community organisations;
- We will extend our influence by collaborating with strategic partners to support and sustain mutually beneficial activities;
- Raise the profile of our expertise and our specialist areas;
- Celebrate the positive impact we have had on our communities;
- Contribute positively to social, cultural and economic regeneration.

Our professional values & behaviours

We aspire to be the best in all that we do and to enable our employees and students to reach their full potential. We know that a culture of strong values means strong results for all of our stakeholders. This is why our professional values are fundamental to our pursuit for excellence and why they must underpin all of our activities.

Our Professional Values and Behaviours provide a valuable framework for use by people at every level of our organisation. They help us to evaluate our decisions and be confident in the choices we make.

Professional Values	Professional Behaviours
Authentic	We are who we say we are, we do what we say we will do.
Respectful	We value the opinion of others and the contribution they make.
Innovative	We work hard to create a dynamic, forward-looking culture.
Ambitious	We are determined to achieve our vision and goals.

Covid-19

With effect from Friday 20 March 2020, under Government Orders, FE Colleges closed to all learners except for the children of key workers and vulnerable learners. This had a significant impact on both the income and expenditure of the Group, in particular commercial activity and apprenticeships. There was a requirement in February and early March to implement significant planning in order to shift all functions, including delivery to students to a digital, off-site approach. This approach continued to the end of the financial year. Additionally the Group worked with key suppliers in line with the Procurement Policy Note 02/20.

Significant planning was undertaken in preparation for the 2020-21 academic year with a significant shift in student delivery to a blend of classroom and digital delivery. Additionally there was a need to offset reductions in income with corresponding cost savings and a transformation exercise was announced in July in order to counter projected impacts of reduced income forecasts on Group viability.

Financial objectives

Funding performance against targets for Sunderland is shown below. The shortfall on achievement of the 2019/20 Classroom Funded target was due to the impact of the Covid-19 pandemic. The College achieved 71.4% of its funded target which was above the ESFA threshold for funding clawback:

Objectives	Target	Achievement
To meet its 16-19 funded target	£24,290,000	£21,713,000
To meet its Adult Classroom Learning funded target	£6,896,000	£4,988,000
Education specific EBITDA in excess of 8% of income	8%	8.4%
Borrowings as % of income	27%	26.1%

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

Performance indicators

The Group is committed to observing the importance of sector measures and indicators and use the FE Choices data available on the GOV.UK website which looks at measures such as success rates for General Further Education organisations (GFE). The FE Choices learner and employer view national surveys did not run in 2019/20 as a result of COVID 19 and hence outcomes are shown below as N/A.

The latest information available with regards to the Group against these indicators is:

Group Achievement rates	2017/18 %	2018/19 %	2019/20 %	National Average (2018/19)
Education and Training (All ages)	87.4	88.9	87.5	86.0
Apprenticeships (All ages)	71.4	62.3	64.5	64.7
Survey Data Sunderland/Hartlepool	2017/18	2018/19	2019/20	Latest Average of GFE Orgs
Learner Views	87.9	86.8	N/A	80.5
Employer Views	86.7	91.4	N/A	82.4
Survey Data Northumberland	2017/18	2018/19	2019/20	Latest Average of GFE Orgs
Learner Views	71.4	72.6	N/A	80.5
Employer Views	54.5	62.1	N/A	82.4

The overall Ofsted Inspection grade for Overall Effectiveness at the last inspection in June 2016, prior to the mergers with Hartlepool and Northumberland, was "Good".

The table above shows that the Group has made significant positive steps towards improving and maintaining positive outcomes for our students and that Sunderland is well above the sector average. The Group will utilise its' experience in driving forward quality outcomes for students, to make improvements in outcomes for Northumberland students.

The Group is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Finance Record produces a financial health grading. The current rating of "Requires Improvement" is considered an acceptable outcome, given the significant adverse impact of the Property Strategy and the prior-year merger with Northumberland College, on the financial position.

FINANCIAL POSITION

Financial results

The Group made an overall deficit of £2,381,000 in the year (2018/19 surplus: £11,108,000). The statement of comprehensive income includes a number of non-recurring items. The reconciliation below excludes these non-recurring items and pension adjustments to arrive at an 'adjusted surplus' which reflects the underlying performance of the Group.

Financial result reconciliation	£'000
Deficit for the year	(2,381)
Restructuring costs	414
Unfunded pension arrangement charges	352
Pension charges (FRS102(28) charges)	1,792
Pension interest expense (FRS102(28) charges)	505
Loss on fixed asset disposal	37
Underlying surplus	719

The under-achievement on the 16-19 funded target, as indicated in the financial objectives table above, is as a result of lower than funded recruitment of 16-19 students. Due to the lagged funding methodology, this did not result in a clawback of funding, however there will be a reduction in the level of funding for these 16-19 students in the 2020/21 financial year. This reduction is factored into the financial plan.

For the financial year 2019/20, the financial outturn was not significantly impacted by the ongoing COVID situation. The confirmed suspension of clawback on adult budget for the year, coupled with the nature of contractual 16 – 18 funding and other loan related payments, meant that many of the key income lines remained secure. Whilst income from apprenticeships and commercial activities was collectively expected to be approximately lower than previous expectations, the College has been able to achieve significant mitigation by applying a sharp brake on expenditure during lockdown and undertaking some limited furloughing of commercial staff where income streams are not funded through the public purse.

During the year the Group implemented a restructuring programme to address forthcoming cuts in funding body income and the deficits generated by Northumberland College. This led to a programme of transformation, resulting in restructuring costs of £414,000 (2018/19: £1,290,000). A further phase of transformation was announced in July 2020.

Accumulated reserves are £6,498,000 (after accounting for a pension liability of £56,615,000) with cash balances available for immediate withdrawal of £475,000.

Tangible fixed asset additions during the year amounted to £7,288,000. The majority of the additions relate to capital investment works at Northumberland College. In addition, upgrades to the Group estate, systems and equipment base has seen further investment.

The largest single sources of income for the Group in the year were the Education and Skills Funding Agency, which accounted for 84% (2018/19: 83%).

The Group has five subsidiary companies, as disclosed in note 11. During the year the trade and assets of Kirkley Hall Limited were hived up into the College and subsequently Kirkley Hall Limited, as a separate entity, has ceased trading. Business Solutions Recruitment Services Limited has made an application to be struck off the registrar at Companies House. The remaining three subsidiaries have been dormant throughout the year.

Treasury policies and objectives

Treasury management is the management of the Group'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 Group has a separate treasury management policy and a review of the application of that policy is undertaken annually and reported to Governors.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

The Group had a net cash inflow from operating activities of £1,287,000 in 2019/20 (2018/19: £562,000). There was a net decrease in cash balances in the year of £876,000 (2018/19: decrease of £544,000), the movements of which are disclosed in the cash flow statement.

Liquidity

The Group has six term loans. All loans are secured on Group Land & Buildings.

The first loan of £4,237,000 is repayable over twenty years, with interim reviews every five years, at which time the term can be extended, on agreement by both parties. No element of this loan is currently secured on a fixed rate.

The second loan is a revolving facility of £273,000 repayable on 30 July 2022. This loan incurs interest on a floating basis.

The third and fourth loans transferred to the Group and College on the acquisition of Hartlepool Sixth Form Group on 1 August 2017. One of these loans is fixed, has an outstanding balance of £1,172,000 is repayable by 28 March 2035 and bears interest at 7.05%. The other loan is floating, repayable by 28 December 2022 and has an outstanding balance of £62,000.

The fifth and sixth loans transferred to the Group and College on the acquisition of Northumberland College on 22 March 2019 and both of these are fixed. One of these loans has an outstanding balance of £1,245,000, is repayable by 31 March 2026 and bears interest at 3.72%. The other loan has an outstanding balance of £5,688,000, is repayable by 31 March 2055 and bears interest at 4.55%.

At the end of the year total loans outstanding are £12,677,000, of which £561,000 is repayable within one year.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2019/20 the Group received £42,235,000 in funding body recurrent grants (2018/19 - £35,869,000). The Group has supported 16,076 students in their studies throughout the course of the year.

Curriculum developments and student achievements

The Group continues to develop a careers focused curriculum to ensure that it is aligned to local, regional and skills priorities and based on relevant Labour Market Intelligence (LMI). The Group offers academic, vocational/technical education and training to adults and 16-19 year olds from entry level to higher education. EPNE offers a wide range of apprenticeship delivery, across a range of frameworks and standards, levels, ages and occupational areas. The Group also offers an extensive range of Higher Education courses, Foundation Degrees and Higher Nationals. The Pearson HNC or HND courses offered through Office for Students funding and HE programmes were franchised from the Universities of Sunderland, Newcastle and Cumbria during 2019-20. HE partnerships are being reviewed since merger. The Group's quality and approach to curriculum planning is the

primary driver shaping curriculum design and intent. The Group's strategic plan and vision for striving for excellence underpins the curriculum's future focus and direction.

The Group recognises its responsibility of contributing to reduce the high number of learners Not in Education, Employment or Training and works with subcontracted partners, to ensure appropriate provision is accessible throughout the year, in the community and for example at our City Campus through our Pathways provision. There are strong sixth form academic based provision within Sunderland Sixth Form based at the Bede Campus and Hartlepool Sixth Form College. The Group's school liaison and curriculum teams work closely with secondary schools across the North East. The Group has developed strong partnerships with employers, particularly in the areas of specialism and across the region. Sunderland College won BTEC College of the Year in 2019. The Group has had national recognition as an AoC Beacon Awards finalist for its careers work. The Group works closely with key stakeholders of the region including the city councils, Sunderland BID, key strategic partners and the North East LEP.

Across Education Partnership North East, volumes of students across levels are:

- 7% Higher Education
- 45% Level 3
- 37% Level 2
- 7% Level 1
- 4 % Entry level

Teaching, learning and assessment is good with areas of outstanding practice and supports students to develop knowledge, skills and attitudes which are aligned to their ambitions and aspirations. Achievement rates for young people are good, 3.4% above the national rate with a 3 year upward trend in achievement. Achievement rates for education and training provision (all ages) have a 3 year upward trend at 87.5%. Adult achievement rate has slightly declined from the previous year from 91.6% to 88.9% due to the pandemic lockdown. The majority of provision across EPNE is above national rates. Achievement rates for students with disadvantaged backgrounds is good, they make sustained progress from their starting point. 16-18 year old students with a learning difficulty or disability have an improving 3 year improving trend on retention.

Quality of education is not yet outstanding because further development is required in a small number of curriculum areas to improve the impact on students, as well as the requirement to reduce the achievement gaps of students who are care leavers, young parents and students who are looked after children. Also, achievement rates of apprenticeship programmes at Northumberland College need to improve. The achievement rates and progress made by young people on English and maths provision requires improvement.

The broad and balanced 16-19 study programmes are well-developed for all students with the aim to develop the skills and knowledge to allow learners to progress and achieve a positive destination to employment and/or further/higher education. Breadth including skills for employment, attitudes and behaviours and personal development including students taking part in work experience and industry placements.

The Group's strong Directions/foundation learning provision at Bede Campus and Kirkley Hall teaches and supports students with a LLDD within a supportive environment. The Group provides a variety of opportunities for these students to enable them to develop their English, maths, communication skills, improve their independence, personal, social skills as appropriate to the individual.

The Group has a broad range of adult learning programmes, which successfully prepare students for career progression and skills development.

Students continue to have high positive sustained destinations. 94% of students progress into a positive destination which includes employment, further study, higher education and/or an apprenticeship.

Much emphasis is placed on LMI, Sunderland's Economic Master Plan, TeesValley and NELEP priorities that inform and influence the curriculum offer, which successfully meets the needs of employers and the local community. The Group specialism's includes Advanced Manufacturing, Construction, Engineering, Digital Technology, Creative Industries, Health and Science, land based and cross cutting business professional services.

Work with stakeholders including employers forms a key part of the curriculum planning process and uses LMI (Labour Market Intelligence) to inform decisions and help shape the offer and progression opportunities. Links to industry and workplace experience and placements are organised where appropriate and enterprise and innovation remain key priorities. The Group has a large distance learning and employability provision linked to pre-employment programmes.

Key sectors for apprenticeships are aligned with the national and local priorities, align to the needs of the key industry and employment sectors, as identified by the Tees Valley and North East LEP economic plans. In addition, the Group offers a range of sector independent standards and frameworks covering professional services.

The Group has had an HE Quality review in December 2019, the first since merger. The Group did not meet 2 of the 4 core practices reviewed. It did meet the core practices of student engagement and supporting student achievement. It did not meet the core practices of a fair and transparent admissions process and complaints. Swift actions have been taken across EPNE to ensure these are now addressed. The Group achieved a TEF Silver award, in recognition of the quality of the Group's HE teaching excellence.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent.

Future developments

The Corporations Strategic Plan to inform the Group strategy for the period 2019-2023, putting "Excellence at the heart of everything we do". The plan was launched in November 2018 and has been developed further to include individual plans for each of the five strategic goals.

The Group is committed to improving the condition of its estate and facilities, with a view to increase student numbers and improve the overall student experience. The Finance and Resources Plan for the period to 2023 sets out details of work completed to date and future plans, with over £60m of investment in the estate between 2014 and 2023. New facilities are expected to open at the Kirkley Hall campus in 2020-21, consisting of a Special Educational Needs and Disabilities (SEND) centre and Equine facilities. In addition the Halls of Residence have seen significant refurbishment.

The Group has been successful in obtaining Institute of Technology funding and will be investing in the region of £500,000 in state of the art engineering equipment.

The Group is committed to strengthening financial health and liquidity. In light of anticipated future funding allocation reductions and to address inflated staff and non-staff costs at Northumberland College the Group is undergoing a period of transformation. It is envisaged that the efficiencies resulting from this and previous re-organisations will see the Group well placed to improve financial health, although the extent of these will depend on the Group's ability to retain student numbers and adapt its curriculum delivery model to meet the new funding requirements.

The Group reverted to onsite activity from August 2020, in accordance with government advice. Delivery plans have been adapted and there is a blended approach to learning in place, whereby there are elements of classroom and online delivery available to students. The financial impact on curriculum plans have been reviewed in light of enrolments and additional requirements around ensuring the safety of staff and students have been reflected in an updated plan completed in November 20. The net impact on the overall forecast financial outturn for 20-21 were minimal.

The impact of Brexit is expected to be minimal on the activities of the Group. The Group will continue to monitor potential impacts, particularly upon procurement activities of the Group.

RESOURCES

The Group's vision and strategic aims, set out on pages 3 to 5 are currently supported by a strong resource base. The Group;

- has specialised centres distributed from the Scottish Borders through to the Tees Valley;
- has invested £57m in state of the art facilities over the course of its Property Strategy and following the merger with Northumberland College;
- has £63.1m of net assets (excluding £56.6m pension liability) and loan debt of £12.7m; net assets as per the balance sheet are £6.5m;
- employs 773 people (expressed as full time equivalents), of which 573 are teaching staff; and
- has a good reputation locally and nationally. Maintaining a quality brand is essential for the Group's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Group's assets and reputation.

Based on the strategic plan, the Group undertakes a comprehensive review of the risks to which the Group is exposed. It identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition, the Group will also consider any risks which may arise as a result of a new area of work being undertaken.

The Group's risk register sets out the principal risks to which the Group is exposed, identifies controls to mitigate those risks and provides sources of evidence and assurance that those risks are being appropriately managed. Those risks and the effectiveness of controls are reviewed annually by the Group's Senior Management Team, Audit Committee and Corporation.

This is supported by a risk management training programme to raise awareness of risk amongst managers within the Group.

Each risk is considered to be sufficiently likely to occur or of sufficient impact on the Group as a whole, should it occur, to warrant the particular attention of the Corporation. The principal risks are within the following areas:

- Government policy;
- Finance;
- Governance;
- Management;
- Curriculum;
- People and Development (P&D);
- Estates and Physical Resources;
- Business Systems and IT; Brand and Reputation; and
- Covid-19.

If, despite the efforts to manage and mitigate risks, the Group suffers a significant loss of revenue, its strategy for mitigating the loss is as follows:

- To help it cope with in-year reductions in net income the Group will, each year
 - a) Plan to make an underlying operational surplus;
 - b) Provide for a contingency of at least £100,000 (pre pension adjustments) within its budgeted spending.

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

- The Group will maintain a ratio of permanent to temporary and agency staff sufficient to ensure an annual temporary and agency academic staffing budget of at least £400,000. In extremis, this budget will be reduced in-year and the curriculum will be remodelled.
- If this is not sufficient, capital projects will be delayed and funds set aside for the funding capital projects will be deployed to address the mid-year adjustment.
- In the extreme case the Group will utilise its reserves. Those reserves will be replaced as necessary to maintain or regain strong financial health.

The Group will ensure that appropriate insurances are in place and that they are reviewed regularly.

The Group will ensure that it regularly reviews the risks which it faces and take action to address them.

Government Funding

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

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

- Changes to funding methodologies, in particular in respect of 16-18 provision;
- Set up of local school sixth forms;
- Changes to co-funding of provision on which fees are charged, including eligibility criteria for fee remission;
- Changes in Apprenticeship funding and the impact on demand;
- Minimum contract values for and increased responsibility for subcontracted delivery on all adult delivery;
- Reductions in higher education funding and the impact of significant increases in fees charged;
- Failure to maintain market share;
- Failure to maintain reputation
- Failure to maintain quality, and;
- Ongoing impact of Covid-19

The risk is mitigated in a number of ways:

- Seeking to diversify income streams by expanding, for example, full-cost, apprenticeship and international activity
- Ensuring the Group is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the Group is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with the regional funding bodies
- Increased investment in Group estate and infrastructure.

Tuition fee policy

Ministers have confirmed that the assumed learner contribution towards tuition fees remains at 50%. In line with the majority of other colleges, the Group will seek to increase tuition fees in accordance with the fee assumptions. The risk for the Group is that demand falls off as fees increase. This will impact on the growth strategy of the Group.

This risk is mitigated in a number of ways:

- By ensuring the Group is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

Maintain adequate funding of pension liabilities

The financial statements report the share of 2 Local Government Pension Schemes deficits on the Group's balance sheet in line with the requirements of FRS 102.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and universities, the Group has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Combined authorities;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies; and
- Banks.

The Group recognises the importance of these relationships and engages in regular communication with stakeholders.

Equal opportunities and employment of disabled persons

The Group actively promotes equality and diversity in all aspects of its work and aims to provide an environment where all individuals have the opportunity to achieve their full potential with a feeling of self-esteem. It will eliminate unfair discrimination through a zero tolerance approach, regular target setting and monitoring and the development of positive action programmes. In exercising its functions as a public authority, the Group welcomes its duty towards those individuals sharing one or more of the protected characteristics.

The Group is mindful of the need for it to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010;
- Advance equality of opportunity between people who share a protected characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

As part of its commitment to advancing equality, the Group will endeavour to:

- Remove or minimise disadvantage experienced by people due to their protected characteristics.
- Take measures to fulfil the needs of individuals from protected groups where these are different from the needs of other persons.
- Support and encourage individuals with protected characteristics to participate in the public life of the organisation, especially where participation is disproportionately lower.

The Group equality and diversity policy and annual report are published on its website and intranet sites.

The Group is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The Group 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 Group continues.

The Group'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.

Special Education Needs and Disabilities (SEND)

The Group is committed to promoting and embedding Equality & Diversity and inclusion in all areas of our work to prevent discrimination. The Group seeks to achieve the objectives set down in the Equality Act 2010 and the Special Education Needs Code of Practice 2014.

The Learning Support Department organises and oversees in year surveys and live forums of students with Special Education Needs and Disabilities (SEND). Such consultation with, and involvement of individuals with SEND are now regular features of the Group Learning Support strategy. These procedures are designed to gain insight and information on issues and barriers faced by individuals with SEND in the Group context. Topics covered include accessibility and mobility around Group campuses and suggested improvements, the quality and effectiveness of support, and the promotion of disability equality.

In its efforts to continue to develop high quality support and promote d Equality & Diversity and Inclusion across the Group, the Learning Support Department maintains a Disability Support Team. Whilst all of the department personnel are members of the support team there is a core team of Specialist Support Lecturers (SSL's) deployed across all Group centres. All SSLs are qualified teachers who deliver specialist support to learners with identified needs for a range of areas of disability/learning difficulty. SSLs also contribute significantly to CPD (Continuing Professional Development) for all Group staff in matters related to disability and maintain a portfolio of staff development/awareness raising modules. Disability Awareness training delivered by the Learning Support Department remains a compulsory element for all Group staff in their continuing professional development.

The Learning Mentor team are also deployed across all Group campuses following enrolment, initial assessment and observation, Learning Support Co-ordinators liaise with all faculty management teams for all declared support needs. Learning Mentors and Academic Mentors are deployed for a variety of needs including moderate learning difficulties, challenging behaviours, ASD (Autistic Spectrum Disorders), support for Social Emotional Mental Health (SEMH) and support for both Maths and English.

There are numerous opportunities to declare a disability/learning difficulty at Pre entry stage through the SEN Transition officer who works closely with Admissions and Guidance, conducting joint interviews to determine support needs and follow up strategies prior to enrolment. All public enrolment sessions also include a learning support help desk to further encourage declaration.

Trade union facility time

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

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
11	9.1

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

Percentage of time	Number of Employees
0%	0
1-50%	11
51-99%	0
100%	0

Total cost of facility time	£22,802
Total pay bill	£29,723,000
Percentage of total pay bill spent on facility time	0.08%
Time spent on paid trade union activities as a percentage of total paid facility time	0

Disclosure of information to auditor

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

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



Mr R Lawson
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the Group to obtain a better understanding of its governance and legal structure.

The Group endeavours to conduct its business:

- In accordance with the seven principles identified by the Committee on Standard in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code") and the Office For Students Public Interest Governance Principles ("the Principles"); and
- Having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the Group complies with all the provisions of the Code and the Principles 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 account of the Code which it first adopted in September 2014. The governing body has assessed its performance against the mandatory criteria of the Code and the Principles.

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

The Corporation

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

Governors serving on the Group Board during 2019/20

The merger with Northumberland College resulted in a new governance structure which was put in place with effect of 1 July 2019. This new structure included the Board of Corporation and seven sub-committees: Audit, Finance, Resources & Projects, Governance, Northumberland Local Governing Board, Northumberland Curriculum & Quality, Sunderland Local Governing Board, and Sunderland Curriculum & Quality. Members are appointed to the Board of Corporation or a Local Governing Board (or both). The Local Governing Boards are responsible for ensuring the mission, vision, values and key strategic priorities for the College Group are being met by the local college, through effective monitoring, evaluation and compliance.

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

Membership through to 31 July 2020

Name	Date of most recent appointment	Term of office	Date of resignation	Status of appointment	Local Board/Committees served
Members of the Board of the Corporation					
Mr J Barnett	18/10/16	4 years	-	External	- Sunderland Local Governing Board - Governance Committee
Mr G Blyth	05/02/19	31/07/20	-	External	- Audit Committee
Mr D Cogle	01/07/20	4 years	-	External	
Mr T Crompton	17/10/17	4 years	-	External	- Northumberland Local Governing Board - Governance Committee
Ms L Doyle	01/07/19	4 years	-	External	- Northumberland Local Governing Board
Cllr L Farthing	03/12/18	4 years	-	External	- Audit Committee
Mr J Hope	01/07/19	4 years	-	External	- Joined Board of Corp-01/07/20 - Northumberland Local Governing Board
Ms L Kennedy	03/12/19	4 years	02/09/20	External	- Finance, Resources & Projects Committee
Mr R Lawson	5/07/16	4 years	-	External (Chair)	- Finance, Resources & Projects Committee - Governance Committee
Mr P McEldon	03/07/17	4 years	-	External	- Finance, Resources & Projects Committee - Governance Committee
Miss Z Nadeem	Elected June 2019	1 year	31/07/20	Student	-
Ms Susan Pollard	01/10/19	4 years	-	Staff	
Mr R Saelzer	05/07/16	4 years	-	External	- Sunderland Local Governing Board - Sunderland Curriculum and Quality Committee
Ms A Shaw	01/07/19	4 years	-	External	- Joined Board of Corp-01/07/20 - Northumberland Local Governing Board - Northumberland Curriculum & Quality Committee
Ms E Thinnesen	11/01/16	Ex Officio	-	Principal/Chief Executive	- Finance, Resources & Projects Committee - Governance Committee - Sunderland Local Governing Board - Sunderland Curriculum and Quality Committee
Members of Local Governing Boards (not on Board of the Corporation)					
Mr Ian Brown	01/07/19	4 years	-	External	- Northumberland Local Governing Board
Ms L Bradford	03/12/19	4 years	-	External	- Sunderland Local Governing Board - Sunderland Curriculum & Quality

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

Ms D Chadwick	01/07/19	2 years	30/06/20	Student	<ul style="list-style-type: none"> - Northumberland Local Governing Board - Northumberland Curriculum & Quality Committee
Ms J Colbert	01/07/19	4 years	-	External	<ul style="list-style-type: none"> - Sunderland Local Governing Board - Sunderland Curriculum & Quality Committee
Ms E Cooper	01/10/19	2 years	-	Student	<ul style="list-style-type: none"> - Sunderland Local Governing Board - Sunderland Curriculum & Quality Committee
Ms J Cramman	06/02/18	4 years	30/06/20	External	<ul style="list-style-type: none"> - Sunderland Local Governing Board - Sunderland Curriculum & Quality Committee
Mr A Ferguson	01/07/19	4 years	-	External	<ul style="list-style-type: none"> - Northumberland Local Governing Board - Finance, Resources & Projects Committee
Ms J Fox	06/02/18	4 years	-	External	<ul style="list-style-type: none"> - Sunderland Local Governing Board - Finance, Resources & Projects Committee
Mr N Harrett	01/07/19	Ex officio	-	Principal	<ul style="list-style-type: none"> - Northumberland Local Governing Board - Northumberland Curriculum & Quality Committee
Mr J Holmes	01/07/19	4 years	-	External	<ul style="list-style-type: none"> - Northumberland Local Governing Board
Mr C Jones	01/07/20	4 years	-	External	<ul style="list-style-type: none"> - Northumberland Local Governing Board
Mr N Jones	01/10/19	2 years	-	Student	<ul style="list-style-type: none"> - Sunderland Local Governing Board - Sunderland Curriculum & Quality Committee
Mrs C Magog	16/10/18	4 years	-	External	<ul style="list-style-type: none"> - Audit Committee - Sunderland Local Governing Board
Ms H Matterson	01/07/20	4 years	-	External	<ul style="list-style-type: none"> - Sunderland Local Governing Board
Mr L Nixon	01/07/20	2 years	-	External	<ul style="list-style-type: none"> - Sunderland Local Governing Board
Ms K Patterson	01/07/19	4 years	-	External	<ul style="list-style-type: none"> - Northumberland Local Governing Board
Mr S Patterson	03/12/18	4 years	-	External	<ul style="list-style-type: none"> - Sunderland Local Governing Board - Finance, Resources & Projects Committee
Mr M Patton	17/10/17	4 years	02/09/19	External	<ul style="list-style-type: none"> - Northumberland Local Governing Board - Northumberland Curriculum and Quality Committee
Mr K Ramanathas	07/02/17	4 years	-	External	<ul style="list-style-type: none"> - Sunderland Local Governing Board
Mr N Salvesen	01/07/19	4 years	-	External	<ul style="list-style-type: none"> - Northumberland Local Governing Board - Finance, Resources & Projects Committee

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

Ms S Sawyer	01/10/19	4 years	-	Staff	<ul style="list-style-type: none"> - Northumberland Local Governing Board - Northumberland Curriculum & Quality Committee
Ms H Thompson	01/07/19	4 years	-	External	<ul style="list-style-type: none"> - Northumberland Local Governing Board - Northumberland Curriculum & Quality Committee
Mr D Towns	01/07/19	4 years	-	External	<ul style="list-style-type: none"> - Northumberland Local Governing Board - Audit Committee
Ms A Whitehead	01/10/19	4 years	11/11/19	External	<ul style="list-style-type: none"> - Sunderland Local Governing Board - Sunderland Curriculum & Quality Committee
Ms H Willey	01/10/19	4 years	-	Staff	<ul style="list-style-type: none"> - Sunderland Local Governing Board - Sunderland Curriculum & Quality Committee

Governor attendance at meetings for 2019-20 was as follows:

Name	Corporation	Local Board/Committees
Mr J Barnett	78%	SLGB 80%; Gov 100%
Mr G Blyth	89%	Audit 100%; Gov 100%
Mr D Cogle	n/a	n/a
Mr T Crompton	89%	NLGB 100%; Gov 100%
Ms L Doyle	78%	NLGB 100%
Cllr L Farthing	78%	Audit 75%
Mr J Hope	n/a	NLGB 100%
Ms L Kennedy	71%	FRP 67%
Mr R Lawson	100%	Gov 100%; FRP 80%
Mr P McEldon	89%	Gov 100%; FRP 80%
Miss Z Nadeem	75%	n/a
Ms Susan Pollard	100%	n/a
Mr R Saelzer	56%	SLGB 100%; SCQ 100%
Ms A Shaw	n/a	NLGB 80%; NCQ 100%
Ms E Thinnesen	100%	SLGB 100%; Gov 100%; FRP 100%; SCQ 33%
Mr Ian Brown	n/a	NLGB 100%
Ms L Bradford	n/a	SLGB 100%
Ms D Chadwick	n/a	NLGB 60%; NCQ 100%
Ms J Colbert	n/a	SLGB 100%; SCQ 100%
Ms E Cooper	n/a	SLGB 75%; SCQ 33%
Ms J Cramman	n/a	Sabbatical all year
Mr A Ferguson	n/a	NLGB 80%; FRP 60%
Ms J Fox	n/a	SLGB 80%; FRP 80%
Mr N Harrett	n/a	NLGB 100%; NCQ 100%
Mr J Holmes	n/a	NLGB 80%
Mr C Jones	n/a	n/a
Mr N Jones	n/a	SLGB 50%; SCQ 100%
Mrs C Magog	n/a	SLGB 80%; Audit 100%
Ms H Matterson	n/a	n/a
Mr L Nixon	n/a	n/a

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

Ms K Patterson	n/a	NLGB 60%
Mr S Patterson	n/a	SLGB 80%; FRP 80%
Mr M Patton	n/a	n/a
Mr K Ramanathas	n/a	SLGB 100%
Mr N Salvesen	n/a	NLGB 100%; FRP 100%
Ms S Sawyer	n/a	NLGB 80%; NCQ 100%
Ms H Thompson	n/a	NLGB 20%; NCQ 0%
Mr D Towns	n/a	NLGB 60%; Audit 75%
Ms A Whitehead	n/a	SLGB 0%
Ms H Willey	n/a	SLGB 50%; SCQ 100%

The Board, in presenting these statistics, acknowledges that from time to time, meetings are scheduled or re-arranged and this can impact upon governor availability/attendance.

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 Group together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets each term.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Audit, Finance, Resources & Projects, Governance, Northumberland Local Governing Board, Northumberland Curriculum & Quality, Sunderland Local Governing Board, and Sunderland Curriculum & Quality. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Head of Corporate Governance & Policy at:

City of Sunderland College
Bede Centre
Durham Road
Sunderland
SR3 4AH

The Head of Corporate Governance & Policy 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 Group's expense and have access to the Head of Corporate Governance & Policy, who is the Clerk of the Corporation and responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Head of Corporate Governance & Policy are matters for the Corporation as a whole.

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

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

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

Governance Committee

The Corporation has a Governance Committee, consisting of up to seven members of the Corporation, which is responsible for all governance matters including:

- the selection and recommendation of any new member, other than the staff and student member, for the Corporation's consideration;
- advising the Corporation on the remuneration, grade and contracts of employment of senior post holders including the Clerk as and when required; and
- ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years, unless there is an exceptional justification for doing so.

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

Audit Committee

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

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

The Group's internal auditor monitors the systems of internal control, risk management controls and governance processes, in accordance with an agreed plan of input and reports 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 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. The Board appointed Wiley Bisset to provide Internal Audit Services with effect from 1 October 2019 and MHA Tait Walker to provide External Audit Services with effect from 25th September 2020.

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the Group'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/Financial Agreement between City of Sunderland College and the Funding Bodies. The Accounting Officer is also responsible for reporting to the Corporation any material weaknesses or breakdown in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Group 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 at City of Sunderland College during 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 Group 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 on-going process for identifying, evaluating and managing the Group's significant risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

Review of effectiveness

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the Group 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".

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

Going concern

Financial forecasts have been reviewed to reflect the impact on Covid-19 on commercial income streams, delivery plans, including apprenticeships and expenditure. Anticipated associated restructuring savings and non-staff savings have also been made. Despite the impact of Covid-19 the Group is still forecasting a healthy Educational EBITDA position.

After making appropriate enquiries, the Corporation considers that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

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



Mr R Lawson
Chair



Ms E Thinesen
Accounting Officer

Governing Body's statement on the Group'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 Education and Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the Group and the Education and Skills Funding Agency. As part of our consideration the Corporation has had due regard to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency.

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

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

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



Mr R Lawson
Chair



Ms E Thinnesen
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

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

In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.

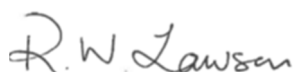
The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Group.

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the group and parent College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

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



Mr R Lawson
Chair

Independent auditor's report to the Corporation of City of Sunderland College

Opinion

We have audited the financial statements of City of Sunderland College (the "College") and its subsidiaries (the 'Group') for the year ended 31 July 2020, which comprise the Consolidated and College Statement of Comprehensive Income, Consolidated and College Balance Sheets, Consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2020 and of the Group's and College's (deficit)/surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Other matters prescribed by the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency

In the light of our knowledge and understanding of the Group and College and its environment obtained in the course of the audit, we have not identified material misstatements in the Members' Report.

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice requires us to report to you if, in our opinion:

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

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the members of the Corporation set out on page 26, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent academy trust 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 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 Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable parent company and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Brian Laidlaw BA CA (Senior Statutory Auditor)

for and on behalf of MHA Tait Walker

Chartered Accountants

Statutory Auditor

Bulman House

Regent Centre

Gosforth

Newcastle upon Tyne

NE3 3LS

Date: 28.01.2021

MHA Tait Walker is a trading name Tait Walker LLP.

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

In accordance with the terms of our engagement letter dated 25th September 2020 and further to the requirements and conditions of funding in Education and Skills Funding Agency grant funding agreements and contracts, or those of any of the public funding we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by City of Sunderland College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency. 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 Education and Skills Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of City of Sunderland College and the Education and Skills Funding Agency in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of City of Sunderland College and Education and Skills Funding Agency 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 City of Sunderland College and the Education and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of City of Sunderland College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

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

Members' Report and Financial Statements for the year ended 31 July 2020

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

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

Conclusion

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

MHA Tait Walker

MHA Tait Walker

Chartered Accountants
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

MHA Tait Walker is a trading name Tait Walker LLP.

28.01.2021

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

Consolidated and College Statements of Comprehensive Income

INCOME	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group £'000	College £'000	Group £'000	College £'000
Funding body grants	2	42,972	42,972	45,496	45,496
Tuition fees and education contracts	3	6,684	6,684	5,797	5,797
Other income	4	2,021	1,884	1,933	1,719
Endowment and investment income	5	8	8	6	6
Gain arising from combination with Northumberland College	25	-	-	4,690	4,690
Total Income		51,685	51,548	57,922	57,708
EXPENDITURE					
Staff costs	6	33,770	33,663	27,775	27,633
Restructuring costs	6	414	414	1,290	1,290
Other operating expenses	7	14,522	14,751	12,416	12,335
Depreciation and impairment	10	4,222	4,218	3,540	3,534
Interest payable and other finance costs	8	1,101	1,101	1,379	1,379
Total Expenditure		54,029	54,147	46,400	46,171
(Deficit)/surplus before other gains and losses		(2,344)	(2,599)	11,522	11,537
Loss on disposal of assets		(37)	(37)	(414)	(414)
(Deficit)/surplus before tax		(2,381)	(2,636)	11,108	11,123
Tax	9	-	-	-	-
(Deficit)/surplus for the year		(2,381)	(2,636)	11,108	11,123
Actuarial (loss)/gain in respect of pension schemes	21	(30,483)	(30,483)	(4,213)	(4,213)
Total Comprehensive Income for the year		(32,864)	(33,119)	6,895	6,910

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

Consolidated and College Statements of Changes in Reserves


	Income & Expenditure Account	Revaluation Reserve	Restricted Reserve	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 1 August 2018	19,647	12,696	124	32,467
Surplus from the income and expenditure account	11,108	-	-	11,108
Other comprehensive income	(4,213)	-	-	(4,213)
Total comprehensive income for the year	6,895	-	-	6,895
Transfers between revaluation and income and expenditure reserves	271	(271)	-	-
Balance at 31 July 2019	26,813	12,425	124	39,362
(Deficit)/surplus from the income and expenditure account	(2,381)	-	-	(2,381)
Other comprehensive income	(30,483)	-	-	(30,483)
Total comprehensive income for the year	(32,864)	-	-	(32,864)
Transfers between revaluation and income and expenditure reserves	271	(271)	-	-
Balance at 31 July 2020	(5,780)	12,154	124	(6,498)
College				
Balance at 1 August 2018	19,887	12,696	124	32,707
Surplus from the income and expenditure account	11,123	-	-	11,123
Other comprehensive income	(4,213)	-	-	(4,213)
Total comprehensive income for the year	6,910	-	-	6,910
Transfers between revaluation and income and expenditure reserves	271	(271)	-	-
Balance at 31 July 2019	27,068	12,425	124	39,617
(Deficit)/surplus from the income and expenditure account	(2,636)	-	-	(2,636)
Other comprehensive income	(30,483)	-	-	(30,483)
Total comprehensive income for the year	(33,119)	-	-	(33,119)
Transfers between revaluation and income and expenditure reserves	271	(271)	-	-
Balance at 31 July 2020	(5,780)	12,154	124	(6,498)

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

Balance Sheets as at 31 July	Notes	Group	College	Group	College
		2020	2020	2019	2019
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10	120,690	120,690	118,738	118,682
Total fixed assets		120,690	120,690	118,738	118,682
Current Assets					
Stocks		170	170	188	176
Debtors	12	1,335	1,335	2,214	2,482
Cash at bank and in hand	17	475	475	1,351	1,228
Total current assets		1,980	1,980	3,753	3,886
Less creditors – amounts falling due within one year	13	(7,289)	(7,289)	(11,268)	(11,090)
Net current liabilities		(5,309)	(5,309)	(7,515)	(7,204)
Total assets less current liabilities		115,381	115,381	111,223	111,478
Less creditors: amounts falling due after more than one year	14	(45,172)	(45,172)	(40,160)	(40,160)
Provisions					
Defined benefit obligations	16	(56,615)	(56,615)	(23,835)	(23,835)
Other provisions	16	(7,096)	(7,096)	(7,866)	(7,866)
Total net assets		6,498	6,498	39,362	39,617
Unrestricted reserves					
Income & expenditure account		(5,780)	(5,780)	26,813	27,068
Revaluation reserve		12,154	12,154	12,425	12,425
Total unrestricted reserves		6,374	6,374	39,238	39,493
Restricted reserves		124	124	124	124
Total reserves		6,498	6,498	39,362	39,617

The financial statements on pages 31 to 60 were approved by the Corporation on 26 January 2021 and were signed on its behalf on that date by:



Mr R Lawson (Chair)



Ms E Thinesen (Accounting Officer)

Consolidated Statement of Cash Flows

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Cash flows from operating activities			
Surplus for the year		(2,381)	11,108
Adjustment for non-cash items			
Grant income paid direct to lenders (Note 15)			(8,581)
Gain arising on business combination		-	(4,690)
Depreciation and impairment		4,222	3,540
(Increase)/decrease in stocks		18	(64)
(Increase) in debtors		879	958
Decrease in creditors		(3,603)	(3,303)
Increase/(decrease) in provisions		(770)	2,916
Pensions costs less contributions paid		1,792	2,351
Pension liability acquired		-	(5,460)
Taxation		-	-
Adjustment for investing or financing activities		157	(1,225)
Investment income		(8)	(6)
Interest payable		1,101	1,379
Loss on sale of fixed assets		37	-
Taxation paid		-	414
Net cash flow from operating activities		1,287	562
Cash flows from investing activities			
Proceeds from sale of fixed assets		1,077	2,185
Capital Grant Receipts		6,350	-
Investment income		8	6
Net cash arising on acquisition		-	547
Payments made to acquire fixed assets		(7,251)	(1,462)
VAT recovered on earlier year fixed asset acquisition		-	-
		184	1,276
Cash flows from financing activities			
Interest paid		(596)	(1,023)
Repayments of amounts borrowed		(1,751)	(1,359)
		(2,347)	(2,382)
(Decrease)/increase in cash and cash equivalents in the year		(876)	(544)
Cash and cash equivalents at beginning of the year	17	1,351	1,895
Cash and cash equivalents at end of the year	17	475	1,351

Notes to the Financial Statements for the Year 31 July 2020

1 Accounting policies

Statement of accounting policies

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

Basis of preparation

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

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the Group and its subsidiaries, COSC Supplies Limited, Blue Square Trading Limited and Sunderland College Enterprises Limited, Business Solutions Recruitment Services Limited and Kirkley Hall Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In accordance with FRS 102, the activities of the student union have not been consolidated because the Group does not exercise control over those activities. All financial statements are made up to 31 July 2020.

Going concern

The activities of the Group, together with the key factors likely to affect its future development and performance are set out in the Members Report, including those relating to Covid-19 and Brexit. The financial position of the Group, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

Future forecasts are based on the level of notified funding for 16-18 learners and AEB, recruitment numbers along with anticipated levels of income on other lines that reflect the anticipated financial impact of Covid-19. Anticipated associated restructuring savings and non-staff savings have also been made. Despite the impact of Covid-19 the Group is still forecasting a healthy Educational EBITDA position.

The Group has sufficient cash reserves to fund day-to-day activities, including cash at bank of £0.5m (2019: £1.4m). The Group currently has six loans outstanding, totalling £12.7m (2019: £14.2m), negotiated on different terms and all loans are secured. The Group's financial forecasts and financial projections indicate that it will be able to operate within these existing facilities and covenants for the foreseeable future.

Accordingly, the Group 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.

1 Accounting policies (continued)

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Income from franchised HE delivery is recognised based on the actual reconciliation figures received from the partner University and is based on student income earned for the current financial year.

Other discrete Education and Skills Funding Agency (ESFA) funds received during the year are taken to income and expenditure as incurred in line with the specific terms and conditions attached to each fund by the Funding Bodies.

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

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

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

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Accounting for post-employment benefits

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

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

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

1 Accounting policies (continued)

sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Short term Employment benefits.

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the Group, on a straight line basis, generally of 50 years. The Group has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets.

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

On adoption of FRS 102, the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 2014, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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

1 Accounting policies (continued)

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated on a straight-line basis over their useful economic life as follows:

- Motor vehicles and general equipment 3 years on a straight-line basis
- Computer equipment 5 years on a straight-line basis
- Furniture and fittings 10 years on a straight-line basis

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

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred, other than those directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalised and written off over the life of the associated asset.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Investments

Investments in subsidiaries

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

Inventories

Inventories are stated at the lower of their cost (using the FIFO method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 3 months 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 liabilities and equity

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

1 Accounting policies (continued)

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102 and are held at amortised cost. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

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

Taxation

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

The Group's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when the Group 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 Group 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 Group. 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 Group acts as an agent in the collection and payment of discretionary support funds, free school meals and bursaries. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account of the Group where the Group is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

1 Accounting policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- The combination with Hartlepool Sixth Form College in August 2017 and with Northumberland College in March 2019 are both considered to be a Type B combination in accordance with the FE & HE SORP and the Group has treated the combination as being a public benefit combination which is, in substance, a gift accordingly.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

Where impairment indicators have been identified, there can be an element of estimation uncertainty in respect of the assessment of the recoverable value of the asset. The significant impairment in the year arises on property which is surplus to requirements. This value is assessed by qualified valuers based on the condition of the assets and recent similar transactions in the relevant market.

- *Local Government Pension Scheme*

The present value of the 2 Local Government Pension Schemes (Teesside Pension Fund and Tyne & Wear Pension Fund) defined benefit liabilities depend 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 21, will impact the carrying amount of the pension liabilities. 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 liabilities 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 liabilities.

- *Fair value of acquired assets and liabilities*

The assessment of the fair value of the assets and liabilities of Northumberland College, with which the College merged on 22 March 2019, includes the valuation of the estate, identification and valuation of intangible assets and valuation of the Local Government Pension Scheme assets and liabilities. The estate has been valued by an independent expert and the Local Government Pension Scheme has been recognised in accordance with the actuarial valuation performed as set out above. Further details are given in note 25.

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

2 Funding body grants

	Group Year ended 31 July 2020 £'000	College Year ended 31 July 2020 £'000	Group Year ended 31 July 2019 £'000	College Year ended 31 July 2019 £'000
Education and Skills Funding Agency – 16-18	25,646	25,646	22,491	22,491
Education and Skills Funding Agency – Adult	7,535	7,535	7,484	7,484
Education and Skills Funding Agency – Apprenticeships	4,763	4,763	3,168	3,168
Office for Students	611	611	421	421
Specific grants				
Education and Skills Funding Agency Other	3,680	3,680	2,305	2,305
Education and Skills Funding Agency Merger Funding			8,911	8,911
Release of government capital grants	700	700	713	713
Higher Education grant	37	37	3	3
Total	42,972	42,972	45,496	45,496

3 Tuition fees and education contracts

	Group Year ended 31 July 2020 £'000	College Year ended 31 July 2020 £'000	Group Year ended 31 July 2019 £'000	College Year ended 31 July 2019 £'000
Adult education fees	287	287	216	216
Apprenticeship fees and contract	98	98	162	162
Fees for FE loan supported courses	1,464	1,464	1,254	1,254
Fees for HE loan supported courses	3,416	3,416	2,645	2,645
International student fees			58	58
Total tuition fees	5,265	5,265	4,335	4,335
Education contracts	1,419	1,419	1,462	1,462
Total	6,684	6,684	5,797	5,797

4 Other income

	Group Year ended 31 July 2020 £'000	College Year ended 31 July 2020 £'000	Group Year ended 31 July 2019 £'000	College Year ended 31 July 2019 £'000
Catering and residences	587	551	770	675
Other income generating activities			-	-
Non-government capital grants	107	107	39	39
Miscellaneous income	1,175	1,074	1,124	1,005
Coronavirus Job Retention Scheme income	152	152	-	-
Total	2,021	1,884	1,933	1,719

The Corporation furloughed Catering Assistants, Estates Technicians, Zoo Hosts and Presenters, Business Executives, Training & Sales Advisors and Commercial staff under the governments Coronavirus Job Retention Scheme. The funding received of £152k relates to staff costs which are included within the staff costs note below.

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

5 Investment income

	Group Year ended 31 July 2020 £'000	College Year ended 31 July 2020 £'000	Group Year ended 31 July 2019 £'000	College Year ended 31 July 2019 £'000
Other interest receivable	8	8	6	6
Total	8	8	6	6

6 Staff costs

	Group 2020 No.	College 2020 No.	Group 2019 No.	College 2019 No.
Teaching staff	573	573	472	472
Non-teaching staff	196	194	188	181
	769	767	660	653

Staff costs for the above persons

	Group Year ended 31 July 2020 £'000	College Year ended 31 July 2020 £'000	Group Year ended 31 July 2019 £'000	College Year ended 31 July 2019 £'000
Wages and salaries	22,693	22,597	18,816	18,695
Social security costs	2,197	2,193	1,840	1,834
Other pension costs	6,732	6,725	5,656	5,641
Payroll sub total	31,622	31,515	26,312	26,170
Contracted out staffing services	2,148	2,148	1,463	1,463
	33,770	33,663	27,775	27,633
Fundamental restructuring costs – Contractual	414	414	1,290	1,290
Total staff costs	34,184	34,077	29,065	28,923

Key management personnel – Group and College

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the Senior Leadership Team, which comprises the Accounting Officer, Deputy Principal and Chief Operating Officer.

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

	2020 No.	2019 No.
The number of senior post-holders including the Accounting Officer was:	3	3

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

6 Staff costs (continued)

Key management personnel – Group and College

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

	Key management		Other staff	
	2020	2019	2020	2019
£60,001 to £65,000	-	-	2	2
£65,001 to £70,000	-	-	-	-
£70,001 to £75,000	-	-	2	1
£75,001 to £80,000	-	-	1	-
£80,001 to £85,000	1	1	-	-
£85,001 to £90,000	-	-	-	-
£90,001 to £95,000	-	-	-	-
£95,001 to £100,000	1	1	-	-
£135,001 to £140,000	1	1	-	-
	3	3	5	3

Key management personnel emoluments are made up as follows:

	£'000	£'000
Salaries	324	319
Employer's National Insurance	41	41
	<u>365</u>	<u>360</u>
Pension contributions	55	39
Total emoluments	<u>420</u>	<u>399</u>

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

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

The Accounting Officer	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £000
Salaries	140	139
Pension contributions	<u>32</u>	<u>23</u>

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

The Principal and Chief Executive reports to the Chair of Governors, who undertakes an annual review of her performance against the Group's objectives using qualitative and quantitative measure of performance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2020	2019
Principal's basic salary as a multiple of the median of all staff	5.30	5.35
Principal and CEO's total remuneration as a multiple of the median of all staff	5.30	5.35

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

7 Other operating expenses

	Group Year ended 31 July 2020 £'000	College Year ended 31 July 2020 £'000	Group Year ended 31 July 2019 £'000	College Year ended 31 July 2019 £'000
Teaching costs	4,205	4,205	3,357	3,357
Non-teaching costs	4,441	4,670	3,721	3,640
Premises costs	4,532	4,532	3,344	3,344
Payments to non-College partners	1,344	1,344	1,994	1,994
Total	14,522	14,751	12,416	12,335

Other operating expenses include:

	Group Year ended 31 July 2020 £'000	Group Year ended 31 July 2019 £'000
Auditors' remuneration:		
financial statements 2020 audit MHA Tait Walker*	45	-
financial statements 2019 audit KPMG LLP**	39	48
other services provided by financial statements auditor	-	13
internal audit***	14	-
Hire of other assets – operating leases	1,292	1,242

*includes £3,000 in relation to subsidiaries (2018/19 £nil)

**includes £nil in relation to subsidiaries (2018/19 £2,000)

***includes £nil in relation to subsidiaries (2018/19 £nil)

8 Interest and other finance costs - Group and College

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
On bank loans, overdrafts and other loans	596	1,023
Pension finance costs (note 21)	505	356
Total	1,101	1,379

9 Taxation (Group)

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
United Kingdom corporation tax at 19 per cent (2019: 19 per cent)	-	-
Total	-	-

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

10 Tangible Fixed Assets (Group)

	Freehold land and buildings	Equipment	Livestock	Total
	£'000	£'000	£'000	£'000
Cost or deemed cost				
At 1 August 2019	140,478	33,724	244	174,446
Additions	6,621	667	-	7,288
Disposals	(15,168)	-	-	(15,168)
At 31 July 2020	131,931	34,391	244	166,566
Depreciation				
At 1 August 2019	29,427	26,281	-	55,708
Charge for the year	2,641	1,547	34	4,222
Elimination in respect of disposals	(14,054)	-	-	(14,054)
At 31 July 2020	18,014	27,828	34	45,876
Net book value at 31 July 2020	113,917	6,563	210	120,690
Net book value at 31 July 2019	111,051	7,443	244	118,738

10 Tangible Fixed Assets (College)

	Freehold land and buildings	Equipment	Livestock	Total
	£'000	£'000	£'000	£'000
Cost or deemed cost				
At 1 August 2019	140,474	33,666	244	174,384
Acquired on Acquisition (Note 24)	4	48	-	52
Additions	6,621	667	-	7,288
Disposals	(15,168)	-	-	(15,168)
At 31 July 2020	131,931	34,381	244	166,556
Depreciation				
At 1 August 2019	29,426	26,276	-	55,702
Charge for the year	2,642	1,542	34	4,218
Elimination in respect of disposals	(14,054)	-	-	(14,054)
At 31 July 2020	18,014	27,818	34	45,866
Net book value at 31 July 2020	113,917	6,563	210	120,690
Net book value at 31 July 2019	111,048	7,390	244	118,682

Land and buildings with a net book value of £4,466,000 (2019: £4,568,000) have been financed by exchequer funds. Should these assets be sold, the Group may be liable, under the terms of the Financial Memorandum with the Education and Skills Funding Agency to surrender the proceeds.

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

11 Investments

	College 31 July 2020 £	College 31 July 2019 £
Cost		
Investments in subsidiary companies	<u>5</u>	<u>5</u>

The Group owns 100% of the issued ordinary £1 shares of Kirkley Hall Limited, Business Solutions Recruitment Services Limited, Blue Square Trading Limited, COSC Supplies Limited and Sunderland College Enterprises Limited, companies incorporated in England and Wales.

The principal business activities of these companies are:

Kirkley Hall Limited – was various commercial operations from the Kirkley Hall site, Northumberland – Trade ceased 31 October 2019.

Business Solutions Recruitment Services – recruitment services, although this company is no longer operating. The company is in the process of voluntary strike off.

Blue Square Trading Limited, Bede Centre, Durham Road, Sunderland. SR3 4AH – dormant;

COSC Supplies Limited, Bede Centre, Durham Road, Sunderland. SR3 4AH – dormant;

Sunderland College Enterprises Limited, Bede Centre, Durham Road, Sunderland. SR3 4AH – dormant

12 Debtors

	Group 31 July 2020 £'000	College 31 July 2020 £'000	Group 31 July 2019 £'000	College 31 July 2019 £'000
Amounts falling due within one year				
Trade receivables	309	309	1,147	1,126
Amounts owed by group undertakings:				
Subsidiary undertaking	-	-	-	297
Prepayments and accrued income	1,026	1,026	1,067	1,059
Total	<u>1,335</u>	<u>1,335</u>	<u>2,214</u>	<u>2,482</u>

13 Creditors: amounts falling due within one year

	Group 31 July 2020 £'000	College 31 July 2020 £'000	Group 31 July 2019 £'000	College 31 July 2019 £'000
Loans and overdrafts	561	561	1,760	1,760
Obligations under finance leases	212	212	265	265
Trade payables	1,628	1,628	1,905	1,805
Taxation and social security	888	888	608	584
Accruals and deferred income	3,142	3,142	5,867	5,813
Deferred income – government capital grants	858	858	863	863
	<u>7,289</u>	<u>7,289</u>	<u>11,268</u>	<u>11,090</u>

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

14 Creditors: amounts falling due after one year

	Group 31 July 2020 £'000	College 31 July 2020 £'000	Group 31 July 2019 £'000	College 31 July 2019 £'000
Loans	12,116	12,116	12,396	12,396
Obligations under finance leases	402	402	621	621
Deferred income – government capital grants	32,654	32,654	27,143	27,143
	<u>45,172</u>	<u>45,172</u>	<u>40,160</u>	<u>40,160</u>

15 Maturity of debt – Group and College

	31 July 2020 £'000	31 July 2019 £'000
Loans		
Loans are repayable as follows:		
In one year or less on demand	561	1,760
Between one and two years	828	676
Between two and five years	2,110	2,128
In five years or more	9,178	9,592
Total	<u>12,677</u>	<u>14,156</u>

Loans repayable are analysed above based on committed repayment dates as set out within each loan agreement.

The Group has six term loans, these are included above, net of unamortised issue costs of £81,000 (2019: £115,000). All loans are secured on Group Land & Buildings.

The first loan has an overall balance of £4,309,000, is repayable over twenty years, with interim reviews every five years, at which time the term can be extended, on agreement by both parties. No element of this loan is currently secured on a fixed rate.

The second loan is a revolving facility of £273,000 repayable on 30 July 2022. This loan incurs interest on a floating basis.

The third and fourth loans transferred to the Group and College on the acquisition of Hartlepool Sixth Form Group on 1 August 2017. One of these loans is fixed, has an outstanding balance of £1,181,000, is repayable by 28 March 2035 and bears interest at 7.05%. The other loan is floating, repayable by 28 December 2022 and has an outstanding balance of £62,000.

The fifth and sixth loans transferred to the Group and College on the acquisition of Northumberland College on 22 March 2019 and both of these are fixed. One of these loans has an outstanding balance of £1,245,000, is repayable by 31 March 2026 and bears interest at 3.72%. The other loan has an outstanding balance of £5,688,000, is repayable by 31 March 2055 and bears interest at 4.55%.

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

15 Maturity of debt – Group and College (continued)

	31 July 2020 £'000	31 July 2019 £'000
Finance leases		
Finance leases are repayable as follows:		
In one year or less	212	265
Between one and two years	188	210
Between two and five years	214	411
In five years or more		
Total	614	886

The finance leases shown transferred to the Group and College on the acquisition of Northumberland College on 22 March 2019. The obligations are secured on the assets to which they relate.

16 Provisions - Group and College

	Defined benefit obligations £'000	Restructuring £'000	Enhanced Pensions £'000	Onerous Leases £'000	Deferred Grants £'000	Total £'000
At 1 August 2019	23,835	768	3,740	1,024	2,334	31,701
Expenditure in the period	(1,832)	(1,182)	(272)	(39)	7	(3,318)
Created in the year	34,612	414	352	(50)		35,328
At 31 July 2020	56,615	0	3,820	935	2,341	63,711

Defined benefit obligations relate to the liabilities under the Group's membership of Local Government Pension Schemes. Further details are given in Note 21.

The restructuring provision relates to estimated statutory obligations outstanding for a restructuring exercise which was ongoing at the 31st July 2019 and which were paid out during the course of the 2019-20 financial year.

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

Other provisions arising on acquisition relate to the costs of onerous leases which transferred to the Group upon merger with Northumberland College.

Deferred grants are amounts due to funding bodies.

The principal assumptions for the calculation of Enhanced Pensions are:

	2020	2019
Inflation rate	2.3%	2.2%
Discount rate	1.4%	2.0%

17 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Group				
Cash and cash equivalents	1,351	(876)	-	475
Total	1,351	876	-	475

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

18 Capital and other commitments

	Group 2020 £'000	Group 2019 £'000
Commitments contracted for at 31 July	<u>1,105</u>	<u>183</u>

19 Financial instruments

	Group 2020 £'000	Group 2019 £'000
Financial assets held at amortised cost		
Trade receivables	309	1,147
Accrued income	<u>429</u>	<u>569</u>
Financial liabilities held at amortised cost		
Trade payables	1,628	1,905
Bank loans	12,677	14,156
Accruals	2,919	4,780
Obligations under finance leases	<u>614</u>	<u>886</u>

20 Lease obligations

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

Future minimum lease payments due	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Land and buildings		
Not later than one year	97	107
after than one year and not later than five years	218	276
Later than five years	<u>242</u>	<u>281</u>
	<u>557</u>	<u>664</u>
Other		
Not later than one year	1,019	1,130
Later than one year and not later than five years	118	1,192
Later than five years	-	-
	<u>1,137</u>	<u>2,322</u>

21 Defined benefit obligations

The Group's employees belong to three principal post-employment pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and two Local Government Pension Schemes (LGPS) for non-teaching staff. The LGPS schemes are managed by Tyne and Wear Pension Fund and Teesside Pension Fund. All schemes are defined-benefit plans.

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

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Total pension cost for the year		
Teacher's Pension Scheme: contributions paid	2,749	1,616
Tyne and Wear Local Government Pension Scheme:		
Contributions paid	1,780	1,560
FRS 102 (28) charge	<u>1,700</u>	<u>2,250</u>
Charge to the Statement of Comprehensive Income	3,480	3,810
Teesside Local Government Pension Scheme:		
Contributions paid	52	58
FRS 102 (28) charge	<u>92</u>	<u>101</u>
Charge to the Statement of Comprehensive Income	144	159
Enhanced pension charge to Statement of Comprehensive Income	352	71
Total Pension cost for year	<u>6,725</u>	<u>5,656</u>

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 £324,000 (2018/19: £326,000) were payable to the schemes at the balance sheet date and are included in creditors.

Teachers' Pension Scheme

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

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

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

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

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

21 Defined benefit obligations (continued)

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

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

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

The pension costs paid to TPS in the year amounted to £2,749,000 (2018/19: £1,616,000)

FRS 102 (28)

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

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

Tyne and Wear Local Government Pension Scheme - Group and College

The Tyne and Wear LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Tyne and Wear Pension Fund. The total contribution made for the year ended 31 July 2019 was £2,310,000 of which employer's contributions totalled £1,780,000 and employees' contributions totalled £530,000. The agreed contribution was 18.4% of pensionable pay for employers, rising to 18.7% from April 2020 and a variable rate related to pensionable pay for employees.

Principal Actuarial Assumptions

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

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.8%	3.7%
Rate of increase for pensions in payment/inflation	2.3%	2.2%
Discount rate for scheme liabilities	1.4%	2.2%
Inflation assumption (CPI)	2.3%	2.2%
Commutation of pensions to lump sums	50.0%	50.0%

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

21 Defined benefit obligations (continued)

Tyne and Wear Local Government Pension Scheme – Group and College (continued)

	At 31 July 2020	At 31 July 2019
Retiring today		
Males	21.8	21.9
Females	25.0	25.1
Retiring in 20 Years		
Males	23.5	23.6
Females	26.8	26.9

The fair value of the estimated asset allocation of the Tyne and Wear Pension Fund were as follows:

	Value at 31 July 2020 £'000	Value at 31 July 2019 £'000
Equities	49,510	63,400
Government Bonds	2,220	4,200
Corporate Bonds	21,190	11,330
Property	8,510	8,690
Cash	1,760	1,760
Other	9,350	8,300
Total fair value of plan assets	92,540	97,680
Actual return on plan assets	(4,610)	7,790

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

21 Defined benefit obligations (continued)

Tyne and Wear Local Government Pension Scheme – Group and College (continued)

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

	31 July 2020 £'000	31 July 2019 £'000
Fair value of plan assets	92,540	97,680
Present value of plan liabilities	(146,440)	(120,270)
Net pensions liability (Note 16)	<u>(53,900)</u>	<u>(22,590)</u>

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

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Amounts included in staff costs		
Current service cost	3,430	2,280
Past service cost	50	1,530
Total	<u>3,480</u>	<u>3,810</u>

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Amounts included in interest and other finance costs		
Net pension finance costs	480	340
Pension finance cost	<u>480</u>	<u>340</u>

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	(6,750)	5,760
Experience gains/(losses) arising on defined benefit obligations	(22,380)	(9,450)
Amount recognised in Other Comprehensive Income	<u>(29,130)</u>	<u>(3,690)</u>

21 Defined benefit obligations (continued)

Tyne and Wear Local Government Pension Scheme – Group and College (continued)

Movement in net defined benefit liability during year	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Deficit in scheme at 1 August	(22,590)	(10,850)
Arising on acquisition at 22 March	-	(5,460)
Movement in year:		
Current service cost	(3,430)	(2,280)
Employer contributions	1,780	1,560
Past service cost	(50)	(1,530)
Net interest on the defined liability	(480)	(340)
Actuarial (loss)/ gain	(29,130)	(3,690)
Net defined liability at 31 July	(53,900)	(22,590)

Changes in the present value of defined benefit obligations	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Defined benefit obligations at start of period	120,270	74,580
Net increase in liabilities from acquisition	-	31,700
Current service cost	3,430	2,280
Interest cost	2,620	2,370
Contributions by Scheme participants	530	430
Experience gains and losses on defined benefit obligations	22,380	9,450
Estimated benefits paid	(2,840)	(2,070)
Past service cost	50	1,530
Defined benefit obligations at end of period	146,440	120,270

Changes in fair value of plan assets	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Fair value of plan assets at start of period	97,680	63,730
Net increase in assets from acquisitions	-	26,240
Interest on plan assets	2,140	2,030
Return on plan assets	(6,750)	5,760
Employer contributions	1,780	1,560
Contributions by Scheme participants	530	430
Estimated benefits paid	(2,840)	(2,070)
Fair value of plan assets at end of period	92,540	97,680

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

21 Defined benefit obligations (continued)

Teesside Local Government Pension Scheme – Group and College

The Teesside LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Teesside Pension Fund. The total contribution made for the year ended 31 July 2020 was £72,000 of which employer's contributions totalled £52,000 and employees' contributions totalled £20,000. The agreed contribution rates for future years are 15.2% of pensionable pay for employers and a variable rate related to pensionable pay for employees.

Principal Actuarial Assumptions

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

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.3%	3.3%
Rate of increase for pensions in payment/inflation	2.3%	2.3%
Discount rate for scheme liabilities	1.4%	2.1%
Inflation assumption (CPI)	2.3%	2.3%

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

	At 31 July 2020	At 31 July 2019
Retiring today		
Males	21.8	21.9
Females	23.5	23.8
Retiring in 20 Years		
Males	23.2	23.6
Females	25.3	25.7

The fair value of the estimated asset allocation of the Teesside Pension Fund were as follows:

	Value at 31 July 2020 £'000	Value at 31 July 2019 £'000
Equities	3,174	3,494
Property	334	398
Cash	484	615
Other	184	120
Total fair value of plan assets	4,176	4,627
Actual return on plan assets	(403)	234

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

21 Defined benefit obligations (continued)

Teesside Local Government Pension Scheme – Group and College (continued)

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

	31 July 2020 £'000	31 July 2019 £'000
Fair value of plan assets	4,176	4,627
Present value of plan liabilities	(6,891)	(5,872)
Net pensions liability (Note 16)	<u>(2,715)</u>	<u>(1,245)</u>

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

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Amounts included in staff costs		
Current service cost	144	112
Past service cost	-	47
Total	<u>144</u>	<u>159</u>

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Amounts included in interest and other finance costs		
Net pension finance costs	25	16
Pension finance cost	<u>25</u>	<u>16</u>

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	(500)	110
Experience gains/(losses) arising on defined benefit obligations	(853)	(633)
Amount recognised in Other Comprehensive Income	<u>(1,353)</u>	<u>(523)</u>

21 Defined benefit obligations (continued)

Teesside Local Government Pension Scheme – Group and College (continued)

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Movement in net defined benefit liability during year		
At the beginning of the year	(1,245)	(605)
Arising on acquisition at 1 August		
Movement in year:		
Current service cost	(144)	(112)
Employer contributions	52	58
Past service cost	-	(47)
Net interest on the defined liability	(25)	(16)
Actuarial gain/(loss)	(1,353)	(523)
Net defined liability at 31 July	(2,715)	(1,245)
	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	5,872	5,038
Current service cost	144	112
Interest cost	122	140
Contributions by Scheme participants	20	23
Experience gains and losses on defined benefit obligations	853	633
Estimated benefits paid	(120)	(121)
Past service cost	-	47
Defined benefit obligations at end of period	6,891	5,872
	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Changes in fair value of plan assets		
Fair value of plan assets at start of period	4,627	4,433
Interest on plan assets	97	124
Return on plan assets	(500)	110
Employer contributions	52	58
Contributions by Scheme participants	20	23
Estimated benefits paid	(120)	(121)
Fair value of plan assets at end of period	4,176	4,627

22 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £743; 4 governors (2018/19: £28; 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governors meetings and charity events, in their official capacity.

No governor has received any remuneration or waived payments from the Group or its subsidiaries during the year (2018/19: £0).

23 Amounts disbursed as agent

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Funding body grants - bursary support	889	712
Funding body grants – free meals	264	245
Other funding body grants	328	257
	<u>1,481</u>	<u>1,214</u>
Disbursed to students		
Administration costs	1,481	1,214
	<u> </u>	<u> </u>
Balance unspent at 31 July, include in creditors	<u> </u> <u> </u> -	<u> </u> <u> </u> -

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

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

24 Business combination with Kirkley Hall Limited

Following the acquisition of Northumberland College in 2018/19, the College has subsequently transferred the trade and assets of Kirkley Hall Limited, a subsidiary investment, into the College itself on 31 October 2019. The transfer was via the intercompany account.

The combination had the following effect on the College's assets and liabilities:

	Provisional Fair Values £'000
Fixed assets	
Tangible assets	52
Current assets	
Stock	12
Amounts due from subsidiaries	(97)
Cash	73
Total assets	40
Creditors	
Trade payable	10
Taxation and social security	23
Accruals	7
Total liabilities	40
Net identifiable assets and liabilities	0

City of Sunderland College

Members' Report and Financial Statements for the year ended 31 July 2020

25 Business combination with Northumberland College

On 22 March 2019, City of Sunderland College Group acquired the trade assets and liabilities of Northumberland College for nil consideration following the dissolution of the College. The resulting gain of £4.69m was recognised in the income statement in accordance with FRS102 and the College Accounts Direction Handbook 2018/19.

The combination had the following effect on the group's assets and liabilities:

	Provisional Fair Values £'000
Fixed assets	
Tangible assets	31,255
Current assets	
Stock	91
Prepayments	1,783
Cash	547
Total assets	33,676
Creditors	
Bank loans	7,669
Finance leases	909
Trade payable	2,214
Other creditors	2,073
Accruals	4,119
Deferred Capital Grants	5,206
Provisions	
Pensions	5,460
Other provisions	1,336
Total liabilities	28,986
Net identifiable assets and liabilities	4,690
Gain on combination	4,690

No changes to the above provisional fair values were made during 2019/20