



THE TRAFFORD COLLEGE GROUP

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

For the Year Ended 31 July 2020

The Trafford College Group – Financial Statements for the year ended 31 July 2020

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Key Management Personnel, Board of Governors and Professional Advisors

BOARD OF GOVERNORS

A full list of governors is given on page 18 of these financial statements.
Mr Barry Watson acted as Corporation Secretary throughout the period.

KEY MANAGEMENT PERSONNEL

Principal and Accounting Officer – Lesley Davies OBE (until 31 July 2020)
Principal and Accounting Officer – James Scott (from 1 August 2020)
Vice Principal Curriculum and Quality – James Scott (until 31 July 2020)
Vice Principal Corporate Services and Planning – Michelle Leslie
Director of Finance & Strategy - Andrea Bennett

PRINCIPAL AND REGISTERED OFFICE

Altrincham Campus,
Manchester Road,
West Timperley,
Altrincham
WA14 5PQ

PROFESSIONAL ADVISORS

FINANCIAL STATEMENT AND REPORTING ACCOUNTANTS:

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
4 Hardman Square
Spinningfields
Manchester
M3 3EB

INTERNAL AUDITORS:

BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3HF

BANKERS:

Barclays
1st Floor
3 Hardman Street
Spinningfields
Manchester
M3 3HF



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Key Management Personnel, Board of Governors and Professional Advisors

SOLICITORS:

Eversheds Sutherland LLP
70 Great Bridgewater Street
Manchester
M1 5ES

Irwin Mitchell LLP
1 St Peter's Square
Manchester
M2 3AF



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGY

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

LEGAL STATUS

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Trafford College. The College is an exempt charity for the purposes of the Part 3 of the Charities Act 2011.

The Corporation was incorporated as South Trafford College. On 1st September 2007, the Secretary of State granted consent to the Corporation to change the College's name to Trafford College. On this date, the activities of North Trafford College were merged with those of South Trafford College. There was a further name change on 5 April 2018 when Trafford College merged with Stockport College to form The Trafford College Group (TCG or the College).

VISION

The TCG's learners will secure employment and progress in their careers as a result of the knowledge, skills and the work ethic they have developed at the TCG. Businesses will recognise the TCG as the leading provider of a skilled workforce, meeting Greater Manchester's skills priorities and supporting the economic growth of the region.

OUR MISSION AND PURPOSE

The TCG's mission is to provide learners with an outstanding education experience with excellent qualification outcomes, the acquisition of industry standard skills and the development of the personal attributes and resilience to enable them to achieve their potential and fulfil their career aims.

The TCG's purpose is 'Unlocking Potential, Fostering Success'. Progression is one of the TCG's key measures of success. The outstanding learning experience provided will aim to advance equality of opportunity.

The TCG provides academic, technical and professional further and higher education. We will ensure that all our learners gain the education, skills and personal development they need to meet the local and regional skills challenge, putting them ahead of the competition in terms of securing meaningful employment and progression to higher level study.

The TCG places the development of employability and professional skills at the core of their programmes. The TCG underpins the programmes practically with: a digital entitlement; a values-driven curriculum; an emphasis on professional behaviours; and the setting at a high level of both the aspirations and the actual standards the students can achieve.

OUR STRATEGIC PRIORITIES

Key priorities arising from the Trafford College Group Strategic Plan are:

- Delivering excellence
- Ensuring student success
- Establishing great staff and a great place to work



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Report of the Governing Body (continued)

- Achieving sustainable growth
- Delivering digitalised transformation
- Creating transformational employer and stakeholder engagement.

RESOURCES

2019/20 in numbers



3,318
16-18 year old students



£36m
expenditure



607
higher education students



1,605
apprenticeships



5,251
adult learners



636
members of staff



£1.7m
Invested in the campuses

The TCG has various resources that it can deploy in pursuit of its strategic priorities.

Tangible resources include the three TCG sites and £5.5 million in cash. Cash reserves will be critical in supporting the TCG through any turbulence as a result of further funding cuts and the risks to student number attainment and retention in the wake of Covid-19.

The refurbishment of the Stockport Campus is underway with support being made available from Greater Manchester Combined Authority.

The average number of persons employed in 2019-2020 was 496 FTEs (2018-19: 518 FTEs) across a range of curriculum, management and support roles, of whom 322 (2018-19: 346) are teaching staff.

The College enrolled approximately 10,781 students (2018-19: 13,683). The College's student population includes 3,318 (2018-19: 3,237) 16-18 year old students, 1,605 (2018-19: 1,880) apprentices, 607 (2018-19: 579) higher education students and 5,251 (2018-19: 7,887) adult learners. It should be noted that recruitment of Apprentices and Adult provision reduced from March 2020 due to Covid-19, so comparisons with previous years are not 'like for like'.

The TCG has a very good reputation sub regionally and nationally. Maintaining a quality brand is essential for the TCG's success in attracting students and building external relationships.



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Report of the Governing Body (continued)

Since its formation in April 2018, Trafford College Group has made demonstrable progress in delivery on its mission of providing an innovative approach to learning and exceptional engagement with business to prepare learners for success in work and life. In September 2020 TCG was selected to become a WorldSkills UK Centre of Excellence and this recognition occurred at the same time as the College being awarded, once again, the status of being a Microsoft Showcase School. The recognition builds on foundations already established since the merger, which includes OfSTED providing its highest observation of “significant progress” during the last formal monitoring visit, being awarded Office for Students (OfS) registration as a merged College, as well as TCG achieving a Bronze on the Teaching Excellence Framework for its Higher Education provision.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Education Sector Funding Bodies
- Office for Students
- Staff
- Local, regional and national employers (with specific links)
- Local authorities including GMCA
- Schools
- Government Offices/Local Enterprise Partnerships/New Economy
- The local community
- Other FE and HE institutions
- Greater Manchester Colleges Group
- Trade Unions. The trade unions of which TCG staff are members are the University and College Union, National Education Union and Unison
- Professional Bodies

The TCG recognises the importance of these relationships and engages in regular communication with them by meetings, correspondence and through the College website. In addition, many learners of the College undertake work placement opportunities with some of our key employer links, enhancing their learning experience.

In response to the outbreak of Covid-19, the College worked closely with all stakeholders to ensure service continuity.

PUBLIC BENEFIT

The Trafford College Group is an exempt charity under Part 3 of the Charities Act 2011 and from 9 November 2016 is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 17.

In setting and reviewing the TCG's strategic objectives, the Governing Body has 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. The delivery of public benefit is covered throughout the Operating and Financial Review.



The Trafford College Group – Financial Statements for the year ended 31 July 2020**Report of the Governing Body (continued)**

In delivering its mission, the College provides identifiable public benefits through the advancement of education to its students. The College adjusts its courses to meet the needs of local employers. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

DEVELOPMENT AND PERFORMANCE**FINANCIAL RESULTS**

The TCG reported a deficit before other gains and losses of £1,889,000 in 2019-20 compared to a deficit of £1,467,000 the previous year. During the current year, the TCG has benefitted from receipts of funding from the Transaction Unit with £946,000 (2018-19: £3,611,000) being released to the Statement of Comprehensive income. These monies have been used to create a stable property base at the Stockport campus and to enable the Trafford College Group to move forward with confidence as a combined College.

The total comprehensive income in 2019-20 is stated after accounting for a loss on the pension scheme of £14,784,000 (2018-19: £7,421,000), resulting in a total comprehensive loss for the year of £16,673,000 (2018-19: £8,888,000). The College experienced a significant increase in its defined benefit pension obligations in 2019-20 as a result of the movements in discount rates and actuarial assumptions underpinning the actuarial valuation. Consequently, the College now recognises a net liability position of £17,702,000 (2018-19: £1,029,000 liability).

CASH FLOWS AND LIQUIDITY

Net cash flows from operating activities in 2019-20 totalled inflows of £5,000 (2018-19: inflows of £1,390,000). This included the receipt of £1,410,000 (2018-19: £4,871,000) from the Transaction Unit (TU). The TU cash receipts have been used in part to create a stable footing for the future of the TCG, recognised in the Statement of Comprehensive Income as revenue and also to invest in a stable property base at the Stockport Campus, with the revenue deferred to match the associated investment.

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

DEVELOPMENTS

The College's development involved tangible fixed asset additions during the year amounting to £1,744,000 (2018-19: £3,077,000). This incorporates £1,311,000 (2018-19: £2,524,000) invested in the redevelopment of the Stockport campus and £432,000 (2018-19: £553,000) of equipment purchased.

RESERVES

The TCG has accumulated reserves of negative £17,702,000 (2018-19: negative £1,029,000) and cash balances of £5,514,000 (2018-19: £5,880,000). The actuarial valuation of the defined benefit pension liability has resulted in an actuarial pensions loss reported in the year of £14,784,000 (2018-19: £7,421,000). The TCG will continue to accumulate sufficient cash reserves in order to generate the funds required to service the loan in respect of the capital investment at the Trafford site, to invest in improved facilities and resources for all learners within the TCG and to ensure financial stability in future years.



The Trafford College Group – Financial Statements for the year ended 31 July 2020**Report of the Governing Body (continued)**

The TCG does not hold any restricted reserves at the year end.

SOURCES OF INCOME

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019-20 ESFA provided 81% (2018-19 79%) of The TCG's total income, including £946,000 (2018-19: £3,611,000) released from the Transaction Unit to support the redevelopment and harmonisation of the TCG following the merger with Stockport College.

COVID-19 AND PERFORMANCE

Following the government announcement to implement lockdown measures in England, from 23rd March 2020 the College moved to a blended remote learning model, with its campuses remaining open to support vulnerable learners and those related to key workers. The TCG implemented daily Covid-19 risk management meetings to ensure the impact on the TCG was minimised. The College rapidly assessed the risk to its key suppliers and worked very closely with its suppliers to ensure service continuity and comply with the requirements of PPN 02/20, whilst maintaining the principles of value for money embedded within the College. The College has taken action to minimise the impact of Covid-19 on its financial results for 2019-2020 whilst some additional cost has been incurred, the College has, for the most part, been able to mitigate these additional costs and make savings where appropriate.

In response to Covid-19 the College has plans in place to ensure it continues to operate and provide learners with an outstanding education experience with excellent qualification outcomes.

The College has modelled a number of future financial scenarios taking the potential future impact of Covid-19 into account, the College's financial projections and mitigations indicate that the TCG has adequate resources to continue to successfully operate under Covid-19.

The College continues to monitor the situation and take appropriate actions as required.

FUTURE PROSPECTS**FUTURE DEVELOPMENTS**

Trafford College Group continues to invest in the Stockport campus. The new campus will deliver high quality facilities to students. Part of the redevelopment of the Stockport campus will be funded by the sale of surplus land and buildings.

The Trafford College Group have been working closely with Cheadle and Marple Sixth Form College over the last year on a potential merger and, at a strategic level, both colleges see their future together. Formal public consultation took place between the 30 March and 8 May 2020 and the results were published in June 2020; the majority of respondents supported the proposal. The proposal will not impact on our existing students' day-to-day routines. They will continue to access the same courses at the same locations just as before, whilst benefiting potentially from access to a wider curriculum and enhanced progression opportunities. In addition, it will allow us to share, in due course, key services and functions across the two colleges which will make us more efficient and effective. This forward-thinking approach gives us the opportunity to secure the viability and future prosperity of each college for many years to come.



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Report of the Governing Body (continued)

FINANCIAL PLAN

An updated three year Financial Plan was approved in May 2020 which takes into account the anticipated impact of Covid-19. The financial risks related to Covid-19 are managed by the College risk management process, as set out in the Statement of Corporate Governance and Internal Control. Barclays bank have been very supportive of the Trafford College Group and in July 2020 agreed to amend the Loan Covenants to reflect the May 2020 Financial plan and the impact of Covid-19.

TREASURY POLICIES AND OBJECTIVES

Treasury management is the management of the TCG'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 TCG is able to place deposits, certificates of deposit and treasury bills with:

- a) international banks with a Standard & Poor's long term rating of AA- or above;
- b) the following UK banks with a Standard & Poor's long term rating of A- or above Barclays Bank plc, Lloyds Bank plc and the Royal Bank of Scotland plc.

There is additional guidance in respect of cash investments and borrowing in the TCG's Treasury Management Policy.

All overdrafts and loans up to £250,000 must be approved by the Resources Committee and notified to the Board of the Corporation.

All such borrowings over £250,000 will be authorised by the Board of the Corporation and must receive the formal prior approval of the Education and Skills Funding Agency (ESFA), as required, in accordance with the Financial Memorandum.

LOAN INTEREST RATES

The TCG currently has one loan of £6.2 million (2018-19: £6.5 million), which was originally taken out during 2008-09 to finance the Altrincham redevelopment project.

This loan, from Barclays Bank PLC, was initially at a variable rate but was fixed at 4.98% from March 2010. The rate increased to 6.73% in April 2018 following the merger with Stockport College. A further increase in the fixed rate to 6.98% was instituted from 1 August 2020. Repayments will continue through to July 2036 with total capital and interest of £680,000 (2019-20: £624,000) due to be paid in the year to 31 July 2021. Barclays bank have been very supportive of the Trafford College Group and in July 2020 agreed to amend the Loan Covenants to reflect the forecast performance in the May 2020 Financial plan.

RESERVES

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. The College has no restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at negative £20,034,000 (2018-19: negative £3,457,000). The increase in the deficit has been the result of a pensions charge in the year of £14,784,000 (2018-19: £7,421,000) arising from changes in assumptions underlying the present value of the pension plan liabilities.



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Report of the Governing Body (continued)

PRINCIPAL RISKS AND UNCERTAINTIES**RISK MANAGEMENT**

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The main risk factors affecting the College are outlined below along with the action taken to minimise them. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 Government Funding

The TCG has relied considerably on continued government funding through the further education sector funding bodies and through OfS. In 2019-20, circa 80% of the TCG's revenue (excluding the release of capital grants but including sums released via receipts from the Transaction Unit) was ultimately publicly funded. 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 TCG is aware of several issues which may impact on future funding;

- changes in national funding rates
- conditionality of funding in respect of English and Maths
- changes to the Apprenticeship funding methodology
- Government policy on apprenticeships and T-levels
- changes as a result of devolved powers to the City region

This risk is mitigated in a number of ways;

- funding is derived through a number of direct and indirect contracts and sub-contracting arrangements
- the TCG is rigorous in delivering high quality education and training that meets the needs of the City Region
- the Principal is regularly in dialogue with senior officials at the funding agencies
- the TCG has actively invested in its Apprenticeship delivery in recognition of the opportunities and risks arising from the Apprenticeship reforms
- the TCG is one of the early adopters of T-level programmes

2 Demographic trends

Census data suggests that there is a continuing downward demographic trend for the numbers of 16-18 year old learners nationally and that the decline in numbers in

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Report of the Governing Body (continued)

Greater Manchester is higher than the national average. The data coupled with the impact of school sixth forms presents a risk for TCG.

This risk is mitigated by working actively to promote and market the TCG's reputational success with the aim of increasing the numbers of young learners and apprentices of all ages accessing TCG provision.

3 Maintain adequate funding of pension liabilities

A number of the TCG's employees are included in the Local Government Pension Scheme, a defined benefit scheme which is accounted for under FRS 102. Under this standard the TCG is required to carry out a valuation of the assets and liabilities of the scheme on an annual basis. The TCG uses the services of a professional actuary to carry out a valuation of the pension fund. The financial statements report the TCG's share of the pension scheme deficit on the balance sheet in line with the requirements of FRS 102.

Formal valuations of the fund are carried out every three years. Following the Trafford College valuation at 31 March 2016 of £4,281,000 the College's contribution rate was increased from 18.7% to 23.8% for the three year period ending 31 March 2020. However, the scheme deficit of £11,288,000 related to Stockport College was transferred into the Trafford College scheme at point of merger in April 2018, with the contribution rate at Stockport College being 21.9% at this time. Therefore, a blended contribution rate of 22.9% was applied from merger across The TCG. From April 2020 the rate was increased to 23.8% following the 31 March 2019 triennial valuation. This rate is applicable until 31 March 2023.

4 Failure to maintain financial viability of the TCG

The continuing challenge to the TCG financial position remains the constraint on FE funding arising from ongoing cuts in public sector spending whilst maintaining the student experience.

A number of risks were identified and these included:

- Achievement of budget target for 16-18 learners;
- Achievement of budget target for apprenticeships incomes;
- Achievement of Adult Education budget;
- Maintaining adequate cash balances and
- Failure to ensure that staff costs (excluding FRS 102 pension adjustments) to be no more than 65% of income.

These risks are mitigated in a number of ways:

- by rigorous budget setting;
- regular in year budget monitoring and forecasting;
- robust financial controls;
- managing cashflows to meet estate development needs and
- exploring ongoing procurement efficiencies.

5 Success of the merger with Stockport College

The merger plan included a number of assumptions regarding savings and efficiencies which, if not achieved, could adversely impact on the TCG financial performance.



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Report of the Governing Body (continued)

Along with the redevelopment of the Stockport Campus these risks are mitigated in a number of ways:

- a strategic operations group oversees the delivery of the post-merger integration plan
- a strategy property working group oversees the redevelopment of the Stockport Campus
- a regular dialogue/liaison with the Transaction Unit and ESFA to ensure that plans are kept on track.

6 Impact of Covid-19

There is significant risk and uncertainty as to the extent of the impact of Covid-19 on the TCG and the sector as a whole. A number of risks were identified and these include:

- delivery of learning and support to students
- lower student numbers, particularly in Higher Education and Apprenticeships
- impact on TCG suppliers
- lower commercial income as outlets of the TCG will remain closed until the current restrictions are lifted.

These risks are mitigated in a number of ways:

- the TCG uses its Business Continuity plans to actively support the learners of the College and to ensure that quality delivery will be maintained with blended learning
- ongoing review of student numbers and cost base to ensure efficient delivery of provision
- enhanced staff wellbeing programme to support its staff.

KEY PERFORMANCE INDICATORS

To support the delivery of the Corporate Plan, the Leadership Team develops an annual plan with SMART (specific, measurable, achievable, realistic, time bound) targets that are measured on a quarterly basis and reported to the Corporation. The table below identifies the TCG targets for the year 2019-20 and monitoring reports are presented to the Board meetings on a quarterly basis.

KPI	TARGET 2019-20	ACTUAL 2019-20
FINANCE		
ESFA FINANCIAL HEALTH*	Requires Improvement	Requires Improvement
CASH BALANCE AT YEAR END	£4,530k	£5,511k
STAFF COSTS RATIO	65%	66%
LEARNER NUMBERS		
ESFA FUNDED NUMBERS	3,553	3,318
HE LEARNER NUMBERS (OFS)	648	607
CURRICULUM		
16-18 ACHIEVEMENT RATE	87%	87%
19+ ACHIEVEMENT RATE	94%	90%
16-18 RETENTION RATE	92%	90%



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Report of the Governing Body (continued)

KPI	TARGET 2019-20	ACTUAL 2019-20
19+ RETENTION RATE	97%	95%
16-18 APPRENTICESHIP ACHIEVEMENT RATE	85%	64%
19-23 APPRENTICESHIP ACHIEVEMENT RATE	80%	70%
24+ APPRENTICESHIP ACHIEVEMENT RATE	80%	65%
RESOURCES		
STAFF TURNOVER	8%	9%

**Per ESFA Financial Health grading calculation*

The KPI's are considered by the Board. HE learner numbers were less than expected, but all variances are discussed and improvement plans are put in place where necessary.

ACHIEVEMENT RATES FOR TRAFFORD COLLEGE GROUP

Achievement rates for 2019-20 are typically reported in December, reflected in the table below. However, this is subject to a final reconciliation, with learners continuing to complete their studies and as such these figures will continue to increase. Reported performance overall is consistent with the prior year, however 16-18 classroom based provision is improved on 2018-19, partly due to the national changes that have taken place in the marking of qualifications for 2019-20 as a result of Covid-19.

Nationally, apprentices have seen an increased volume of breaks in learning, with delayed assessments, as a result of Covid-19. This has delayed the release of results for apprentices who have completed their studies with The Trafford College Group, thus affecting achievement rates to date.

CLASSROOM BASE PROVISION	2017-18	2018-19	2019-20
16 – 18 LEARNERS	84%	85%	87%
19+ LEARNERS	90%	91%	90%
ALL AGES	88%	89%	89%

OVERALL APPRENTICESHIP PROVISION	2017-18	2018-19	2019-20
16 – 18 LEARNERS	69%	71%	64%
19 – 23 LEARNERS	76%	72%	70%
24+ LEARNERS	77%	68%	65%
ALL AGES	74%	70%	65%

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%.

During the accounting period 1 August 2019 to 31 July 2020, the TCG has adhered to its standard terms being payment within 30 days. Where suppliers are not paid within 30 days, this is usually due to invoices in dispute or invoices which are issued in advance of goods or services. The TCG incurred no interest charges in respect of late payment for this period.

The Trafford College Group – Financial Statements for the year ended 31 July 2020**Report of the Governing Body (continued)****EQUALITY AND DIVERSITY****EQUALITY**

TCG is committed to ensuring equality of opportunity for all who learn and work at the College. The TCG aims to ensure that no one receives less favourable treatment for reasons relating to all protected characteristics covered by the Equality Act 2010 including age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, gender or sexual orientation. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry.

Following the formation of the Trafford College Group a revised policy was developed and submitted to the first Board of the Corporation in the 2019-20 academic year for approval. The updated policy was published on the College's Intranet site and websites.

Trafford College has previously published an Equality Report and Equality objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. This report was published on the College website. The report also included a commentary on the progress made against objectives. A revised report was published during 2019-20 to reflect our performance on equality and diversity across the whole College.

Trafford College Group is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The TCG considers all employment applications from disabled persons, bearing in mind the aptitude of the individuals concerned, and will guarantee 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 TCG continues.

DISABILITY STATEMENT

The Trafford College Group seeks to meet its responsibilities under the Equality Act 2010, and in particular makes the following commitments:

- Significant investment has been made to make the TCG sites accessible for people with a disability.
- There is a list of special equipment, such as lighting and audio facilities, which can be made available for use by students.
- The TCG employs a number of learning facilitators to support students with learning difficulties and/or disabilities. There is a programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Counselling and welfare services are available for learners.
- The Admissions Policy for all students is described in the TCG charter. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.

The Assistant Principal - Student Support has overall strategic responsibility for the implementation of Special Educational Needs (SEN). The SEN policy addresses the TCG's responsibilities from the Children's and Families Act 2014 and the SEN Code of Practice. The



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Report of the Governing Body (continued)

TCG employs Educational Health Care Coordinators who are responsible for the operation of the SEN policy and co-ordination of learner support needs and Support Coordinators with specialist responsibility to support learners within Foundation Learning.

TRADE UNION FACILITY TIME

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

Numbers of employees who were relevant in the period	FTE employee number
7	6.5

Percentage of time	Number of employees
0%	-
1-50%	7
51-99%	-
100%	-

Total cost of facility time	£13,239
Total pay bill	£20,459,721
Percentage of total bill spent on facility time	0.06%
Time spent on paid trade union activities as a percentage of total paid facility time	100%

STREAMLINED ENERGY AND CARBON REPORTING

In line with The Companies and Limited Liability Partnerships (Energy and Carbon Regulations 2018), the College has set out its emissions for the year to 31 July 2020. The Regulations are designed to increase awareness of energy consumption, to inform the adoption of energy efficiency measures.

UK Greenhouse gas emissions and energy use data for the period 1 August 2019 to 31 July 2020**ENERGY CONSUMPTION OF THE TCG USED TO CALCULATE EMISSIONS (kWh)**

- Gas	4,851,486
- Electricity	3,818,077
- Transport fuel	185,489

Total energy consumption	8,855,051
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SCOPE 1: EMISSIONS IN METRIC TONNES CO₂e

Gas consumption	891
Owned transport	1
Total scope 1	892

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Report of the Governing Body (continued)

UK Greenhouse gas emissions and energy use data for the period 1 August 2019 to 31 July 2020	
SCOPE 2: EMISSIONS IN METRIC TONNES CO₂e	
Purchased electricity	890
SCOPE 3: EMISSIONS IN METRIC TONNES CO₂e	
Business travel in employee owned vehicles	46
TOTAL GROSS EMISSIONS IN METRIC TONNES CO₂e	1,829
INTENSITY RATIO	
Tonnes CO ₂ e per learner	0.17

QUALIFICATION & REPORTING METHODOLOGY

We have followed the 2019 HM Government Environmental Reporting Guidelines, following the GHG Reporting Protocol – Corporate Standard, which separates the emissions generated into Scope 1 to 3 as detailed above. We have used the 2020 UK Government's Conversion Factors for Company Reporting to set out the carbon emissions generated from the energy consumption of the TCG for the year to 31 July 2020.

INTENSITY MEASUREMENT

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per learner, the recommended ratio for the sector.

MEASURES TAKEN TO IMPROVE ENERGY EFFICIENCY

We have increased video conferencing technology for staff meetings, to reduce the need for travel between sites. From next year the redevelopment of the Stockport campus is expected to increase efficiencies, through the higher environmental standards required of modern buildings.

GOING CONCERN

After making appropriate enquiries, the Corporation considers that the TCG has adequate resources to continue in operational existence for the foreseeable future.

The College primarily meets its day-to-day working capital requirements through cash generated from its day-to-day activities. The College is funding its contribution to the redevelopment of Stockport Campus through land disposals. Uncertainty surrounding the timing of the land sales creates a risk on the College cash flow and plans to mitigate the risk have been put in place and are supported by key stakeholders.

The TCG currently has one loan of £6.2m outstanding at 31 July 2020 with Barclays Bank, with current annual payments of £625k (principal plus interest) ending in 2036. The loan with Barclays includes a number of covenants. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future taking into account the mitigation plans that have been approved by the Board in light of the uncertainty surrounding the timing of the land sales.

In response to Covid-19 the College has plans in place to ensure it continues to operate and provide learners with an outstanding education experience with excellent qualification outcomes. The College has modelled a number of financial scenarios taking the potential future impact of Covid-19 into account and the College's financial projections and mitigations



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Report of the Governing Body (continued)

indicate that the TCG has adequate resources to continue in operational existence for the foreseeable future.

Accordingly the TCG has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of the financial statements, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

POST BALANCE SHEET EVENTS

Following planning permission approval in November 2020, the College anticipates the sale of part of the Stockport College site, which it expects will complete in early 2021. The net book value of land and buildings sold is £337,437, at 31 July 2020.

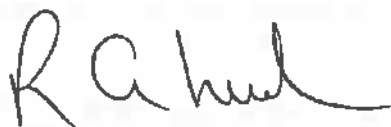
We continue to respond to new guidance as appropriate in the light of the Covid-19 outbreak. Wherever possible, we have continued to support our learners with delivery on site during a second lock-down, with some areas adopting a blended learning model with off-site delivery, where this in line with government guidance.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

Signature:



Graham Luccock – Chairperson

Date:

15 January 2021

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Statement of Corporate Governance and Internal Control

GOVERNANCE CODE

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

The TCG endeavours to conduct its business:

- i) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii) in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”).

In the opinion of the Governors, the TCG complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. An Internal Audit into the TCG's Governance arrangements was undertaken by BDO in 2019. The Auditor's opinion arising from the review was that the Board of the Corporation could take Substantial Assurance for both the Design of Controls and Operational Effectiveness of its Governance Arrangements. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges, issued by the Association of Colleges in March 2015, which it formally adopted in September 2015.

The TCG 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.

Name	Date Appointed	Term of Office	Status of Appointment	Committees served	Corporation meeting % attendance
Lesley Davies, OBE	01 Nov 2016	N/A	Retired	FE Curriculum & Quality; HE Curriculum & Quality; Resources; Search.	100%
James Scott	01 Aug 2020	N/A	Active	FE Curriculum & Quality; HE Curriculum & Quality; Resources; Search.	n/a
Jed Hassid	01 Jan 2002	31 Dec 2021	Active	Chairperson of Audit.	90%
Graham Luccock	01 May 2002	31 Mar 2023	Active	Chairperson of Remuneration; Chair of Search; Resources; FE Curriculum & Quality; HE Curriculum & Quality.	100%
Dawn Cole	01 Sep 2011	18 Oct 2019	Resigned	Audit; Remuneration.	100%
Guy Robson	23 May 2018	15 Dec 2020	Retired	Chair of Resources; Remuneration; Search.	70%
Kurt Allman	12 Sep 2013	31 Dec 2021	Active	Chairperson HE Curriculum & Quality; FE Curriculum & Quality.	20%
Ian Ruff	23 Apr 2014	28 Mar 2022	Sabbatical	FE Curriculum & Quality; Audit.	n/a



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Statement of Corporate Governance and Internal Control (continued)

Name	Date Appointed	Term of Office	Status of Appointment	Committees served	Corporation meeting % attendance
James Beazley	22 Apr 2014	28 Mar 2023	Sabbatical	Remuneration; Resources.	70%
Jill Bottomley	07 Jan 2019	07 Jan 2024	Active	Remuneration; Resources.	60%
Janet Grant	05 May 2014	05 May 2022	Active	Resources.	90%
Sarah Drake	01 Sep 2015	31 Aug 2023	Active	Chair of FE Curriculum & Quality; HE Curriculum & Quality.	100%
Glynis Brown	05 Apr 2018	28 Mar 2021	Sabbatical	FE Curriculum & Quality.	0%
Glad Capewell	05 Apr 2018	28 Mar 2022	Active	FE Curriculum & Quality.	100%
Sue Derbyshire	05 Apr 2018	28 Mar 2022	Active	Resources.	80%
Macy Shell	Oct 2019	July 2020	Completed Course	FE Curriculum & Quality.	50%
Joaquin Llorente	07 Jan 2019	28 Sept 2020	Resigned	FE Curriculum & Quality.	75%
Louise Richardson	05 Apr 2018	31 Dec 2021	Active	Search; Remuneration; Resources.	100%
Maureen Wilkins	05 Apr 2018	18 Dec 2020	Resigned	Audit; FE Curriculum & Quality.	100%
Colette Fagan	04 Nov 2019	04 Nov 2024	Active	Chairperson HE Curriculum & Quality; FE Curriculum & Quality.	56%
Tony Healy	06 Nov 2019	10 Sep 2020	Resigned	Audit Committee	100%
Jeremy Woodside	04 Nov 2019	04 Nov 2024	Active	Resources Committee	70%

THE GOVERNANCE FRAMEWORK

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

The attendance of Board members has been considered by the Board of the Corporation and targets had been established for the financial year 2019/2020.

The Board of the Corporation is provided with regular and timely information on the overall financial performance of the TCG 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 Board of the Corporation normally meets between 6 times a year and on a termly basis as a minimum requirement.

The Board of the Corporation conducts its business through a number of Committees. Each committee has terms of reference, which have been approved by the Board of the Corporation. These Committees are; Resources, Remuneration, Search, Audit, FE Curriculum & Quality and HE Curriculum & Quality. Full minutes of all meetings except those deemed to be confidential by the Board of the Corporation, are available on the College website.

The Corporation Secretary maintains a register of financial and personal interests of Governors. The register is available for inspection on request from the Corporation Secretary at:

Wellington Road South, Stockport, SK1 3UQ



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Statement of Corporate Governance and Internal Control (continued)

All Governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Corporation Secretary, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Corporation Secretary 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. Training and briefings are also provided to Board members on a regular 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 Chairperson and the Principal and Chief Executive Officer are separate.

With effect from the commencement of lockdown in March 2020, the Board of the Corporation operated its Governance Framework through Microsoft Teams and business as usual was maintained.

Following the issuance of PPN 02/20 the TCG reviewed each of the contracts held by the College and took appropriate action. For the key contracts that TCG held where services were impacted by the coronavirus outbreak, the TCG worked with suppliers to ensure continuity of supply adhering to Covid-19 related restrictions whilst ensuring that value for money principles were maintained.

APPOINTMENTS TO THE CORPORATION

Any new appointments to the Board of the Corporation are a matter for the consideration of the Board of the Corporation as a whole. The Board of the Corporation has a Search Committee, which comprises the Chairperson of the Corporation, the Principal, three independent external appointments and one Board member. The Committee is responsible for the recommendation of appointments to the Board of the Corporation through the Governors' Appointments Panel to the Board of the Corporation. The Board of the Corporation is responsible for ensuring that appropriate Induction mentoring and appropriate training is provided to all new appointments.

Members of the Board of the Corporation are appointed for an initial term of office not exceeding four years. All members of the Board of the Corporation are required to reapply for Board membership after the expiry of their term of office. This requires them to go through the Board of the Corporation's rigorous appointment and selection process against external candidates. All appointments made by the Board of the Corporation including reappointments are based on merit and take into account appropriate skills and composition requirements.

During the year, in order to ensure consistency of Governance, members' terms of office were extended by one year.

BOARD OF THE CORPORATION PERFORMANCE

The Board of the Corporation carried out a self-assessment of its own performance for the year ended 31 July 2020 and graded itself as "good" on the Ofsted grading.



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Statement of Corporate Governance and Internal Control (continued)

REMUNERATION COMMITTEE

Throughout the year ended 31 July 2020, the TCG's Remuneration Committee comprised the Chairperson of the Corporation and four members of the Corporation. The Chairperson of the Committee is an independent member who is not the Chairperson of the Corporation. The Committee's responsibilities are detailed in its Terms of Reference and include to make recommendations to the Board of the Corporation on the remuneration and benefits of the Principal/ Chief Executive Officer and other Senior Post Holders. The Remuneration Committee are required to provide the Board of the Corporation with an annual report.

Details of remuneration for the year ended 31 July 2020, are set out in Note 9 to the Financial Statements.

The Board of the Corporation on the advice of the Remuneration Committee adopted the AoC Senior Post Holder Remuneration Code in December 2018. The Senior Post Holders' Remuneration Policy ensures that the Board of the Corporation complies with the requirements of the AoC Code. The annual report of the Remuneration Committee details the implementation of the Code.

AUDIT COMMITTEE

The Audit Committee comprises two members of the board of the Corporation (excluding the Principal and the Chairperson) and two externally co-opted financial/audit specialists. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets at least termly and provides a forum for reporting by the College's internal, financial statements and regularity auditors, who have access to the Committee for independent discussion. The Committee also receives and considers reports from the main further education funding bodies as they affect the TCG's business.

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

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

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

RESOURCES COMMITTEE

The Resources Committee comprises 9 members of the Board of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Resources Committee meets five times per year and considers all issues relating to Finance, Accommodation, Information Technology and Human Resources.

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Statement of Corporate Governance and Internal Control (continued)**FE CURRICULUM & QUALITY COMMITTEE**

The FE Curriculum & Quality Committee comprises 9 members of the Board of the Corporation. The Committee operates in accordance with written terms of reference approved by the Board of the Corporation.

The FE Curriculum & Quality Committee meets three times per year and considers all issues relating to curriculum and quality of education matters.

HE CURRICULUM & QUALITY COMMITTEE

The HE Curriculum & Quality Committee comprises 7 members of the Board of the Corporation. The Committee operates in accordance with written terms of reference approved by the Board of the Corporation.

The HE Curriculum & Quality Committee meets three times per year and considers all issues relating to curriculum and quality of education matters. This includes review of OfS compliance with ongoing conditions of registration, terms and conditions of funding and other regulatory responsibilities.

SEARCH COMMITTEE

The Search Committee comprises 3 members of the Board of the Corporation and 3 externally co-opted specialists. The Committee operates in accordance with written terms of reference approved by the Board of the Corporation.

The Search Committee meets normally twice per year and considers all issues relating to recruitment and appointments to the Board of the Corporation.

INTERNAL CONTROL*SCOPE OF RESPONSIBILITY*

The Board of the Corporation is ultimately responsible for the TCG'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 Board of the Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to the Principal in the Financial Memorandum between The Trafford College Group and the funding bodies. The Principal is also responsible for reporting to the Board of the Corporation any material weaknesses or breakdowns in internal control.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the College's 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



Statement of Corporate Governance and Internal Control (continued)

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

CAPACITY TO HANDLE RISK

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

THE RISK AND CONTROL FRAMEWORK

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body.
- Regular reviews by the governing body of monthly and annual financial reports which indicate financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines, where appropriate.

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

RISKS FACED BY THE CORPORATION

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement of Corporate Governance.

A risk register is maintained at the College level, which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The principal risks as set out in the Principal Risks and Uncertainties section of the Governors' Report relate to government funding, demographic trends, pension liabilities, financial viability, successful merger with Stockport College and the impact of Covid-19. The mitigations for each

Statement of Corporate Governance and Internal Control (continued)

specific risk are set out in the Principal Risks and Uncertainties section of the Governors' Report.

CONTROL WEAKNESSES IDENTIFIED

Each year the internal auditors carry out a number of audits and make recommendations for improvements. In order to address the risks identified improvement actions are put in place by the College. The College has reviewed and summarised the improvement actions taken these include:

- implemented additional procedures and data checks
- increased observations on sub contractors
- increased training in certain areas

The audit committee is satisfied that the actions taken are sufficient to address the control weaknesses identified. The Audit Committee reports regularly to the Board of the Corporation on actions and progress.

RESPONSIBILITIES UNDER FUNDING AGREEMENTS

The TCG has met its contractual obligations with regards to both 16-18 and adult funding, and also with regard to its GMCA provision and OfS requirements. This has been achieved through managing and utilising funds in line with the applicable funding rules and guidance and compliance with reporting responsibilities to funders.

REGULARITY AND PROPRIETY

The College financial, governance and risk management procedures hold due regard to the concepts of regularity and propriety, to ensure the regular and proper use of public funds.

STATEMENT FROM THE AUDIT COMMITTEE

The Audit Committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2019-20 and up to the date of the approval of the financial statements are:

- Management Accounts – Substantial Assurance for Design of Controls, Moderate Assurance for Operational Effectiveness.
- Safeguarding – Moderate Assurance for Design of Controls, Limited Assurance for Operational Effectiveness.
- HR Absence Management – Substantial Assurance for Design of Controls, Moderate Assurance for Operational Effectiveness.
- Additional Learning Support – Limited Assurance for Design of Controls, Limited Assurance for Operational Effectiveness.
- IT Security – Moderate Assurance for Design of Controls, Moderate Assurance for Operational Effectiveness.
- Learner Records, Additional and Discretionary Learning Support, Exams and Income Reporting – Moderate Assurance for Design of Controls, Moderate Assurance for Operational Effectiveness.
- Procurement – Advisory only. No significant issues.
- ESFA External Funding Audit – No significant issues and limited funding adjustment.

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Statement of Corporate Governance and Internal Control (continued)

- ESFA Income Audit – No significant issues.
- Draft External Audit Plan – Recommended to the Board of the Corporation for approval.
- Annual Internal Audit Report – Recommended to the Board of the Corporation for approval.
- Annual Value for Money Report – Recommended to the Board of the Corporation for approval.
- Data Protection Action Plan Review – No significant issues.
- Board Assurance and Risk Management Framework including Covid-19 Risk Log – No significant issues.
- Risk Register for Merger Proposal – No significant issues.
- Going Concern Proposals – Recommended to the Board of the Corporation for approval.

The internal audit procedures of the Corporation were not unduly delayed or altered in response to the Covid-19 outbreak, maintaining continuity of the control framework.

REVIEW OF EFFECTIVENESS

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

- The work of the internal auditors.
- The work of the executive managers within the TCG who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the TCG's financial statements and regularity auditors, and the appointed funding auditors in their management letters and other reports.

The Principal has been advised on the implications of the results 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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Principal and Leadership Team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms which are embedded within the departments and reinforced through regular discussion of risk issues.

The Principal, the Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. At its December 2020 meeting, the Board of the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Leadership Team and internal audit and taking account of events since 31 July 2020.

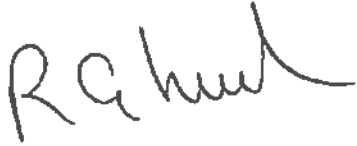
Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency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

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Statement of Corporate Governance and Internal Control (continued)

Approved by order of the members of the Board of the Corporation and signed on its behalf by:

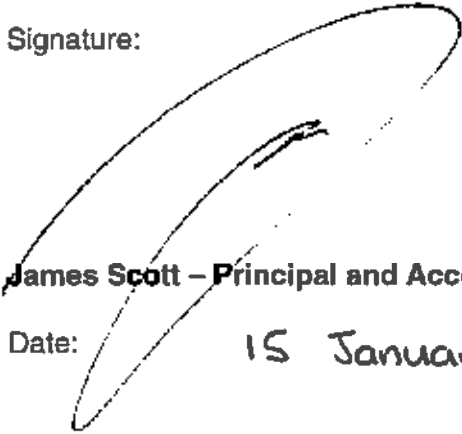
Signature:



Graham Luccock – Chairperson

Date: 15 January 2021

Signature:



James Scott – Principal and Accounting Officer

Date: 15 January 2021

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Statement of Regularity, Propriety and Compliance

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

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

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

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

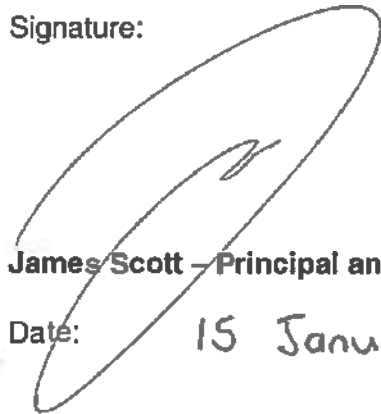
Signature:



Graham Luccock – Chairperson

Date: 15 January 2021

Signature:



James Scott – Principal and Accounting Officer

Date: 15 January 2021

The Trafford College Group – Financial Statements for the year ended 31 July 2020

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 College's grant funding agreements and contracts with ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and of the deficit for that year.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions as appropriate;
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

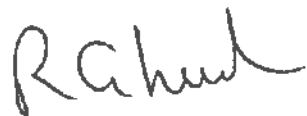
The Corporation is responsible for the maintenance and integrity of the College's website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since 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 ESFA are used only in accordance with ESFA's grant funding agreement and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from ESFA are not put at risk.

The Trafford College Group – Financial Statements for the year ended 31 July 2020
Statement of Responsibilities of the Members of the Corporation (continued)

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

Signature:



Graham Luccock – Chairperson

Date: 15 January 2021

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Independent Auditor's Report to the Corporation of Trafford College Group

OPINION

We have audited the financial statements of Trafford College Group (the 'corporation') for the year ended 31 July 2020, which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balances Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation's affairs as at 31 July 2020 and of its deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in October 2018 and any subsequent amendments.

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 corporation 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.

THE IMPACT OF UNCERTAINTIES ARISING FROM THE UK EXITING THE EUROPEAN UNION ON OUR AUDIT

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the corporation and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the corporation's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the corporation's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a corporation associated with a course of action such as Brexit.

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 Members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members of the Corporation/Governing Body have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the corporation's ability to continue to adopt the going concern basis of accounting for a

The Trafford College Group – Financial Statements for the year ended 31 July 2020

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

period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Members of the Corporation's conclusions, we considered the risks associated with the corporation's business model, including effects arising from Brexit, and analysed how those risks might affect the corporation's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

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

OTHER INFORMATION

The Members of the Corporation are responsible for the other information. The other information comprises the information included in the annual report, set out on pages 2 to 29, 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE OFFICE FOR STUDENT'S ('OFS') ACCOUNTS DIRECTION (ISSUED OCTOBER 2019)

In our opinion, in all material respects:

- funds from whatever source administered by the corporation for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- the requirements of the OfS's accounts direction (issued October 2019) have been met.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2018 to 2019 issued by the Education & Skills Funding Agency requires us to report to you if, in our opinion:

- the corporation has not kept adequate accounting records; or
- the corporation's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

The Trafford College Group – Financial Statements for the year ended 31 July 2020

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

- the corporation's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; or
- the corporation's expenditure on access and participation activities for the financial year, as disclosed in the note to the accounts, has been materially misstated.

RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION FOR THE FINANCIAL STATEMENTS

As explained more fully in the statement of responsibilities of the Members of the Corporation set out on pages 28 to 29, the Members of the Corporation are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members of the Corporation are responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Members of the Corporation either intends to liquidate the corporation or to cease operations, or has 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 Members of the Corporation, as a body, in accordance with the terms of our engagement letter dated 6 October 2020. Our audit work has been undertaken so that we might state to the Members of the Corporation those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation and the Members of the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date: 15/1/2021



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Reporting Accountant's Assurance Report on Regularity**TO THE CORPORATION OF TRAFFORD COLLEGE GROUP AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY ('ESFA')**

In accordance with the terms of our engagement letter dated 6 October 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder including the Greater Manchester Combined Authority, 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 Trafford College Group during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

RESPECTIVE RESPONSIBILITIES OF TRAFFORD COLLEGE GROUP AND THE REPORTING ACCOUNTANT

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

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

APPROACH

We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion includes:



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Reporting Accountant's Assurance Report on Regularity (continued)

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

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.

USE OF OUR REPORT

This report is made solely to the corporation of Trafford College Group and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Trafford College Group and the ESFA those matters we are required to state in a limited assurance 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 Trafford College Group, as a body, and the ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Manchester
Date: 15/1/2021



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Statement of Comprehensive Income

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Income			
Funding body grants	2	28,054	27,431
ESFA Transaction Unit grant	2	946	3,611
Tuition fees and education contracts	3	4,729	5,688
Other grants and contracts	4	96	-
Other income	6	267	331
Endowment and investment income	7	25	25
Total income		34,117	37,086
Expenditure			
Staff costs	8	22,255	23,546
Restructuring costs	8	171	307
Other operating expenses	10	10,006	10,914
Depreciation	14	2,571	2,836
Interest and other finance costs	12	1,003	950
Total expenditure		36,006	38,553
Deficit before tax		(1,889)	(1,467)
Taxation	13	-	-
Deficit for the year		(1,889)	(1,467)
Actuarial (loss)/gain in respect of pension scheme	27	(14,784)	(7,421)
Total Comprehensive Income for the year		(16,673)	(8,888)
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		(16,673)	(8,888)
		(16,673)	(8,888)

All items of income and expenditure relate to continuing activities.

The accompanying notes form part of these financial statements.

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Statement of Changes in Reserves

	Income and Expenditure Account	Revaluation Reserve	Total
	Unrestricted		
	£'000	£'000	£'000
Balance at 1 August 2018	5,417	2,442	7,859
Deficit from the income and expenditure account	(1,467)	-	(1,467)
Actuarial (loss) in respect of Local Government Pension scheme	(7,421)	-	(7,421)
Transfers between revaluation and income and expenditure reserves	14	(14)	-
Total comprehensive income for the year	(8,874)	(14)	(8,888)
Balance at 31 July 2019	(3,457)	2,428	(1,029)
Deficit from the income and expenditure account	(1,889)	-	(1,889)
Actuarial (loss) in respect of Local Government Pension scheme	(14,784)	-	(14,784)
Transfers between revaluation and income and expenditure reserves	96	(96)	-
Total comprehensive income for the year	(16,577)	(96)	(16,673)
Balance at 31 July 2020	(20,034)	2,332	(17,702)

The accompanying notes form part of these financial statements.

The Trafford College Group – Financial Statements for the year ended 31 July 2020

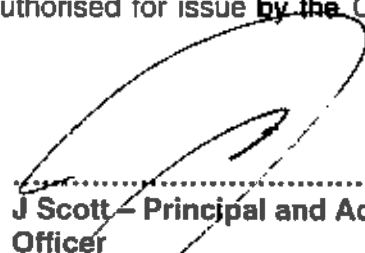
Statement of Financial Position as at 31 July 2020

	Notes	31 July 2020 £'000	31 July 2019 £'000
Non Current Assets			
Tangible fixed assets	14	<u>66,378</u>	<u>67,206</u>
Total fixed assets		66,378	67,206
Current assets			
Trade and other receivables	15	1,320	1,170
Cash and cash equivalents	21	<u>5,514</u>	<u>5,880</u>
		6,834	7,050
Creditors - amount falling due within one year	16	<u>(4,862)</u>	<u>(6,430)</u>
Net current assets/(liabilities)		1,972	620
Total assets less current liabilities		68,350	67,826
Creditors - amounts falling due after more than one year	17	(42,451)	(41,376)
Provisions			
Defined benefit obligations	27	(42,356)	(26,209)
Other provisions	20	<u>(1,245)</u>	<u>(1,270)</u>
Total net (liabilities)/assets		(17,702)	(1,029)
Unrestricted reserves			
Income and expenditure account		(20,034)	(3,457)
Revaluation reserve		<u>2,332</u>	<u>2,428</u>
Total unrestricted reserves		(17,702)	(1,029)

The Financial Statements were approved and authorised for issue by the Corporation and were signed on its behalf by:



 G Luccock – Chairperson



 J Scott – Principal and Accounting Officer

Date: 15 January 2021

Date: 15 January 2021

The accompanying notes form part of these financial statements.

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
Deficit for the year		(1,889)	(1,467)
Adjustment for non-cash items			
Depreciation	14	2,571	2,836
Deferred capital grants released to income	2	(1,081)	(1,196)
(Increase)/decrease in debtors	15	(150)	85
Decrease in creditors due within one year	16	(1,181)	(1,128)
Increase/(decrease) in creditors due after one year	17	(21)	21
Decrease in provisions	20	(25)	(124)
Pensions costs less contributions payable	27	1,363	1,930
Adjustment for investing or financing activities			
Investment income	7	(25)	(25)
Interest payable	12	443	458
Net cash flow from operating activities		<u>5</u>	<u>1,390</u>
Cash flows from investing activities			
Investment income	7	25	25
Payments made to acquire fixed assets	14	(1,919)	(2,877)
Deferred capital grants received		2,214	3,516
Net cash flow from investing activities		<u>320</u>	<u>664</u>
Cash flows from financing activities			
Interest paid	12	(443)	(458)
Repayments of amounts borrowed		(248)	(241)
		<u>(691)</u>	<u>(699)</u>
Increase/(Decrease) in cash and cash equivalents in the year		<u>(366)</u>	<u>1,355</u>
Cash and cash equivalents at beginning of the year	21	5,880	4,525
Cash and cash equivalents at end of the year	21	5,514	5,880

The accompanying notes form part of these financial statements.

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements**1 Accounting Policies****Legal Status**

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Trafford College. The College is an exempt charity for the purposes of the Part 3 of the Charities Act 2011.

The Corporation was incorporated as South Trafford College. On 1st September 2007, the Secretary of State granted consent to the Corporation to change the College's name to Trafford College. On this date, the activities of North Trafford College were merged with those of South Trafford College.

On 5 April 2018, the Corporation merged with Stockport College under a type B merger and the Secretary of State granted consent for to the Corporation to change the College's name to The Trafford College Group.

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 Office for Students Accounts Direction for 2019 to 2020 has been applied where disclosure is required in excess of the College Accounts Direction for 2019 to 2020. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The financial statements are prepared in £ sterling.

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

Basis of Accounting

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

Going Concern

After making appropriate enquiries, the Corporation considers that the TCG has adequate resources to continue in operational existence for the foreseeable future.

The College primarily meets its day-to-day working capital requirements through cash generated from its day-to-day activities. The College is funding its contribution to the redevelopment of Stockport Campus through land disposals. Uncertainty surrounding the timing of the land sales creates a risk on the College cash flow and plans to mitigate the risk have been put in place and are supported by key stakeholders.

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

The TCG currently has one loan of £6.2m outstanding at 31 July 2020 with Barclays Bank, with current annual payments of £625k (principal plus interest) ending in 2036. The loan with Barclays includes a number of covenants. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future taking into account the mitigation plans that have been approved by the Board in light of the uncertainty surrounding the timing of the land sales.

In response to Covid-19 the College has plans in place to ensure it continues to operate and provide learners with an outstanding education experience with excellent qualification outcomes. The College has modelled a number of financial scenarios taking the potential future impact of Covid-19 into account and the College's financial projections and mitigations indicate that the TCG has adequate resources to continue in operational existence for the foreseeable future.

Accordingly the TCG has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of the financial statements, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of Income

REVENUE GRANT FUNDING

Revenue grant funding includes 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 Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the result of any funding audits. However, due to exceptional circumstances surrounding the outbreak of Covid-19, both the ESFA and GMCA have waived the year end reconciliations process for 2019-20. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

The merger with Stockport College in April 2018 was supported by the Transaction Unit with support funds of £0.3m (2019: £3.2m) received from the during the financial year. £1m (2019: £3.6m) was expended in the financial year, with £nil (2019: £0.7m) deferred to future periods. No further funds are expected from the Transaction Unit in respect of this merger.

CAPITAL GRANT FUNDING

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

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

FEE INCOME

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

OTHER GRANTS AND CONTRACTS

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

OTHER INCOME

Income from other services rendered is recognised to the extent of the service has been delivered.

INVESTMENT INCOME

Income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Accounting for post-employment benefits

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

TEACHERS' PENSION SCHEME (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

GREATER MANCHESTER PENSION FUND (LGPS)

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

Notes to the Financial Statements (continued)

obligations. The difference between the interest income on the scheme assets and the actuarial return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

Short term Employments benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the Statement of Financial Position.

Tangible Fixed Assets

a) LAND AND BUILDINGS

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated as it is considered to have an infinite useful life. The useful economic life of 50 years is estimated for all newly constructed building stock. Improvements to Land & Buildings are depreciated over 10-20 years or over the period of their economic useful life.

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 Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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

ASSETS UNDER CONSTRUCTION

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

Notes to the Financial Statements (continued)**SUBSEQUENT EXPENDITURE ON EXISTING FIXED ASSETS**

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

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

b) EQUIPMENT

Equipment costing less than £750 per individual item is expensed in the Statement of Comprehensive Income in the period of acquisition. The only exception is in relation to personal computers for which a lower capitalisation value may apply. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

Computer equipment	20-33% per annum
Office equipment	20-33% per annum
Furniture, plant and equipment	10-33% per annum

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 Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Impairment

The carrying amounts of the Corporations' non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in net income and expenditure.

The recoverable amount of the tangible fixed assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the depreciated replacement cost of the assets has been assessed.

Borrowing Costs

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

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income.

The Trafford College Group – Financial Statements for the year ended 31 July 2020**Notes to the Financial Statements (continued)**

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Cash and Cash equivalents

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

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

Financial liabilities and equity

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

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

Provisions

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

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

Maintenance of Premises

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income in the period that it is incurred.

Taxation

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



Notes to the Financial Statements (continued)

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

Agency Arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and are shown separately in Note 28, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

Any disbursements over and above the grant monies received are charged to the Income and Expenditure account.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY

- **TANGIBLE FIXED ASSETS**

Tangible fixed assets 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.

- **IMPAIRMENT**

In assessing impairment of tangible fixed assets, management estimates the recoverable amount of cash generating units based on their depreciated replacement cost, where a market value is not available, using the remaining useful life of the assets. At the end of this reporting period management performed a depreciated replacement cost calculation against the replacement value of the estate. If the depreciated replacement cost shows a lower valuation than the net book value of tangible fixed assets an impairment would be made. Based on this evaluation including management estimates and assumptions no impairment was made during the reporting period. Estimation uncertainty relates to the assumptions around the replacement valuation and the useful life of the assets.

Notes to the Financial Statements (continued)

- **LOCAL GOVERNMENT PENSION SCHEME**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27 will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

A proportion of the asset portfolio within the pension scheme is valued on a quarterly basis and therefore management estimate an element of the pension asset values at 31 July 2020 using an external expert. The ongoing Covid-19 pandemic and the associated volatility since March 2020 represents an increased level of uncertainty within the estimation of such assets.

The pension asset at 31 July 2020 includes £6,243k (7%) of property assets which are valued annually as part of determining the value of the net pension liability at year end. The valuer's instruction included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the property element included within management's valuation of the pension asset than would normally be the case. The directors consider the property valuation included in the independent expert's report to be an accurate reflection at year end.

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

2 Funding council grants

	2020 £'000	2019 £'000
Recurrent grants		
Education and Skills Funding Agency - adult	6,273	6,022
Education and Skills Funding Agency – 16-18	15,876	16,035
Education and Skills Funding Agency - apprenticeships	3,663	3,591
Office for Students (see note 5)	428	530
Specific Grants		
Education and Skills Funding Agency - Transaction Unit	946	3,611
Education and Skills Funding Agency - LSF admin	58	57
Education and Skills Funding Agency – T-Levels	12	-
Teacher pension scheme contribution grant	663	-
Release of government capital grants	1,081	1,196
Total	29,000	31,042

3 Tuition fees and education contracts

	2020 £'000	2019 £'000
Adult education fees	521	863
Apprenticeship contracts	506	684
Fees for FE loan supported courses	731	835
Fees for HE loan supported courses (see note 5)	2,538	2,801
Employer apprenticeship fees	43	107
Total tuition fees	4,339	5,290
Education contracts	390	398
Total	4,729	5,688

4 Other grants and contracts

	2020 £'000	2019 £'000
Coronavirus Job Retention Scheme grant	96	-

The Corporation furloughed some of the staff who were related to commercial delivery under the Government's Coronavirus Job Retention Scheme. The funding received in respect of 41 staff of £95,578 relates to staff costs which are included within the staff costs (note 8).

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

5 Higher Education grant and fee income

		2020	2019
		£'000	£'000
Grant income from the OfS	2	428	530
Grant income from other bodies	6	40	5
Fee income for taught awards	3	2,538	2,801
Fee income from non-qualifying courses	3	<u>282</u>	<u>298</u>
Total HE grant and fee income		<u>3,288</u>	<u>3,634</u>

Higher Education grant and fee income represents income for courses at Level 4 and above.

6 Other income

		2020	2019
		£'000	£'000
Catering and residences		28	54
Other income generating activities		22	38
Miscellaneous income		<u>217</u>	<u>239</u>
Total		<u>267</u>	<u>331</u>

7 Investment income

		2020	2019
		£'000	£'000
Other interest receivable		<u>25</u>	<u>25</u>

8 Staff costs

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

	2020	2019
	No.	No.
Teaching staff	422	438
Non-teaching staff	<u>214</u>	<u>212</u>
	<u>636</u>	<u>650</u>



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

8 Staff costs (continued)

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

	2020 FTE No.	2019 FTE No.
Teaching staff	322	346
Non-teaching staff	174	172
	<u>496</u>	<u>518</u>

Staff costs for the above persons

	2020 £'000	2019 £'000
Wages and salaries	15,625	16,199
Social security costs	1,385	1,431
Apprenticeship levy	64	66
Other pension costs	4,294	4,404
Payroll sub total	21,368	22,100
Contracted out staffing services	887	1,446
	22,255	23,546
Restructuring costs - contractual	171	307
Restructuring costs – non-contractual	-	-
Total	22,426	23,853

The Corporation has salary sacrifice arrangements in place for childcare vouchers which equated to £39,000 in total for the year (2019: £56,000).

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented for 2020 and 2019 by the senior post-holders who are the Accounting Officer, Vice Principal Corporate Services and Planning, Vice Principal Curriculum and Quality, Director of Finance and Strategy and the Corporation Secretary.

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

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

	Year ended 31 July 2020		Year ended 31 July 2019	
	No of key management staff	No of other Staff	No of key management staff	No of other Staff
£50,001 to £55,000	1	-	1	-
£55,001 to £60,000	-	-	-	-
£60,001 to £65,000	-	2	-	3
£65,001 to £70,000	-	4	-	4
£70,001 to £75,000	-	1	-	1
£75,001 to £80,000	-	1	-	1
£80,001 to £85,000	-	-	-	-
£85,001 to £90,000	-	-	-	-
£90,001 to £95,000	-	1	-	-
£95,001 to £100,000	-	-	-	-
£100,001 to £105,000	1	-	1	-
£105,001 to £110,000	1	-	1	-
£110,001 to £115,000	1	-	1	-
£165,001 to £170,000	-	-	1	-
£190,001 to £195,000	1	-	-	-
Total number	5	9	5	9

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

9 Emoluments of Key Management Personnel, Accounting Officer and other higher paid staff (continued)

Key management personnel emoluments are made up as follows:

	2020	2019
	£'000	£'000
Salaries	554	551
Performance related pay	20	-
Benefits in kind	-	-
	<u>574</u>	<u>551</u>
Pension contributions	86	103
Total emoluments	<u>660</u>	<u>654</u>

The above emoluments include amounts payable to the Principal/Accounting Officer (who is also the highest paid officer), during the period to which the financial statements relate, of:

	2020	2019
	£'000	£'000
Salary	193	170
Benefits in kind	-	-
	<u>193</u>	<u>170</u>
Pension contributions	1	26
Total emoluments	<u>194</u>	<u>196</u>

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

The Board of the Corporation has adopted the AoC's Senior Staff Remuneration Code in December 2018 and assesses pay for Senior Post Holders in line with its principles.

The remuneration of Senior Post Holders, including the Principal/Accounting Officer, is subject to annual review by the Remuneration Committee of the Board of the Corporation who use benchmarking information to provide objective guidance.

Notes to the Financial Statements (continued)

9 Emoluments of Key management personnel, Accounting Officer and other higher paid staff (continued)

The Remuneration Committee provided the Board of the Corporation with an Annual Report for the period ending 31 July 2020 which detailed amongst other issues the following information:

- The approach to the Remuneration of Senior Post Holders which is based on the adoption of the AoC Remuneration Code including the key elements of; a fair and appropriate and justifiable level of remuneration, procedural fairness and transparency and accountability.
- The remuneration and Terms and Conditions of Senior Post Holders for the Year.
- Performance targets for all Senior Post Holders together with an assessment of performance against targets.

The Board of the Corporation had implemented and approved a Senior Post Holder Remuneration Policy which includes the College's Policy on the following matters:

- The Principles and Procedures for determining Senior Post Holders Pay.
- Severance Payments and the Annual Statement

In accordance with Senior Post Holders' Remuneration Policy, the Remuneration Committee undertook its annual salary benchmarking review. The outcome from this review was that the Principal and Chief Executive Officer's remuneration was enhanced to meet the AoC's published benchmarking data. All other Senior Post Holders levels of remuneration remained unchanged.

The Principal/Accounting Officer reports to the Chairperson of the Board of the Corporation, who undertakes an annual review of their performance against the College's overall objectives using both qualitative and quantitative measures of performance. All Senior Post Holders undertake a similar performance review process.

The relationship of the Principal/Accounting Officer's pay and remuneration expressed as a multiple is:

	2020	2019
Principal's basic salary as a multiple of the median of all staff	5.5	5.5
Principal's total remuneration as a multiple of the median of all staff	5.9	6.3

Compensation for loss of office paid to higher paid staff

	2020	2019
	£	£
Compensation paid to the former post-holder - contractual	31,229	-

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

10 Other operating expenses

	2020	2019
	£'000	£'000
Teaching costs	2,364	2,589
Non-teaching costs	4,591	5,121
Premises costs	3,051	3,204
	10,006	10,914

Other operating expenses include:	2020	2019
	£'000	£'000

Auditors' remuneration:

Financial statements external audit	44	36
Other services provided by external auditors	4	8
Internal auditors	36	28

Hire of assets under operating leases:

Equipment	152	181
Land and buildings	464	467

11 Access and Participation Expenditure

	2020
	£'000
Access investment	12
Financial support to students	47
Support for disabled students	6
Research and evaluation	35
Total	100

This includes £51,930 in respect of staff costs, which are included within the staff costs note 8.

The Access and Participation plan is available on the College's website at the following address: https://trafford.ac.uk/uploads/files/TheTraffordCollegeGroup_APP_2019-2020_V1_10005998.pdf

As Access and Participation plans were not in place prior to 1 August 2019, no comparative information is able to be disclosed, in line with the OfS Accounts Direction, paragraph 36.

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

12 Interest payable

	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loans	443	458
Pension finance costs (note 27)	560	492
Total	1,003	950

13 Taxation

The members of the Corporation do not believe that the College was liable for any corporation tax arising out of its activities during this period (2019: £nil).



The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

14 Tangible Fixed Assets

	Land and buildings - Freehold £'000	Leasehold Buildings £'000	Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation					
At 1 August 2019	81,117	832	8,488	3,424	93,861
Additions	-	-	432	1,311	1,743
Disposals	-	-	(43)	-	(43)
At 31 July 2020	81,117	832	8,877	4,735	95,561
Depreciation					
At 1 August 2019	18,733	832	7,090	-	26,655
Charge for the year	2,003	-	568	-	2,571
Elimination in respect of disposals	-	-	(43)	-	(43)
At 31 July 2020	20,736	832	7,615	-	29,183
Net book value at 31 July 2020	60,381	-	1,262	4,735	66,378
Net book value at 31 July 2019	62,384	-	1,398	3,424	67,206

Freehold land and buildings include £594,000 of interest payments which were capitalised prior to 2016-17.

In April 1993 inherited land and buildings were valued by independent chartered surveyors for the purpose of the financial statements at depreciated replacement cost. Other tangible fixed assets inherited from the local authority at incorporation have been valued by the Corporation on a depreciated historical cost basis. The historical cost to the College of inherited land and buildings is nil.

Land & Buildings inherited from Stockport College in April 2018 have been recognised at fair value.

On 31 March 2020 a binding sale agreement was entered into on condition of planning permission being granted for a proposed redevelopment and change of use of part of the Stockport College campus. Permission has been granted by the ESFA for this disposal, as the progressing redevelopment of the retained site will ensure that the College has sufficient capacity to meet the needs of its learners. The sale is yet to complete at the reporting date. The carrying value of the assets being disposed of at 31 July 2020 is £337,437.

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

15 Trade and other receivables: amounts falling due within one year	2020	2019
	£'000	£'000
Trade receivables	96	142
Prepayments and accrued income	788	732
Amounts owed by the ESFA	436	296
Total	1,320	1,170
16 Creditors: amounts falling due within one year	2020	2019
	£'000	£'000
Bank loans (Note 18)	256	247
Obligations under finance leases (Note 18)	20	48
Trade payables	702	718
Other taxation and social security	387	381
Accruals and deferred income	2,488	3,141
Deferred income - government capital grants	1,000	1,200
Deferred income – government revenue grants	9	695
Total	4,862	6,430
17 Creditors: amounts falling due after one year	2020	2019
	£'000	£'000
Bank loans (Note 18)	5,972	6,229
Obligations under finance leases (Note 18)	-	21
Deferred income - government capital grants	36,479	35,126
Total	42,451	41,376

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

18 Maturity of debt**a) Bank loans and overdrafts are repayable as follows:**

	2020 £'000	2019 £'000
In one year or less	256	247
Between one and two years	269	256
Between two and five years	891	847
In five years or more	4,812	5,126
Total	6,228	6,476

The College took out an unsecured loan during the year ended 31 July 2009 with Barclays Bank plc for £8,000,000, which was drawn down in full by 31 July 2011. The purpose of this loan was to part fund the redevelopment works at the Altrincham campus. The loan was initially at a variable rate but was fixed at 4.98% from March 2010 and then increased to 6.73% in April 2018 following the merger with Stockport College. A further increase in the fixed rate to 6.98% occurred on 1 August 2020.

The final payment on the loan will be made in September 2036.

Barclays Bank also amended the security of the loan in April 2018 following the merger by taking a charge on the premises at:

- Talbot Rd, Stretford, Manchester
- Manchester Rd, Altrincham,
- plus, land on the south side of Stamford Brook Rd, Altrincham.

b) Finance leases

	2020 £'000	2019 £'000
In one year or less	20	48
Between two and five years	-	21
	20	69

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

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

19 Financial assets and liabilities

	2020	2019
	£'000	£'000
Financial assets measured at amortised cost	<u>6,126</u>	<u>6,343</u>
Financial liabilities measured at amortised cost	<u>7,874</u>	<u>9,103</u>

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors, accrued income and amounts owed by the ESFA.

Financial Liabilities measured at amortised cost comprise bank loans, trade creditors, accruals and amounts owed to the ESFA.

20 Provisions**Enhanced Pensions**

	Enhanced pensions
	£'000
At 1 August 2019	1,270
Expenditure in the period	(109)
Finance costs	32
Actuarial loss	<u>52</u>
At 31 July 2020	<u>1,245</u>

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

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.20%	2.00%
Discount rate	1.30%	2.50%

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

21 Cash and cash equivalents

	At 1 August 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	<u>5,880</u>	<u>(366)</u>	<u>-</u>	<u>5,514</u>

22 Analysis of net debt

	At 1 August 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents				
Cash	<u>5,880</u>	<u>(366)</u>	<u>-</u>	<u>5,514</u>
Borrowings				
Debt less than 1 year	(295)	297	(278)	(276)
Debt greater than 1 year	<u>(6,250)</u>	<u>-</u>	<u>278</u>	<u>(5,972)</u>
	<u>6,545</u>	<u>297</u>	<u>-</u>	<u>(6,248)</u>
Total net debt	<u>(665)</u>	<u>(69)</u>	<u>-</u>	<u>(734)</u>

23 Capital commitments

	2020 £'000	2019 £'000
Commitments contracted for at 31 July	<u>-</u>	<u>474</u>

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

24 Lease obligations

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

	2020 £'000	2019 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	454	450
Later than one year and not later than five years	1,739	1,708
Later than five years	541	907
	<u>2,734</u>	<u>3,065</u>
Other		
Not later than one year	67	91
Later than one year and not later than five years	8	25
	<u>75</u>	<u>116</u>
Total lease payments due	<u>2,809</u>	<u>3,181</u>

25 Contingent liabilities

There were no contingent liabilities at 31st July 2020 and 31st July 2019.

26 Events after the reporting period

Following planning permission approval in November 2020, the College anticipates the sale of part of the Stockport College site, which it expects will complete in early 2021. The net book value of land and buildings sold is £337,437, at 31 July 2020.

We continue to respond to new guidance as appropriate in the light of the Covid-19 outbreak. Wherever possible, learning has continued to be delivered on site during a second lock-down, with some areas adopting a blended learning model with off-site delivery, in line with government guidance.

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

27 Defined benefit obligations

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

Total pension cost for the year

	2020 £'000	2019 £'000
Teachers' Pension Scheme: contributions paid	1,805	1,341
Local Government Pension Scheme:		
Contributions paid	1,787	1,452
Additional accrued pension costs	(185)	185
FRS 102 (28) Charge	803	1,438
Charge to the Statement of Comprehensive Income	2,405	3,075
Enhanced pension (credit)/charge to Statement of Comprehensive Income	84	(12)
Total Pension Cost for Year within staff costs	4,294	4,404

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

Contributions amounting to £368,000 (2019: £318,000) were payable to the schemes at 31 July and are included within creditors.

Teachers' Pension Scheme

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

Valuation of the Teachers' Pension Scheme

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

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

Notes to the Financial Statements (continued)

27 Defined benefit obligations (continued)

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (DfE) 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.

The 31 March 2016 Valuation Report was prepared in accordance with the benefits set out in the scheme regulations and under the approach specified in the Directions, as they applied at 5 March 2019. However, the assumptions were considered and set by the DfE prior to the ruling in the 'McCloud/Sargeant case'. This case has required the courts to consider cases regarding the implementation of the 2015 reforms to Public Service Pensions including the Teachers' Pensions.

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed pension schemes in 2015 gave rise to unlawful age discrimination. The government is respecting the Court's decision and has said it will engage fully with the Employment Tribunal as well as employer and member representatives to agree how the discriminations will be remedied.

The TPS is subject to a cost cap mechanism which was put in place to protect taxpayers against unforeseen changes in scheme costs. The Chief Secretary to the Treasury, having in 2018 announced that there would be a review of this cost cap mechanism, in January 2019 announced a pause to the cost cap mechanism following the Court of Appeal's ruling in the McCloud/Sargeant case and until there is certainty about the value of pensions to employees from April 2015 onwards.

In view of the above rulings and decisions the assumptions used in the 31 March 2016 Actuarial Valuation may become inappropriate. In this scenario, a valuation prepared in accordance with revised benefits and suitably revised assumptions would yield different results than those contained in the Actuarial Valuation.

Notes to the Financial Statements (continued)

27 Defined benefit obligations (continued)

Until a remedy to the discrimination conclusion has been determined by the Employment Tribunal it is not possible to conclude on any financial impact or future changes to the contribution rates of the TPS. Accordingly, no provision for any additional past benefit pension costs is included in these financial statements.

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 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £1,805,000 (2019: £1,341,000).

Local Government Pension Scheme

The Greater Manchester Pension Fund (GMPF) is a funded defined-benefit plan, with the assets held in separate funds administered by Tameside MBC. The total contribution made for the year ended 31 July 2020 was £2,173,000 (2019: £1,854,000) of which employer's contributions totalled £1,787,000 (2019: £1,452,000) and employees' contributions totalled £386,000 (2019: £402,000). The agreed contribution rates for future years are 23.8% for employers and range from 5.5% to 12.5% for employees depending on salary.

Principal Actuarial Assumptions

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

	2020	2019
	% per annum	% per annum
Rate of increase in salaries	3.00%	3.20%
Future pensions increases	2.20%	2.40%
Discount rate for scheme liabilities	1.40%	2.10%
Inflation assumption (CPI)	2.20%	2.40%

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

	2020	2019
<i>Retiring today</i>		
Males	20.5	20.6
Females	23.1	23.1
<i>Retiring in 20 years</i>		
Males	22.0	22.0
Females	25.0	24.8

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

27 Defined benefit obligations (continued)

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

	Fair value 2020 £'000	Fair value 2019 £'000
Equities	59,754	65,489
Bonds	15,162	13,288
Property	6,243	7,593
Cash	8,027	8,542
Total fair value of plan assets	89,186	94,912
Actual return on plan assets	(5,193)	5,209

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

	2020 £'000	2019 £'000
Fair value of plan assets	89,186	94,912
Present value of plan liabilities	(131,349)	(120,907)
Present value of unfunded liabilities	(193)	(214)
Net pensions liability	(42,356)	(26,209)

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

Amounts included in staff costs

	2020 £'000	2019 £'000
Current service cost	2,567	2,261
Past service cost (including curtailments)	3	627
Total	2,570	2,888

Amounts included in interest payable

	2020 £'000	2019 £'000
Net interest cost	560	492

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

27 Defined benefit obligations (continued)**Amounts recognised in Other Comprehensive Income**

	2020	2019
	£'000	£'000
Return on pension plan assets	(7,185)	2,688
Experience gains and losses arising on defined benefit obligations	6,942	(11)
Changes in assumptions underlying the present value of plan liabilities	(14,541)	(10,098)
Amount recognised in Other Comprehensive Income	(14,784)	(7,421)

Movement in net defined benefit liability during the year

	2020	2019
	£'000	£'000
Net defined benefit liability at 1 August	(26,209)	(16,858)
Movement in year:		
Current service cost	(2,567)	(2,261)
Employer contributions	1,767	1,452
Past service cost	(3)	(629)
Net interest on the defined benefit liability	(560)	(492)
Actuarial (loss)/gain	(14,784)	(7,421)
Net defined benefit liability at 31 July	(42,356)	(26,209)

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

27 Defined benefit obligations (continued)**Asset and Liability Reconciliation**

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	121,121	107,354
Current Service cost	2,567	2,261
Interest cost	2,552	3,013
Contributions by Scheme participants	383	400
Experience gains and losses on defined benefit obligations	(6,942)	11
Changes in demographic assumptions	2,317	(6,216)
Changes in financial assumptions	12,224	16,314
Estimated benefits paid	(2,683)	(2,643)
Past service cost	3	627
Defined benefit obligations at end of period	131,542	121,121

Reconciliation of Assets

	2020	2019
	£'000	£'000
Fair value of plan assets at start of period	94,912	90,496
Interest on plan assets	1,992	2,521
Return on plan assets	(7,185)	2,688
Employer contributions	1,749	1,450
Contributions by Scheme participants	383	400
Estimated benefits paid	(2,665)	(2,643)
Fair value of plan assets at end of period	89,186	94,912

These accounts show experience gains on obligations in respect of the McCloud/Sergeant judgment, Guaranteed Minimum Pension (GMP) indexation and GMP equalisation. GMP indexation and GMP equalisation have been included in the triennial valuation of 31 March 2019 so are implicit in the results to the balance sheet date of 31 July 2020.

In the previous financial year a past service cost of £500,000 was recognised, approximately 0.41% of the total scheme liability as at 31 July 2019, in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination.

Notes to the Financial Statements (continued)

27 Defined benefit obligations (continued)

The recognition of this provision has moved from past service costs to other experience gains as a result of further information provided by Her Majesty's Treasury (HMT). The calculation of adjustment to past service costs arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI.

In July 2020 Ministry of Housing, Communities and Local Government (MHCLG) issued a consultation on the proposed McCloud remedy. The proposal is that only members who were active in the LGPS at both 31 March 2012 and 1 April 2014 would be eligible for the benefit underpin. The impact of this announcement means that any McCloud adjustment applied to liabilities will be lower than previously expected, allowing now for the restricted eligibility criteria. However, as the remedy remains uncertain, a provision of 0.41% of the liability remains, approximately £540,000.

28 Related party transactions

Owing to the nature of the College's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under FRS 102 Section 33 on Related Party Disclosures.

The total expenses paid to or on behalf of the Governors during the year was £471; 3 Governors (2019: £1,330; 4 Governors). This represents travel and subsistence, and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2019: £Nil).

The Trafford College Group – Financial Statements for the year ended 31 July 2020

Notes to the Financial Statements (continued)

29 Amounts disbursed as agent

Learner support funds	2020	2019
	£'000	£'000
Balance brought forward	720	854
Funding body grants – 16-18 bursary grants	775	772
Funding body grants – other	135	27
	1,630	1,653
Disbursed to students	(817)	(892)
Administration costs	(41)	(41)
Balance unspent as at 31 July, included in creditors	772	720

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

