

ITCHEN COLLEGE
AND
THE ITCHEN COMPANY LIMITED

REPORT AND FINANCIAL
STATEMENTS

YEAR ENDED 31 JULY 2020

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the Senior Leadership Team who are governor appointments and were represented by the following in 2019/20:

Alex Scott – Principal and Accounting Officer
Rebecca Stratton – Deputy Principal
Susan Carter - Director of Finance & Resources
Emma Barrett – Assistant Principal
Steven Perkins – Assistant Principal

Board of Governors

A full list of Governors is given on pages 13 and 14 of these financial statements.

Trevor Little acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial Statement and Regularity Auditors	Mazars LLP 5 th Floor Merck House Seldown Lane Poole BH15 1TW
Internal Auditors	TIAA Artillery House Fort Fareham Fareham PO14 1AH
Bankers	Lloyds Bank Corporate Markets 3 Town Quay Southampton SO14 2AQ
Solicitors	Paris, Smith LLP 1 London Road Southampton SO15 2AE

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Members' Report

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

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

Mission

The College's mission as approved by its members is:

To be an inclusive and supportive College in which all students flourish.

Public Benefit

Itchen College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 12 and 13.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.
- Links with Local Enterprise Partnerships (LEPs)

College Profile

Itchen is a sixth form college on the east of Southampton known for its inclusive character serving a student population of approximately 1350 full time 16-19 age group students and a significant number of international students. There is also provision for adults studying part time on vocational and academic courses.

Student numbers in the 16-19 age range have grown significantly over the past 10 years and the College now draws from a wide area particularly to the north and east of Southampton. In keeping with its inclusive character, the College caters for students with a wide range of ability levels including those aiming for Oxbridge entry and those with moderate learning difficulties and physical disabilities such as visual impairment.

Members' Report (continued)

The growth in student numbers has been achieved with financial stability and has been matched with various grants enabling investment in the estate and IT infrastructure including improved student facilities and resources.

At its most recent inspection the College was graded as 'Requires Improvement', despite increases in performance (achievement and value added) over the previous four years. As a result of its inspection outcome, the College has less access to full time international students in the immediate future, limiting the additional income the College has benefitted from in recent years. The College's has mitigated this by delivering alternative part-time fee paying courses and an increased community provision, alongside a robust programme of cost reductions and efficiencies.

Strategic Priorities – Our Aspirations

We expect our learners to develop **confidence** and **resilience**, be **successful** in their programme and **aspire** to move on to a destination that builds on their abilities. We do this by prioritising:

Excellence in Learning -

Within the next 2yrs, Itchen College will be outstanding and recognised as a regional centre of excellence. We will develop learning through creativity and innovation, making the most of the resources available to develop opportunities for our learners.

Outstanding Outcomes -

The College will retain its reputation as an "inclusive" college and be noted for its pastoral care as well as excellence in teaching and results. Close links will be maintained or forged with local business, higher education and feeder schools, both from the state and independent sectors.

Sustainability and Growth -

The College will operate in surplus with a goal of achieving an operating surplus of 3% of income by 2021/22. We will continue our international activity and grow other commercial activity to reduce dependence on agency funding. The estate and its resources will have been significantly improved and extended in readiness for the demands of both the changing curriculum and demographic increase.

Financial plan

The College financial plan is prepared in support of the three year strategic plan but with considerable uncertainty given the lack of clarity on future funding from the government. With this proviso the key elements of the three year plan are as follows:

1. The College will sustain a 'Good' financial health rating in the medium term.
2. The College will achieve an operating surplus in each year of the plan.
3. The International School Business Plan for 2020/21 is based on a continuing international marketing drive to attract students for short-term courses that do not require a Tier 4 visa.
4. Despite challenging external funding and staffing cost pressures, Group staff costs will continue to be tightly controlled with the total salary to total revenue ratio of circa 70% 2020/21.
5. Other fees and income are assumed to remain broadly at their current level.
6. General expenditure has assumed an inflation rate of 2% where applicable.

Members' Report (continued)

7. Capital investment will be carefully planned in line with current income projections and future growth forecasts.
8. Operational Cash Flow will be positive over the forecast period.
9. The Nursery and Itchen Company Ltd will contribute a small annual profit.

Financial Objectives

To operate the College with a view to achieving the following financial targets which were established in the Strategic Plan 2020 – 2023 which was agreed on 21st May 2020.

	20/21	Stretch
Group Net Operating Surplus £(000) before FRS102 Pension accounting	200	225
EBITDA	6%	7%
Non Funding Body Income as a % of Total Income	19.55%	21%
Pay Expenditure as a % of Income and Staff Utilisation %	70% / 97%	68% / 98%
Cash Days in hand	68	70
Financial Health	Good	Good

Performance indicators

The College assesses performance against key performance indicators that align with the financial targets detailed in the Financial Objectives section.

The College is committed to observing the importance of the indicators and is monitoring these through the completion of the annual Finance Record for the Education & Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The current Financial Health score reflects a Good grade. The College is determined to maintain the score over the next two years.

FINANCIAL POSITION

Financial Results

The College and its subsidiary company generated an operating deficit in the year of £423,000 (2019 – Operating deficit £263,000).

The Group has significant reliance on the education funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the FE funding bodies provided 80.78% of the Group's total income.

A long term loan facility of £2m was agreed with Lloyds Bank plc in January 2010.

A wholly owned subsidiary company, The Itchen Company Limited (ICL), operates the Sports Centre and has responsibility for the provision of retail services for College and public functions held on College premises.

The financial impact of COVID-19 on the Organisation was substantial, with a loss in income of approximately £420k. The majority of this loss was due to the suspension of international activity, the closure of the Community and Catering facilities and the lockdown of the Nursery provision. However, much of this loss was then mitigated through identified cost savings and

Members' Report (continued)

income from the Government Furlough Scheme, which helped to reduce the impact by almost 50%.

In addition to the direct 'cost' of COVID-19, the further impact on the valuation of the defined benefit pension liability for the period, also had a hugely detrimental effect on the College balance sheet, with the 90% year on year increase in liability from (£2.8m) to (£5.4m).

Capital Projects

There were no significant capital schemes in 2019/20.

Long Term Funding

In 2010 the College restructured its bank loans and overdraft facility to secure a reasonable level of working capital and liquidity.

Treasury policies and objectives

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

The College has a treasury management policy in place.

All borrowing is authorised by the Governing Body. Such arrangements are restricted by limits in the College's Funding Agreement previously agreed with the ESFA.

Cash flows

During 2019/20 there was a net cash outflow of £600,000 (2018/19– inflow £465,000) which was, in part, due to the impact of COVID-19 on College income. However, despite this, the College managed to sustain a healthy cash balance throughout the reporting period and retained at least a minimum of 30 cash days during the critical period through February and March.

Reserves policy

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 Reserves suffered a significant reduction in 2016/17 as a result of the operating deficit. Over the last couple of years there has been some recovery which has mitigated some of this loss. The Three-year Financial plan maps a recovery of cash reserves to improve financial resilience.

Liquidity

The positive cash flow in 2019/20 has increased liquidity. The cash flow forecast for 2019/20 reflects a sustainable situation.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

The College has a financial health grade of Good. The three-year financial plan indicates the health grade remaining 'Good' over the forecast period and, despite the ongoing COVID-19 situation, is seen to be growing in strength within that Band. The total 'cost' of the pandemic situation is forecasted to total approx. £200k during 2020/21 in site improvements and adaptations and approx. £225k through a continued loss in income within the international

Members' Report (continued)

and Community provisions. Internal staffing redeployment into vacant positions within other areas of the Organisation will help to mitigate this impact, however a September restructure, which will result in the redundancy of 2 members of the Community team, will be required in light of the reduced commercial income. However the College forecasted surplus continues to look positive and the cash flow for the Group as a whole, extremely healthy.

Student Numbers

In 2019/20, the College had 1399 16-18 students on roll against an EFA allocation of 1313. Prior to the lockdown in March 2020, the College also taught approximately 190 overseas fee-paying students for short courses or six week taster visits. Initial indications suggest that the COVID-19 situation has not had a material impact on the 16 – 18 student numbers for 2020/21, whilst overseas recruitment, for the Autumn term, has initially been stronger than anticipated. However the longer term forecasts for international students, remain uncertain.

Student achievements

The academic year 2019/20 was impacted by the nationwide lockdown and government decision to use centre assessed grades rather than usual qualification assessment processes.

Overall achievement has increased, with a significant increase in student achievement on 16-18 study programmes at all levels and significant improvement for 19+ learners at all levels. The majority of students are involved in 16-18 study programmes and improvement is due to improved pass rates and retention rates at all levels. Progress measures continue to reflect positive performance for the college with A-level and vocational courses and are very good

Brexit Impact Statement

With regard to International applications, the impact of Brexit, in addition to the COVID-19 situation continues to be closely monitored. The College will continue to work closely with agents in rising markets, including visits to Brazil, Brussels and Geneva in an attempt to further mitigate the situation. The College have not identified any other concerns with regards to Brexit, which it feels will have a significant operational impact on the College.

Curriculum Developments

The Itchen curriculum intent is to improve the life chances of every student through the development of skills and knowledge that enable ambitious progression as aspirational, confident and resilient individuals. The broad curriculum offer available at the College enables all learners to study at a level appropriate to their starting point, with a variety of assessment structures that support all students to be successful in gaining qualifications to support positive progression to education and employment.

The College is committed to providing clear and impartial initial advice and guidance to all students through the interview and enrolment process. This supports students to develop their ambitions or 'Vision' both for College and beyond. Students are enrolled on coherent programmes which best support their academic and personal development, enabling them to progress successfully to a range of appropriate destinations. The curriculum is supported by a teaching and learning strategy that is focused on raising aspirations and developing independent study habits to ensure successful transition in to College and success on the programme of study.

Members' Report (continued)

The College is focused on providing a well-designed and structured curriculum for students in all areas and at all levels. The Academy programme, additional enrichment opportunities and an extensive tutorial programme all support student study programmes to ensure that students have a positive experience at the College, accessing broad opportunities to become well-equipped to enter the next stages of their academic or professional lives.

The curriculum offer is reviewed regularly to ensure that qualifications offered reflect new frameworks changed specifications and to respond to changing needs for students, employers and higher education. The change from modular to linear A-levels is now fully consolidated with changes in teaching approaches adopted to suit the linear course structure. Vocational programmes have also witnessed significant reform with new frameworks being introduced which involve increased controlled or examined assessment. Within the college there has been a move to review the appropriateness of vocational provision to ensure that a broad range of qualifications are utilised including Btec, Ctec, UAL, Cache and NCFE qualifications. This range of provision ensures that programmes that are appropriate to local/national employment needs are offered preparing learners to make the transition on to further and higher education, training and employment.

The Level 2 programme was redesigned for 2018-19 to provide a more cohesive experience for students enabling them to achieve effectively and support progression in to level 3 courses and employment. There has been a move away from smaller level 2 qualifications with students undertaking larger single qualifications supported by English and Maths. This has worked effectively for students supporting improved achievement and progression to Level 3, training and employment.

The College is involved in the development of the new T level qualification undertaking work to develop work placement capacity and preparing for involvement in delivering qualifications following the initial pilots. The initial phase has involved courses in the Care faculty and Sports faculty, building upon the work placement components involved in study programmes. The second year of the programme to further build work experience capacity in these two areas.

There has been significant development in the Adult and community learning curriculum with both areas reviewing qualifications offered to ensure the most suitable teaching and learning approaches for the local community. Community learning programmes have also expanded

Considerably, to better suit local needs working with NEET students across the city of Southampton and also Hampshire and providing courses to support those at risk of social isolation and the development of digital skills.

The curriculum has experienced some change as a result of the pandemic with adaptations to delivery methods leading to increased online delivery, amendments to assessment processes and review of curriculum provision to ensure a covid-safe environment.

The curriculum offer remains under continuous review in order to ensure that programmes of study meet the needs all stakeholders including students, local and regional employers and preparation for HE. Annual curriculum reviews consider the range and appropriateness of the curriculum offer and support effective planning for new course delivery and course change.

Members' Report (continued)

Covid-19

During the lockdown period, the College transitioned to a platform of online learning using a variety of meeting tools with an increasing focus on google classroom. In the two weeks prior, the College focused on supporting all teachers to improve their skill levels to achieve this and both those students and staff, who were without the necessary resources, were equipped with a variety of devices to enable remote learning to happen. As lockdown eased, the College set up a number of 1:1 tutorials for students in order to ease them into a return and thereby achieve a full return to teaching for all students, in September. Prior to the return, a number of significant changes had been made to both the site, and the structure of the College day to support social distancing and reduce unnecessary movement across the site. These included a change to the curriculum timetable, additional bus services, various adaptations to office and classroom layouts, increased sanitisation outlets and new PPE guidelines for all staff, students and visitors of the College.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2019 to 31 July 2020, the College estimates that it paid 93 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Post Balance Sheet Events

There have been no significant post balance sheet events.

Future developments

The College seeks to maintain its current student number to maintain efficiency in the operation of the existing campus. The improvement of building resources continues to be a priority for the College when the funding becomes available.

RESOURCES

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

Financial

The Group has (£1,178,000) of net liabilities (including £5,429,000 pension liability) and long term debt of £1,274,000.

People

The College employs 149 people (expressed as full time equivalents), of whom 75 are teaching staff.

Reputation

The College has a strong reputation of being inclusive and serving its community.

Members' Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

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.

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

The ongoing COVID-19 situation remains a constant risk to College finances and recruitment and continue to be monitored on a daily basis. The risk register continues to be updated to reflect the moving situation, and a prudent approach to financial and cash management, has been adopted.

1. Government funding

The College has considerable reliance on continued government funding at 80.78% of total income. 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.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

2. International Fees

Fees derived from international students make a significant contribution to College income. The market and UKVI criteria are both volatile and could change with short notice. Robust administrative controls and investment in marketing help to mitigate this risk. The loss of Tier 4 status restricts the type of international programmes available and resumption of full time courses is dependent on future Ofsted inspection outcomes.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

Members' Report (continued)

STAKEHOLDER RELATIONSHIPS

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

- Students
- Funding bodies
- Sixth Form Commissioner
- Staff
- Local employers (with specific links)
- Local Authorities
- Government Offices/Regional Development Agencies/LEPs
- The local community
- Other FE institutions
- Trade Unions
- Professional Bodies

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

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This commitment is documented in the College's Equality and Diversity Policy which is published on the College's website.

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues.

Disability statement

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

- as parts of the building are re-developed the College is installing lifts and ramps, etc., so that eventually most of the facilities will allow access to people with a disability;
- the admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- the College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and disabilities. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the standard college format;
- counselling and welfare services are described in the College charter.

Members' Report (continued)
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.

The data below refers to the year ended 5 April 2020:

Number of employees who were relevant union officials during the year	3
Number of employees who were relevant union officials during the year (fte)	2.3
Number of employees whose percentage of working hours spent on facility time was between 1% and 50%.	3
Total cost of facility time	£1,961
Total pay cost	£6,712m
Percentage of total pay bill spent on facility time	0.03%
Time spent on paid trade union activities as a percentage of total paid facility time	0.01%

Going Concern

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

The College currently has £1.3m of loans outstanding with bankers on terms negotiated in 2010. The terms of the existing agreement are for 24 years.


The profile of funding body income will significantly reduce cash balances in March and April 2021 and therefore the position during this time will be kept closely under review. Current projections suggest that, despite the ongoing COVID-19 situation, there will be sufficient cash to service operations. The College's forecasts and financial projections indicate that it will be able to operate within its existing loan facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 10.12.2020 and signed on its behalf by:

Signature: 

Date: 11/12/20

Bev Jones - Chair of Governors

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- in full accordance with the guidance to colleges from the Association of Colleges in the English Colleges' Foundation code of Governance ("The foundation code");
- having due regard to the UK Corporate Governance Code 2018 ("the Code" insofar as it is applicable to the further education sector).

The College is committed to exhibiting best practice in all aspects of corporate governance and has complied with the Foundation Code. We have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the governors, the College complies with all the provisions of the Code insofar as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

The Corporation

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

Governors serving on the College Board

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	% Attendance
Charlotte Bailey	Nov 18	2 Years	May 2020	Student	SQO	11
Nicola Beach	July 17	4 Years	Sept 2019	Parent	SQO, Audit	N/A
Karishma Bhakar	Dec 18	4 Years	Nov 2020	Core Governor	HRSE	0
Colin Breckenridge	Dec 17	4 Years		Core Governor	Search, Audit	71
Martin Brown	July 17	4 Years		Core Governor	SQO	50
Allison Burns	Feb 11 Reappointed Feb 15	4 Years		Staff	Audit, HRSE	62
Caroline Carpenter	Jul 19	4 Years		Core Governor	Finance	80
Sadie Garner	Jan 18	4 Years		Staff	SQO	80

	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	% Attendance
Trevor Grant	June 16 Reappointed July 20	4Years		Core Governor	Finance, Search, RSS, HRSE	73
Sarah Hammett	Oct 16 Reappointed July 20	4 Years		Core Governor	SQO Search, RSS	73
Shante Jackson	Nov 18	2 Years	May 2020	Student	SQO	0
Bev Jones	Mch 19	4 Years		Core Governor	Corporation Chair, Finance, Search, HRSE, RSS SQO	100
Malcolm Kaill	July 17	4 Years		Core Governor	SQO	50
Jan Lefley	Oct 12 Reappointed Jul 20	4 Years		Core Governor	RSS, Search Finance, SQO, HRSE	71
Jane Moody	Nov 17	4 Years		Parent Governor	Finance	70
Russell Mozumder	July 17	4 Years		Core Governor	Audit	25
Robert Parke	Dec 14 Reappointed Dec 18	4 Years		Core Governor	Chair: Finance Search, RSS	100
Alex Scott	April 17	Indefinite		Principal	Finance, Search, SQO, HRSE	100
Colin Whitfield	Jul 15 Reappointed July 19	4 Years		Core Governor	Audit, HRSE	92

CQS – Curriculum, Quality & Standards, RSS – Remuneration of Senior Staff, SQO – Standards, Quality and Outcomes. HRSE – Human Resources, Safeguarding and Equality

Statement of Corporate Governance and Internal Control (Continued)

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are finance and general purposes, curriculum quality and standards, safeguarding equality and diversity, remuneration, search and audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Itchen College,
Middle Road,
Bitterne,
Southampton SO19 7TB

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

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

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

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

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

Appointments to the Corporation

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

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

Corporation Performance

The annual self-assessment of the Corporation's performance: The Governors carry out an annual self-assessment process; this is done at the end of the academic year. This process highlights the strengths and weaknesses of the Corporation; the analysis of the outcomes of

Statement of Corporate Governance and Internal Control (Continued)

this analysis are used by the Governor Sub-Group who prepare the Governor Self-Assessment Report (SAR) for adoption by the Corporation. The action points from the SAR are reviewed throughout the year by the Corporation.

Remuneration Committee

Throughout the year ending 31 July 2020 the College's Remuneration Committee comprised four members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

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

Audit Committee

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

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

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

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

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

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between Itchen College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

Statement of Corporate Governance and Internal Control (Continued)

The purpose of the system of internal control

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

Capacity to handle risk

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

The risk and control framework

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

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

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

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework

Statement of Corporate Governance and Internal Control (Continued)

- comments made by the College's financial statements auditors and the regularity auditors in their management letters and other reports.

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


The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior leadership team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior leadership team and internal audit, and taking account of events since 31 July 2020.

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

Approved by order of the members of the Corporation on 10.12.2020 and signed on its behalf by:


Bev Jones
Chair

Date


11/12/20

Alex Scott
Principal

Date


11/12/20

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the College's Funding Agreement with the 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 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2019 to 2020 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 surplus/deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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

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

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

Approved by order of the members of the Corporation on10.12.2020.....
and signed on its behalf by:

Bev Jones - Chair

A handwritten signature in black ink, appearing to read 'Bev Jones', written in a cursive style.

Statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding

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

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

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



Bev Jones
Chair of Governors

Date

11/12/20



Alex Scott
Accounting Officer

Date

11/12/20

Independent auditor's report to the Members of the Corporation of Itchen Sixth Form College
Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

Independent Auditor's Report (Continued)

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 19, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Corporation is responsible for assessing the Group and College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report (Continued)

Use of the audit report

This report is made solely to the Corporation as a body in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.



Mazars LLP

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

18 December 2020

INDEPENDENT AUDITORS' REPORT ON REGULARITY TO THE GOVERNING BODY OF ITCHEN COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION FUNDING AGENCY

To: The corporation of Itchen College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 16th July and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Itchen College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which ESFA has other assurance arrangements in place. This report is made solely to the corporation of Itchen College and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Itchen College and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept, or assume, responsibility to anyone other than the corporation of Itchen College and ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Itchen College and Company Limited and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 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

Independent Auditor's Report on Regularity (Continued)

become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year [if applicable]
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached [if applicable]
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

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

Signed:



Mazars LLP
5th floor, Merck House
Seldown Lane,
Poole
Dorset
BH15 1TW
Date: 18 December 2020

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEAR ENDED 31 JULY 2020

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	6,379	6,358	6,518	6,497
Tuition fees and education contracts	3	718	718	863	863
Other grants and contracts	4	1,086	1,060	495	495
Other income	5	1,035	807	1,215	917
Total income		9,218	8,943	9,091	8,772
EXPENDITURE					
Staff costs	6	6,712	6,550	6,238	6,104
Other operating expenses	7	2,352	2,252	2,479	2,430
Depreciation	10	473	441	504	471
Interest and other finance costs	8	104	104	133	133
Total expenditure		9,641	9,347	9,354	9,138
(Deficit) before other gains and losses		(423)	(404)	(263)	(366)
(Deficit) before tax		(423)	(404)	(263)	(366)
Taxation	9	-	-	-	-
(Deficit) for the year		(423)	(404)	(263)	(366)
Actuarial loss in respect of pensions schemes		(2,244)	(2,244)	(480)	(480)
Total Comprehensive Income for the year		(2,667)	(2,648)	(743)	(846)
Represented by:					
Unrestricted comprehensive income		(2,713)	(2,694)	(789)	(902)
Restricted comprehensive income		46	46	46	46
		(2,667)	(2,648)	(743)	(856)

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES
YEAR ENDED 31 JULY 2020


	Income and Expenditure account	Revaluation reserve	Restricted Reserve	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 31st July 2019	(1,074)	2,507	58	1,491
(Deficit) from the income and expenditure account	(423)		(2)	(425)
Other comprehensive income	(2,244)			(2,244)
Transfers between revaluation and income and expenditure reserves	46	(46)		-
Total comprehensive income for the year	(2,621)	(46)	(2)	(2,669)
Balance at 31st July 2020	(3,695)	2,461	56	(1,178)
College				
Balance at 31st July 2019	(1,493)	2,507	58	1,072
Surplus/(deficit) from the income and expenditure account	(404)		(2)	(406)
Other comprehensive income	(2,244)			(2,244)
Transfers between revaluation and income and expenditure reserves	46	(46)		-
Total comprehensive income for the year	(2,602)	(46)	(2)	(2,650)
Balance at 31st July 2020	(4,095)	2,461	56	(1,578)
Group				
Balance at 31st July 2018	(377)	2,553	58	2,234
(Deficit) from the income and expenditure account	(263)	-		(263)
Other comprehensive income	(480)	-		(480)
Transfers between revaluation and income and expenditure reserves	46	(46)		-
Total comprehensive income for the year	(697)	(46)	-	(743)
Balance at 31st July 2019	(1,074)	2,507	58	1,491
College				
Balance at 31st July 2018	(693)	2,553	58	1,918
(Deficit) from the income and expenditure account	(366)	-		(366)
Other comprehensive income	(480)	-		(480)
Transfers between revaluation and income and expenditure reserves	46	(46)		-
Total comprehensive income for the year	(800)	(46)	-	(846)
Balance at 31st July 2019	(1,493)	2,507	58	1,072

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
BALANCE SHEETS AT 31 JULY


	Notes	Group	College	Group	College
		2020 £'000	2020 [*] £'000	2019 £'000	2019 £'000
Non-current assets					
Tangible fixed assets	10	9,237	8,529	9,520	8,787
Investments	11	-	1	-	1
		<u>9,237</u>	<u>8,530</u>	<u>9,520</u>	<u>8,788</u>
Current assets					
Stocks		6	5	7	5
Trade and other receivables	12	460	430	280	250
Cash and cash equivalents	17	822	806	1,422	1,412
Trade and other receivables - due after more than one year	12	57	-	81	-
		<u>1,345</u>	<u>1,241</u>	<u>1,790</u>	<u>1,667</u>
Less: Creditors – amounts falling due within one year	13	(1,490)	(1,463)	(1,915)	(1,878)
Net current liabilities		<u>(145)</u>	<u>(222)</u>	<u>(125)</u>	<u>(211)</u>
Total assets less current liabilities		<u>9,092</u>	<u>8,308</u>	<u>9,395</u>	<u>8,577</u>
Less: Creditors – amounts falling due after more than one year	14	(4,816)	(4,432)	(5,017)	(4,618)
Provisions					
Other provisions	16	(25)	(25)	(27)	(27)
Defined Benefit Obligations	20	(5,429)	(5,429)	(2,860)	(2,860)
Total net liabilities		<u>(1,178)</u>	<u>(1,578)</u>	<u>1,491</u>	<u>1,072</u>
Restricted Reserve		<u>56</u>	<u>56</u>	<u>58</u>	<u>58</u>
Unrestricted reserves					
Income and expenditure account	SOCR	(3,695)	(4,095)	(1,074)	(1,493)
Revaluation reserve	SOCR	2,461	2,461	2,507	2,507
Total Reserves		<u>(1,178)</u>	<u>(1,578)</u>	<u>1,491</u>	<u>1,072</u>

The financial statements were approved and authorised for issue by the Corporation on and were signed on its behalf on that date by:

Bev Jones
Chair


11/12/20

Alex Scott
Accounting Officer


11/12/20

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 JULY 2020

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
(Deficit)/surplus for the year		(423)	(263)
Adjustment for non cash items			
Depreciation		473	504
Decrease in stocks		-	-
(Increase) in debtors		(156)	(21)
Increase in creditors due within one year		(426)	311
(Decrease) in creditors due after one year		(118)	(141)
(Decrease) in provisions		(2)	(1)
Pensions costs less contributions payable		265	290
Adjustment for investing or financing activities			
Investment income			
Interest payable		104	133
		<u>(283)</u>	<u>812</u>
Net cash flow from operating activities			
Investing activities			
Investment income		-	-
Withdrawal of deposits		-	-
Payments made to acquire fixed assets		(190)	(192)
		<u>(190)</u>	<u>(192)</u>
Financing activities			
Interest paid		(44)	(73)
Repayments of amounts borrowed		(83)	(82)
		<u>(127)</u>	<u>(155)</u>
(Decrease) / Increase in cash and cash equivalents in the year		<u>(600)</u>	<u>465</u>
Cash and cash equivalents at beginning of the year	18	1,422	957
Cash and cash equivalents at end of the year	18	822	1,422

NOTES TO THE ACCOUNTS

1. Statement of accounting policies and estimation techniques

College Information

The College operates as a Corporation established under The Further and Higher Education Act 1992. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The College operates on a single campus at Middle Road, Bitterne, Southampton, SO19 7TB.

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are as follows:

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The prior year, for the College only, has been restated due to an error in the calculation of non-pay expenditure. The impact of this resulted in an increase in cost of £10,000.

The accounts are presented in sterling and are rounded to the nearest £1,000.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its wholly owned subsidiary, The Itchen Company Limited. The results of the subsidiary are included in the consolidated statement of comprehensive income for the year. Intra-group transactions are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2020.

Going concern

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

The College currently has £1.3m of loans outstanding with bankers on terms negotiated in 2010. The terms of the existing agreement are for 24 years.

The profile of funding body income will significantly reduce cash balances in March and April 2021. The forecast, therefore, will be kept closely under review during this period. Current

projections suggest that there will be sufficient cash to service operations. The College's forecasts and financial projections indicate that it will be able to operate within its existing loan facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Despite the ongoing COVID-19 situation, a prudent approach to financial and cash management, changes to some internal staffing structures and the redeployment of resources and recruitment methods, initial indications suggest that a healthy operating surplus and cash position remain achievable, for the next academic year.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body 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 achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments; the income recognised is the allocation for the year.

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

Restricted income received during the period is shown as a restricted reserve in the balance sheet.

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

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

Accounting for post-employment benefits

Post-employment benefits to employees of the 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.

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the cost 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 net interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term employment benefits

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

Enhanced pensions

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

Non-current Assets - Tangible Fixed Assets

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

Land and buildings

Freehold land is not depreciated as it is considered to have a infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life. Minor adaptations to the buildings are designated minor works and are depreciated over 10 years.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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.

On adoption of FRS 102, the College followed the transition provision to retain the book value of land and buildings, which were revalued in 1993, as deemed cost but not to adopt a policy of revaluations of this property in the future.

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £5,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

All equipment is depreciated on a straight line basis over its remaining useful economic life to the College, as follows:

IT Equipment	20%
All Other Equipment (incl Furniture)	20%

Leased Assets

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

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

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

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

Investments

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

Current asset investments are stated at fair value, with movements recognised in comprehensive income.

Stocks

Stocks are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Financial liabilities and equity

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the 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.

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 a maturity of 3 months or less from the date of acquisition.

Taxation

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

The College is not registered for VAT purposes.

The subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

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

Critical areas of judgement

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. 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.

Critical accounting estimates and uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, 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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. 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.

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

2 Funding Body grants

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	260	260	242	242
Education and Skills Funding Agency - 16-18	5,858	5,858	6,002	6,002
Specific Grants				
Education and Skills Funding Agency	86	86	110	110
Releases of government capital grants	175	154	164	143
Total	6,379	6,358	6,518	6,497

3 Tuition fees and education contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	17	17	17	17
International students fees	457	457	549	549
Tuition Fees	474	474	566	566
Education contracts	244	244	297	297
Total	718	718	863	863

4 Other grants and contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	1,025	1,032	495	495
Coronavirus Job Retention Scheme Grant	61	28	-	-
Total	1,086	1,060	495	495

The Group furloughed all of the catering staff, some nursery and community staff and some Adult Education tutors, under the government's Coronavirus Job Retention Scheme. The funding received of £61k relates to staff costs which are included within the staff costs note below as appropriate

5 Other income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other income generating activities	288	61	470	172
Other grant income	-	-	-	-
Sports Council capital grants	-	-	-	-
Miscellaneous income	747	746	745	745
Total	1,035	807	1,215	917

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

6 Staff costs - Group and College

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

	2020 No.	2019 No. *Restated
Teaching staff	90	87
Non teaching staff	112	111
	<u>202</u>	<u>198</u>

*Restated from average FTE to average Headcount

Staff costs for the above persons

	2020 £'000	2019 £'000
Wages and salaries	5,001	4,816
Social security costs	432	400
Other pension costs	1,266	1,022
Restructuring costs	13	0
	<u>6,712</u>	<u>6,238</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, Deputy Principal, Assistant Principal - Director of Finance and Resources and Assistant Principal - Community Engagement and Business Development.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	5	6

The number of Key Management Personnel and other staff who received emoluments, excluding NI contributions but including benefits in kind, in the following ranges was:

	2020 No.	2019 No.
£30,001 to £35,000 p.a.		1
£40,001 to £45,000 p.a.		2
£65,001 to £70,000 p.a.	1	
£70,001 to £75,000 p.a.	2	1
£80,001 to £85,000 p.a.		1
£85,001 to £90,000 p.a.	1	
£115,001 to £120,000 p.a.		1
£120,001 to £125,000 p.a.		
£125,001 to £130,000 p.a.	1	
	<u>5</u>	<u>6</u>

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

6 Staff costs - Group and College (continued)

Key Management Personnel emoluments are made up as follows:

	2020 £'000	2019 £'000
Salaries	348	338
Employers National Insurance	42	41
Benefits in kind	-	-
	<u>390</u>	<u>379</u>
Pension contributions	78	56
	<u>78</u>	<u>56</u>
Total emoluments	<u>468</u>	<u>435</u>

The above emoluments include amounts paid to the Principal who is the accounting officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2020 £'000	2019 £'000
Salaries	103	101
Benefits in kind	-	-
Pension contributions	24	17
	<u>127</u>	<u>118</u>

There were no amounts due to Key Management Personnel that were waived in the year, nor any salary sacrifice arrangements.

The Principal reports to the Chair of the Governing Body, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance. All other Key Management Personnel are subject to an annual review by a panel of selected Governors who assess performance against the College's overall objectives.

Relationship of Principal's pay and remuneration expressed as a multiple

	2020	2019
Principal's basic salary as a multiple of the median of all staff	6.0	6.1
Principal's total remuneration as a multiple of the median of all staff	6.3	6.5

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

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

7 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	270	270	270	270
Non teaching costs	1,764	1,669	1,897	1,855
Premises costs	318	313	312	305
Total	2,352	2,252	2,479	2,430

Other operating expenses include:

	2020	2019
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	24	20
Internal audit	3	6
Other services provided by the financial statements auditors	4	0
Hire of assets under operating leases	49	45
	<u> </u>	<u> </u>

8 Interest payable - Group and College

	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loans:	44	73
Pension finance costs (note 22)	<u>60</u>	<u>60</u>
Total	<u>104</u>	<u>133</u>

9 Taxation - Group only

	2020	2019
	£'000	£'000
United Kingdom corporation tax at 20 per cent	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>

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

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

10 Tangible fixed assets
(Group)

	Land and buildings Freehold £'000	Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation				
At 1 August 2019	10,970	6,392	56	17,418
Additions	-	194	(4)	190
Disposals				-
At 31 July 2020	10,970	6,586	52	17,608
Depreciation				
At 1 August 2019	3,077	4,821		7,898
Charge for the year	193	280		473
Elimination in respect of disposals				-
At 31 July 2020	3,270	5,101	-	8,371
Net book value at 31 July 2020	7,700	1,485	52	9,237
Net book value at 31 July 2019	7,893	1,571	56	9,520

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

10 Tangible fixed assets
(College only)

	Land and buildings Freehold	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2019	9,832	6,173	16,005
Additions		183	183
Disposals			-
At 31 July 2020	9,832	6,356	16,188
Depreciation			
At 1 August 2019	2,573	4,645	7,218
Charge for the year	169	272	441
Elimination in respect of disposals			-
At 31 July 2020	2,742	4,917	7,659
Net book value at 31 July 2020	7,090	1,439	8,529
Net book value at 31 July 2019	7,259	1,528	8,787

Land and buildings were valued as at 31 January 1993 by Edward Rushton Son and Kenyon valuers and surveyors, by reference to the depreciated replacement cost of the buildings together with the open market value of the site for existing use purposes. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £2,758,000 have been financed by exchequer funds through for example the receipt of capital grants. Should these assets be sold, the College may be liable under the terms of the Financial Memorandum with the funding body, to surrender the proceeds. Lloyds Bank plc owns a first legal charge over the land and buildings of Itchen College at Middle Road, Bitterne, Southampton in accordance with the Unlimited First Mortgage agreements dated 18 May 1994 and 23 December 1996.

If inherited land and buildings had not been valued they would have been included at £Nil.

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

11 Non current Investments

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

The College owns 100% of the issued ordinary £1 shares of the Itchen Company Limited, a company incorporated in England and Wales. The principal activity of The Itchen Company Limited is to provide sports, catering and leisure services to the College and the local community.

12 Debtors

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	76	75	69	66
Prepayments and accrued income	221	218	84	83
Other debtors	164	137	127	101
Total	460	430	280	250

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due after more than one year and included in the debtors above are:				
Other debtors	57	-	81	-
	57	-	81	-

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

13 Creditors: amounts falling due within one year

	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	82	82	81	81
Trade payables	132	130	50	43
Other taxation and social security	227	226	204	200
Accruals and deferred income	821	812	1,232	1,222
Deferred income - government capital	175	160	164	148
Amounts owed to the ESFA	53	53	184	184
Total	<u>1,490</u>	<u>1,463</u>	<u>1,915</u>	<u>1,878</u>

14 Creditors: amounts falling due after one year

	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Bank loans	1,192	1,192	1,276	1,277
Deferred income - government capital	3,624	3,240	3,741	3,341
Total	<u>4,816</u>	<u>4,432</u>	<u>5,017</u>	<u>4,618</u>

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

15 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	83	83	81	81
Between one and two years	83	83	81	81
Between two and five years	248	248	242	242
In five years or more	860	860	953	953
Total	1,274	1,274	1,357	1,357

Bank loans repayable by instalments falling due between 1st January 2010 and 31st December 2034, originally totalling £2,000,000 are secured on a portion of the freehold land and buildings of the College. £578,000 is at a fixed rate of 5.005% interest, with the remaining £861,000 at variable (floating) rates of interest.

16 Provisions

	Enhanced pensions £'000
At 1 August 2019	27
Expenditure in the period	(2)
Transferred from income and expenditure	
At 31 July 2020	25

The enhanced pension provision has been established to fund top-up pensions for two former staff members, one of which was a senior post-holder. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2020	2019
Price inflation		1.3%
Discount rate		2.3%

17 Cash and cash equivalents

	At 31 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	1,422	(600)	822
Short term investments			
Total	1,422	(600)	822

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

18 Capital commitments

	Group and College	
	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	<u>36</u>	<u>7</u>

19 Lease Obligations

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

	Group and College	
	2020	2019
	£'000	£'000
Future minimum lease payments due		
Not later than one year	48	26
Later than one year and not later than five years	75	66
later than five years	-	-
	<u>123</u>	<u>92</u>

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

20 Defined benefit obligations

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

Total pension cost for the year	2020 £'000	2019 £'000
Teachers Pension Scheme: contributions paid	732	451
Local Government Pension Scheme:		
Contributions paid	316	281
FRS 102 (28) charge	265	290
Charge to the Statement of Comprehensive Income	581	571
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year within staff costs	1,313	1,022

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, 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.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Itchen Sixth Form College and The Itchen Company Limited

Notes to the Accounts (continued)

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
 - total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
 - an employer cost cap of 10.9% of pensionable pay;
 - the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.
- The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 September 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015. The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £685,000 (2019: £451,000).

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

20 Defined benefit obligations (continued)

FRS 102 (28)

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

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.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hampshire County Council Local Authority. The total contribution made for the year ended 31 July 2020 was £351,640, of which employer's contributions totalled £316,437 and employees' contributions totalled £82,270. The agreed contribution rates for future years are 23.8% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Guaranteed Minimum Pension

On 26 October, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.30%	3.70%
Future pensions increases	2.30%	2.20%
Discount rate for scheme liabilities	1.40%	2.20%
Inflation assumption (CPI)	2.30%	2.20%
Commutation of pensions to lump	70%	70%

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

	At 31 July 2020	At 31 July 2019
	years	years
<i>Retiring today</i>		
Males	23.00	23.10
Females	25.50	25.80
<i>Retiring in 20 years</i>		
Males	24.70	24.70
Females	27.20	27.60

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
YEAR ENDED 31 JULY 2020

20 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The College's share of the assets in the plan were:

	Fair Value at 31 July 2020	Fair Value at 31 July 2019
	£'000	£'000
Equities	3,414	3,347
Bonds	1,291	1,145
Property	379	400
Cash	1123	668
Total market value of assets	6,207	5,560

Actual return on plan assets	362	350
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The amount included in the balance sheet in respect of the defined benefit pension plan and enhanced pensions benefits is as follows:

	2020 £'000	2019 £'000
Fair value of plan assets	6,207	5,560
Present value of plan liabilities	(11,636)	(8,420)
Net pensions liability	(5,429)	(2,860)

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	265	120
Past service cost	-	170
Total	265	290

Amounts included in investment income

Net interest income	60	60
	60	60

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	237	210
Experience gains /(losses) arising on defined benefit obligations	(2,481)	(690)
Changes in assumptions underlying the present value of plan liabilities	-	-
Amount recognised in Other Comprehensive Income	(2,244)	(480)

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
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YEAR ENDED 31 JULY 2020

20 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

Movement in net defined benefit liability during the year

	2020	2019
	£'000	£'000
Deficit in scheme at 1 August	(2,860)	(2,030)
Movement in year:		
Current service cost	(587)	(420)
Employer contributions	322	300
Past service cost	-	(170)
Net interest on the defined liability	(60)	(60)
Actuarial gain or loss	(2,244)	(480)
Net defined benefit liability at 31 July	<u>(5,429)</u>	<u>(2,860)</u>

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	8,420	7,030
Current Service cost	587	420
Interest cost	185	200
Contributions by Scheme participants	84	80
Experience gains and losses on defined benefit obligations	2,481	690
Changes in financial assumptions	-	-
Estimated benefits paid	(121)	(170)
Past Service cost	-	170
Curtailments and settlements	-	-
Defined benefit obligations at end of period	<u>11,636</u>	<u>8,420</u>

Reconciliation of Assets

	2020	2019
	£'000	£'000
Fair value of plan assets at start of period	5,560	5,000
Interest on plan assets	125	140
Return on plan assets	237	210
Employer contributions	322	300
Contributions by Scheme participants	84	80
Estimated benefits paid	(121)	(170)
Assets at end of period	<u>6,207</u>	<u>5,560</u>

ITCHEN COLLEGE AND THE ITCHEN COMPANY LIMITED
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21 Related party transactions

Transactions with Key Management Personnel

There were no transactions with key management personnel during the year apart from the reimbursement of expenses incurred on College business.

Transactions with Governors

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

The total expenses paid to or on behalf of the Governors during the year was £0.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: None).

22 Amounts disbursed as agent

Learner support funds

	2020 £'000	2019 £'000
Funding body grants – bursary support	356	352
Funding body grants – discretionary learner support	17	16
Funding body grants – residential bursaries	373	368
Disbursed to students	(331)	(177)
Administration costs	(9)	(8)
Balance unspent as at 31 July, included in creditors	33	183

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.

