



Annual Report and Financial Statements

For the year ended

31 July 2020

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Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as Senior Post Holders (Principal, Vice Principals and Clerk to the Governors) and members of the Senior Leadership Team. This group was represented by the following in 2019-20:

- Laurence Frewin, Principal, CEO and Accounting Officer;
- Mathew Harbour, Vice Principal Quality and Curriculum and Deputy CEO;
- Kelly Sooben, Vice Principal People and Resources;
- Liz Lawrence, Assistant Principal;
- Matt Burrows, Assistant Principal;
- Dan Hallam, Assistant Principal;
- Steve Caunter, Assistant Principal;
- Maria Woodger, Assistant Principal;
- Carrie Piper, Director of Finance and
- Lisa Keay, Head of Governance.

Note Stephen Criddle stepped down as Principal on 31st August 2019; he was replaced by Laurence Frewin from 1st September 2019.

Board of Governors

A full list of Governors is given on pages 20 and 21 of these financial statements.

Lisa Keay acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

PKF Francis Clark
North Quay House
Sutton Harbour
Plymouth, PL4 0RA

Bankers:

Barclays Bank plc
20 High Street
Exeter, EX4 3YR

Solicitors:

Foot Anstey
Salt Quay House
4 North East Quay
Sutton Harbour
Plymouth, PL4 0BN

Internal auditors:

RSM Risk Assurance Service LLP
Hartwell House
55 – 61 Victoria Street
Bristol, BS1 6AD

Bankers:

Santander UK
Bridle Road
Bootle
Merseyside, L30 4GB

Solicitors:

Michelmores
Woodwater House
Pynes Hill
Exeter, EX2 5WR

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

The corporation present their annual report and financial statements, with auditor's report 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 the business of South Devon College. The College is an exempt charity for the purposes of the Charities Act 2011.

Mission

The College mission statement is: *'Inspiring our community through learning for all'*

Public Benefit

South Devon College is an exempt charity under the Part 3 of the Charities Act 2011. The College 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 17 and 18.

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 and learning
- Widening participation and tackling social exclusion
- Excellent employment and progression record for students
- Strong student support systems
- Links with employers, industry and commerce.
- A local anchor institution

STAKEHOLDER RELATIONSHIPS

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

- Learners;
- Parents/carers;
- Staff;
- The local community;
- Local authorities, district councils and their strategic partners (Torbay Council, Devon County Council, Teignbridge DC, South Hams DC);
- Local employers and the self-employed including representative and umbrella organisations (inter alia Torbay NHS Trust, Princess Yachts, Specsavers, Fragrance Group, Build Plymouth, Build Greater Exeter, South West Business Council, Torbay Business Forum, Chambers of Commerce, Federation of Small Business, Hi Tech Cluster, Local Manufacturing Groups);
- The Heart of the South West Local Enterprise Partnership (Devon, Torbay, Plymouth and Somerset);
- Economic Development partners (Torbay Development Agency, Devon County Council);
- Education sector funding bodies (Education & Skills Funding Agency, Office for Students, Student Finance England);

Strategic Report (continued)

- National and local all party politicians;
- Schools, universities and other education organisations;
- Trade Unions (recognised unions Unison and UCU); and
- Professional bodies.

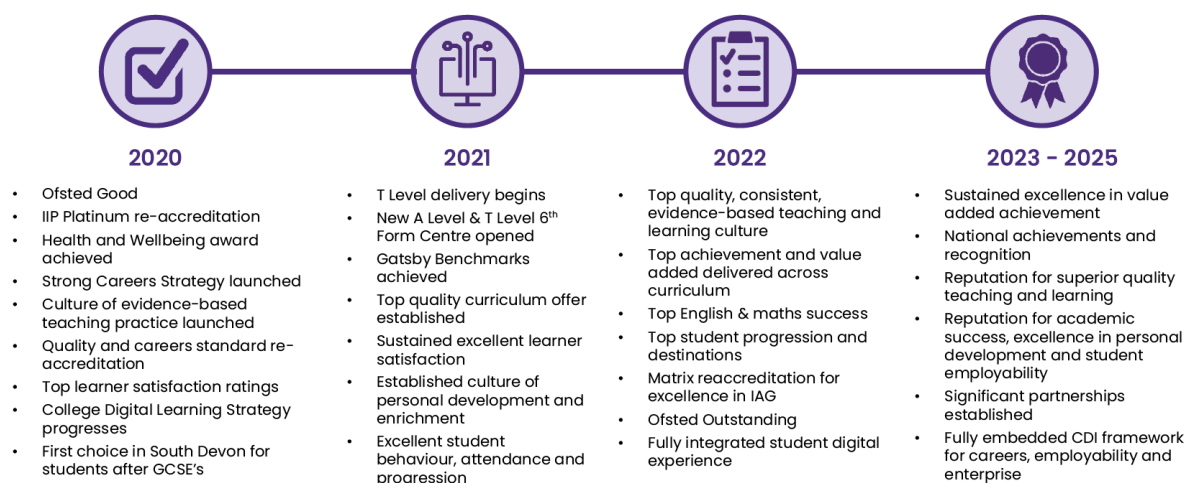
The College recognises the importance of these relationships and engages in regular communication through a variety of meetings and media.

Implementation of strategic plan

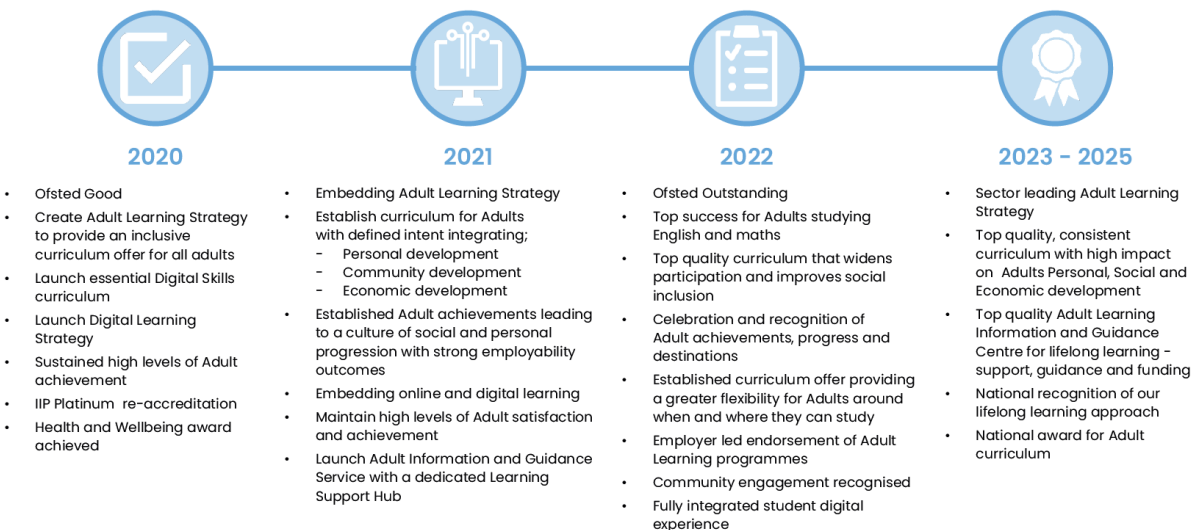
South Devon College is an inspiring and dedicated Further and Higher Education organisation and as the third largest employer and with significant economic impact a key local anchor institution at the heart of its community of South Devon and Torbay. The College are accountable for providing excellent education, skills and training for individuals and employers. As a very inclusive College, we are ambitious for our community, our partners and for all our individual students and our staff.

The College annually reviews and widely consults on its mission, strategic aims and operating plans. The Governing Body monitors the performance of the College against these. The College has 4 “visions” focussing on the most strategically important areas; these are Young People, Adult Learning, Higher Education and Apprenticeships. Below are the key aims for each of these visions.

Young People Vision

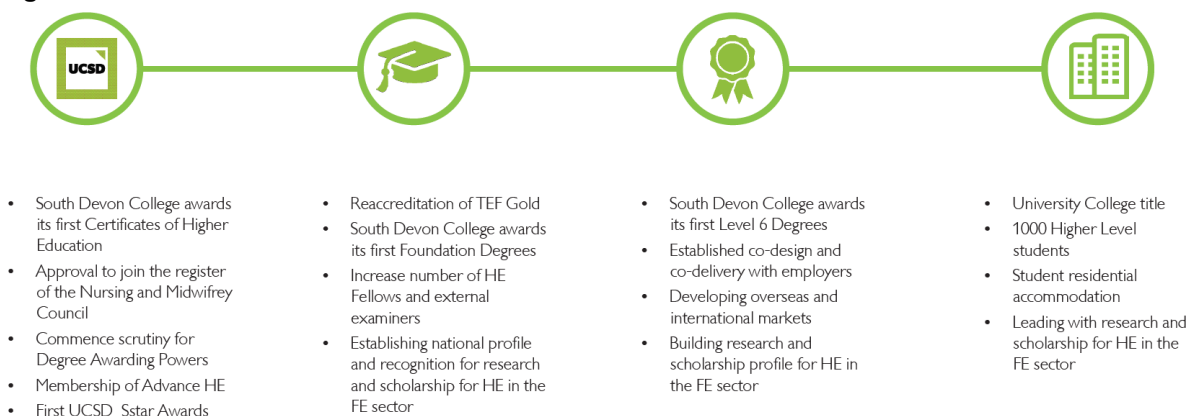


Adult Vision



Strategic Report (continued)

Higher Education Vision



Apprenticeships Vision



To achieve our vision, key elements of success have been identified which the College needs to perform against in balance to be able to secure its Visions and achieve the College Mission. The four elements presented as equal quadrants are Quality, Leadership, People and Resources. All staff make clear and important contributions to these:

- **Quality** reflects our key focus that all learners can succeed in their aims and objectives, develop confidence, gain required skills, knowledge and behaviours and progress with great outcomes whilst ensuring a culture of continuous improvement and educational excellence;
- **Leadership** includes strong governance and ensures the important strategic focus and direction of our efforts to achieve our Mission and Visions, living our Values and making a significant positive contribution to our local communities and stakeholders;
- **People** underpins the importance of all staff – teaching, curriculum support and professional services – to develop, work together and enjoy being a motivated, empowered and high performing team delivering great things for our students and wider community; and
- **Resources** concentrates on the need to guarantee an excellent learning environment and world class or leading-edge resources for current and future generations, underpinning our vision with financial resilience and sustainability, strong business processes and useful targeted reporting, data and information.

Strategic Report (continued)

The College made significant progress towards achieving key aims during the year:

- Supporting around 10,000 individual learners and students to improve their skills, knowledge and behaviours and supporting progression into further education, higher education or work.
- Maintaining a highly inclusive approach and very wide breadth of courses underpinning strong learner focus and outcomes.
- Utilising new Foundation Degree Awarding Powers (FDAP), continuing TEF Gold status for Higher Education which reflect sustained excellent HE outcomes, student engagement and satisfaction, and supportive processes and practice.
- The first and only College in the UK to secure Investors in People status Platinum reaccruited for a second period of three years, with South Devon College being the first English College originally to achieve this recognised top international standard.
- Investors in Careers Award sustained and reaccruited of Matrix Award for advice and guidance confirming that the College provides high quality and impartial information, advice and guidance.
- High employer satisfaction rates at 87% and learner satisfaction views at 96% (FE Choices – General FE & Tertiary Colleges).
- Supporting a record and growing number of Apprenticeships in 2019-20, with a total of over 1600 across more than 700 businesses.
- Completion and opening of £17m Hi Tech and Digital Centre, and £3m White Rock Sports Centre.
- Recognising its advance design and function alongside its high quality aesthetics and wider local and regional impact the Hi Tech & Digital Centre has been shortlisted for the Education Project of the Year (over £5m) and Building of the Year in the prestigious regional Michelmores Property Awards for 2020.
- Continued expansion of our higher education portfolio, with a growing cohort of higher and degree level apprentices
- Significant and rapid introduction of online and remote teaching and learning and student support throughout the unprecedented Covid-19 global pandemic lockdown period, including the introduction of new digital learning approaches building on the innovative practice we have been developing as part of our strategic digital transformation planning.
- Over 1,000 learners were supported on online courses from a wide variety of backgrounds, with a significant uptake in courses such as Understanding Behaviour that Challenges, Mental Health First Aid and Children and Young People's Mental Health awareness.
- Monumental efforts were seen across the College during lockdown and since to support the community, with the Hi Tech team manufacturing face shields with our array of 3D printing facilities for the NHS, music lecturer Barney Dine playing a vital role in the Torbay Rocks scheme with local artists to raise money for the NHS, and our Catering team donating food to Re4orm Torbay that helped them supply well over 10,000 people with nutritious meals in times of great need and Re4orm are still supplying hundreds of meals a week.
- QSCS Accreditation by the Carers Federation, recognising the outstanding support in place here for young and young adult carers.
- Continuing quality improvement good practice work in and developing increasing numbers of teaching and learning coaches and other initiatives.
- National dissemination of Outstanding Teaching Learning and Assessment through Champions in maths and English (CHiME) and Level Up projects.
- Continuing international partnerships with relationships and encouragement of European linkages through Erasmus Plus and other activity in countries such as with Sweden and France.
- Very positive new relationship and joint working developed and strengthened with the Bay Education Trust and Paignton Academy.
- Significant changes in College Leadership structure implemented through careful succession planning to increase leadership capability and create capacity for further continuous improvement and growth.

Strategic Report (continued)

The College continues to successfully work with challenging recruitment and reduced funding allocations achieving and improving on strong student achievement and progression through providing outstanding teaching and learning for its communities.

Challenges facing the College

The further education sector is undergoing a continuing period of austerity, with funding rates frozen since 2014 meaning a 7% real terms drop. However, national lobbying seems to be working and there is now clear recognition and acceptance that a financially sustainable college sector is vital to delivering the education and training that the country needs. Government expects colleges to play an increasingly prominent role in the coming years – to help meet the need for a more skilled domestic workforce following the UK's exit from the European Union, and to support the government's plans to develop national infrastructure, increase the number of public servants, and 'level up' skills and prosperity across the country. Colleges will also be important in developing the skills of people who retrain or change roles as a result of the economic impact of the COVID-19 pandemic.

With the FE White Paper being produced by Government with expected publication Autumn 2020 ahead of the Comprehensive Spending Review (CSR) and adult funding for FE post-Covid, there is a growing expectation of an improvement to the funding environment. The impact of recently published Auger Review which provided clear positive recommendations for increases in funding for FE are also expected to be reflected within the White Paper.

Until we see the 10 year plan expected to be set out in the White Paper and the implementation of any significant policy and funding changes, College finance will remain fragile in the post-Covid Brexit world.

The College continues to deliver its mission 'Inspiring our community through learning for all' and has sustained high quality across a broad ranging curriculum offer to a wide range of stakeholders in an environment of long term, significant reductions in public funding, and recent backdrop of heavily reduced 16-18 demographics (now flattened and starting to grow back) accompanied by sixth form competition and imperfect school IAG, although the new LEP Careers Hub is being received well and having some positive impact.

The College has successfully worked and navigated through considerable turmoil around changes to the current apprenticeship funding system, standards, levy and non-levy payer work, but recognises system imperfection will continue notwithstanding the further challenges of a national drop in apprentice recruitment by employers following Covid-19 effects. The College is also actively preparing for full participation in the as yet unproven T-level future commencing its delivery from September 2021.

The general policy context promotes encouragement to grow higher technical provision, (and we are optimistic about delivering T-Levels, working in partnership to overcome implementation risks), apprenticeship and loan funded work, assuming the adult education budget continues to be held at existing diminished levels, on a track towards further expected local devolution once the pending Devolution Bill is published.

The Department for Education and funders are aware that STEM and level 4/5 technical skills delivery is important but is expensive by nature. We join others in continuing to press the ESFA to more rapidly increase funding to secure policy intent and quality. In this context, where significant capital investment is required for currency, we are delighted to have opened our £17m "Institute of Technology precursor" Hi Tech & Digital Centre development for future generations of South Devon & Torbay students.

Higher Education continues to be an important income stream and area for future growth. Both directly enrolled HE students and Higher and Degree Apprentices play a vital role supporting local growth and economic development ambitions and support greater productivity goals and improved individual and business prosperity. However, ever increasing market competition from universities which has increased still further following the significant reduction in overseas students as a result of Covid-19 alongside "unconditional offer" approaches and with barriers and inconsistencies in the system this growth in the short term will remain a key challenge. We await the publication of the FE White Paper and whether the potentially beneficial recommendations of the Auger review are implemented.

Strategic Report (continued)

The FE sector's financial health remains challenged by years of funding cuts. The FE Commissioner and his team had remained fully employed prior to Covid-19 despite post-Area Based Review mergers intended to stabilise the sector across the country following the NAO Report in 2015. The Insolvency Regime for FE is now in place, with implications from this including a more risk averse approach to the sector by banks, exacerbated by the first colleges to move in to the Special Administration process and the impact of the global pandemic on banks confidence more widely, with an overall pessimistic view and therefore a reduced appetite to lend. We are pleased they do maintain an appetite for working with a strong, well-managed institution such as South Devon College.

Future capital needs include investment in the ageing building fabric, mechanical and electrical services on the main campus as well as current and future IT resilience and specialist equipment. Capital funding is at its lowest level for over 20 years, whilst a number of reviews have recommended future investment to support the roll out of T Levels and other higher level skills training. Capital grant will be made available by the DFE in 20-21 following pressure from the sector and Government's desire to "Get Building" as part of its strategy to kick start the economy following the national lockdown in 2020.

The College is engaged in ever-ongoing work on determining where forward efficiencies will need to be made, minimising as far as possible impact on quality delivery, and also recognising medium term demographic upside gain. In the short term, and in response to the need to meet local, regional and national priorities the College may need to consider continuing provision which may have less than optimal viability or inefficiencies if it is to sustain suitable critical mass and resources to gear up quickly as the economy recovers from whichever "shaped" recession occurs. However, less critical provision will need to be considered very carefully as always to offset the risks of this.

The government is still heavily occupied with implementing Brexit from January 2021 with the increasing likelihood of this being on a "no-deal" basis; with longer term impact on European funding streams, student decision making and the broader economic outlook. It is currently along with Covid-19 management and recovery priorities also impacting in delays in "business as usual" in other government departments and related decision making. At a national level, despite rising unemployment in the short term FE colleges will be competing with the higher salaries offered in schools the government decision to fund pay rises in schools but not in FE and demand from industry for higher skilled and experienced employees in key sectors in which the College is seeing growth in demand such as health, engineering, data, cyber security, marine, etc we are likely to remain challenged to retain and recruit high calibre staff in many critical areas of the curriculum.

Despite the challenges, the College confidently continues to pursue its ambitious vision in support of its core mission "inspiring our community through learning for all". This includes stakeholder ambition to seek university status by 2025 and progressing steps on the journey. New initiatives will bring greater potential rewards, but may also increase business risk. New ventures also bring a range of challenges and opportunities, reputational and financial, and these are closely monitored and appropriately considered through the College's corporate governance structure. Future capital investment is both a major enabler and a risk.

Financial objectives

The College's financial objectives are set to support the College mission and strategic aims. In particular they are:

- 1) to sustain financial strength, resilience and investment;
- 2) to achieve an annual operating surplus, secure positive cash flow and a strong retained cash position;
- 3) to fund continued capital investment;
- 4) to pursue alternative sources of funding, on a selective basis, consistent with the College's core objectives and the need for a financial contribution to the College's overall finances;
- 5) to maintain strong control of solvency, current ratio and debt levels;
- 6) to diversify the income base whilst increasing fee and other income streams; and
- 7) to manage long term borrowing and overall debt, and plan to secure future investment.

Strategic Report (continued)

Financial performance indicators to monitor progress against the listed objectives are annually agreed and monitored as part of the College's performance indicator process. They are included as part of the Resources quadrant in the Measures Matrix – see section below.

Key performance indicators

The College also uses a Measures Matrix to track key performance indicators. In 2019-20 there were 42 indicators grouped into categories aligned to the College's key elements of success – Quality, People, Resources and Leadership. Of the 42 indicators, 16 are fully achieved and 18 are on track. Performance and progress is monitored to ensure continuous improvement, with action plan and risk mitigation in place where required.

FINANCIAL POSITION

Financial results and investment

The College's financial results in 2019-20 were significantly affected by the global coronavirus pandemic. The budget set in January 2020 was for a small surplus but the final results in 2019-20 were a loss of £512,000. Loss of planned income was the key driver, with significant impact in adult apprenticeships, catering and facility hire, and project income. Some cost savings were secured throughout the lockdown period and the College did furlough some staff in relation to the areas of income loss.

The College generated an operating loss for the year of £512,000 (excluding pension costs). A pension cost of £1,739,000 under FRS 102 has been made, resulting in an overall deficit on continuing operations of £2,251,000 (2018-19 operating surplus £203,000, FRS 102 provision £1,759,000 leaving a deficit on continuing operations of £1,556,000).

Despite the limitations of the external finance and funding context, the College has continued to invest significantly in campus developments, learning resources and additional staffing to support learning sustaining significant positive impact for our learners and the wider community.

In the reporting period a significant increase in provision was made in relation to our Local Government Pension Scheme; an increase of £11,168,000 compared to last year, with the provision now standing at £32,176,000 (2018-19 £21,008,000). This significant increase was driven by macro-economic conditions beyond the College's control, this year including severe disruption in global markets caused by the coronavirus pandemic.

The College has accumulated reserves of £18,567,000 (2018-19 £19,079,000) from which a pension provision of £32,176,000 is deducted (see above) leaving a negative net reserves position of £13,608,000 (2018-19 £1,928,000 negative). There are cash balances of £2,904,000 (2018-19 £4,422,000). The College needs to continue to accumulate reserves and cash balances in order to maintain agility and flexibility through a strong working capital position and generating funds for reinvestment in capital, particularly in the context of limitations to capital grant availability.

Tangible fixed asset additions during the year amounted to £1,554,000. This includes land and buildings of £332,000, assets in the course of construction of £29,000 and equipment purchased of £1,193,000. Of this, £460,000 was spent on computer equipment and £452,000 on equipment for teaching purposes.

The College has significant reliance on the Education and Skills Funding Agency (ESFA) for its principal funding sources, largely from recurrent grants. Since April 2010 funding agencies' funds have been channelled through the Education and Skills Funding Agency and also, to a far lesser extent, the Higher Education Funding Council for England (HEFCE) in respect of grants for HE learners. In April 2018 the Office for Students (OfS) took over from HEFCE as the regulator of HE and therefore the source of HE grants. In 2019-20 these organisations provided 66% of the College's total income (68% in 2018-19).

Strategic Report (continued)

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Education and Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. The College's reserves include £1 (2018-19 £1) held as restricted reserves. As at the balance sheet date the income and expenditure reserve stands at £18,567,000 (2018-19 £19,079,000). It is the corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses, should operating conditions allow (i.e. wider economic challenges such as the impacts of the global pandemic).

Cash flows and liquidity

Operating cash flow in the period was £1,852,000 (2018-19 £8,948,000), as presented in the Statement of Cash Flows. There was a decrease of cash balances from 2018-19 to 2019-20 of £1,518,000 driven by significant investment in large capital projects.

There were no new loans drawn in 2019-20 (zero drawn in 2018-19). Loan balances were reduced by £898,000 to £10,582,000 (£11,480,000 in 2018-19).

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded. The College's forecast for 2020-21 shows sufficient cash generation to meet debt servicing commitments.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2019-20 the College delivered 16-18 activity equating to £11,639,866 in ESFA main allocation funding (2018-19 - £10,035,475). Learner numbers were 2090 against a target of 2199. Actual funding received, based on lagged learner numbers was £9,747,001 (2018-19 - £10,746,325). This includes ESFA funding for high needs learners.

19+ adult education budget activity was amended due to devolution and equated to £2,397,397 in ESFA main allocation funding (2018-19 - £2,463,578). Learner numbers were 2,148 (2018-19 - 3,205).

Apprenticeship funding is largely demand led with a small allocation awarded for those apprentices continuing under previous methodologies. 522 16-18 apprentices and 1,061 adult apprentices generated income of £5,440,917 (2018-19 - £4,889,610)

14-16 direct activity allocation equated to £790,908 for 159 learners.

Funding via Advanced Learning Loans was £682,748 in 2019-20, against a total facility of £735,831 (2018-19 funding of £703,000 against a facility of £1,177,000). However it should be noted that the separately funded Career Learning Pilot offered by ESFA in 2018-19 moved funding away from ALL. This project was a one-off for 18-19.

Strategic Report (continued)

The College also successfully delivered a substantial range of programmes in higher education, work based learning, adult and community learning, re-engagement, full cost and other employer led activity.

The College contributed fully to the employer responsive areas of apprenticeships and other employer led activities, with another record year for apprenticeship numbers.

Student achievements

The year 2019-20 was another very strong academic year, although exceptional in the way grades were awarded due to Covid19. Key successes included:

- 'A' Level pass rate for 16-18 year olds was 100% across an excellent range of 20 subjects, including English, maths, science and art subjects and on par with the national rate.
- Vocational Level 1, 2 and 3 programmes offered by the College achieved excellent results, with many Diplomas/Certificates achieving 100% pass rates.
- The volume of GCSE English and maths retakes continues at a high level as a result of government policy and condition of funding requirements and results had an overall pass rate of 86.5%. Many of these were sat in November, ahead of the radical changes made due to Covid. The High School pupils have achieved excellent results and over 85% can now celebrate progressing into further education, with 74% of pupils achieving pass grades 4-9 in English and maths and 70% in science.
- Apprenticeship achievements are still being updated as learners enter their end point assessment but rates at over 70% are expected by the time they are all claimed by December.

Curriculum developments

The College continues to deliver high quality study programmes across a broad curriculum in order to fully meet local employment and student needs. It continues to review and expand progression routes including additional higher education pathways and is actively preparing for the introduction of T Levels in 2021.

Many of our students have low levels of prior educational achievement. The College maintains a wide range of programmes aimed at students, particularly adults, who are returning to education. These include Entry Level courses, maths and English and Access programmes.

Programmes for adults have been sustained including for programmes at Level 3 whilst higher and degree apprenticeship pathways have also been developed to meet employer needs and market demands.

Working closely with the University of Plymouth, the College continues to develop its portfolio of Higher Education programmes including increasing the range of full honours degrees.

After successfully gaining Foundation Degree Awarding Powers in 2017/18, following a rigorous two year scrutiny process the College has developed and approved a number of bespoke Foundation Degrees. Working closely with local employers to support local regeneration, improving productivity, economic growth and development, greater prosperity, widening participation and increased social mobility the new programmes were launched in September 2020.

Academic staff embraced digital models of teaching and learning to continue the delivery of the curriculum during the summer term despite lockdown and the challenges posed by Covid. Innovative approaches will be taken forward into 2020/21 to ensure a safe and accessible education for College students within the continuing pandemic.

Strategic Report (continued)

The College has planned to meet increasing demand over the next 5 years through the expansion and remodelling of its Vantage Point facilities including the opening of a new High Tech and Digital Skills Centre and making plans for the introduction of T Levels from 2021. The College is currently exploring the feasibility of Student Accommodation to meet identified growing demand.

Payment performance

Since 1998 there has been legislation in place providing a statutory right to interest for late payment to small business from large firms and the public sector. In 2002 small companies were also required to comply.

Amended late payment legislation came into force in March 2013, under the EU directive 2011/7/EU entitled "*Combating late payment in commercial transactions*". The aim was to make pursuing payment a simpler process across the European Union, reducing the culture of paying late and making paying on time the norm. Note the EU directive (in respect to payment performance) applies to all suppliers; the distinction between small/large businesses is removed.

In the context of this directive the College is in the public sector and as such must ensure the payment period for all commercial transactions is no longer than 30 days.

During the accounting period 1 August 2019 to 31 July 2020, the College paid 51% of its invoices within 30 days and 84% within 60 days (compared to 56% and 87% in the 2018-19 financial year). Further detail can be found on our website at this link <https://www.southdevon.ac.uk/about-us/doing-business-with-south-devon-college>

The College is working with all suppliers to encourage them to submit their documentation directly to Finance, to ensure delays are minimised and this metric is improved. The College aims to pay all its creditors within agreed terms. The College incurred no interest charges in respect of late payment for this period.

Future prospects

The College has a clear strategy and action plan to strengthen financial health following the significant and unprecedented financial impact of Covid-19 and is forecast to achieve this by 2023. The College will look to further expansion following its successful achievement of Foundation Degree Awarding Powers and as it begins its journey to Full Taught Degree Awarding Powers and achievement of University Status by 2025. The College has continuing ambitious growth in apprenticeships, a forecast upward trajectory for increasing numbers of 16-18 years based on actual local demographics and positive indications for 2020-21 based on applications and early enrolments as well as other new partnership opportunities all of which will meet the needs of our learners, our local and regional community and the wider economy and national Government Strategies.

The College completed the construction of its new £17m High Tech and Digital Centre, opening this for students in September 2019. It also completed its new Sports Centre facilities at the end of 2018 which opened for College and community use at the start of January 2019 as planned. Both projects, totalling circa £20m were successfully completed on time and within budget and as planned through our long term financial strategy has had the expected short term impact on the overall Financial Health Score with College reserves used as match and additional borrowing taken, albeit this has been unexpectedly compounded by the effects of Covid-19 during this financial year.

The college strategies and key priorities require and have a clear short, medium and long term strategy for capital, estates, people (staff), sustainability towards achieving net-zero carbon and digital transformation. Capital funding is critical to deliver renewal, growth and innovation reflecting the wider national, regional and local priorities including, amongst others:

Strategic Report (continued)

- Responding to recovery planning for Covid-19 economic shocks and high youth unemployment
- Post-Brexit Skills needs
- Local Industrial Strategy (increasing productivity and prosperity)
- T Levels (Construction, Health, Digital, Marine & Education) from 2021
- Apprenticeship growth
- OfSTED FE Inspection Framework
- Local HE and higher skills growth and securing university status by 2025
- Student residential accommodation
- Demographic growth in 16-18 year olds
- Improved efficiency (space and revenue cost)
- Staff health & wellbeing
- Climate crisis and the need to make significant progress with wider sustainability through the SDG and setting and moving towards achieving net-zero carbon

The College is looking forward to continuing its positive close working with Premier Marinas to develop new leased Marine Academy facilities at Noss-on-Dart, Kingswear with planned opening for Autumn 2021 following delays, caused in part by the pandemic.

RESOURCES

The College has a wide range of excellent resources that it deploys in pursuit of its strategic objectives.

Tangible resources include the main college site, the Vantage Point campus including Hi Tech & Digital Centre the University Centre South Devon, the South West Energy Centre and South Devon Sports Centre as well as the Newton Abbot Campus, the Torquay Campus (Centre for Health & Care Professionals) and Noss Marine Academy in Kingswear.

Financial

The College has net liabilities of £13,608,000, however this includes: £32,176,000 LGPS pension liability, deferred government grants of £25,953,000 and long term debt of £10,582,000.

People

The College employs 567 people (expressed as full time equivalents), of whom 344 (61%) are teaching staff.

Reputation

The College is well established as a leading educational institution recognised by the local community, regionally and nationally. Monitoring and maintaining the College's success is part of the embedded culture of continuous improvement and outstanding achievement and this continues to be formally recognised through independent external accreditation, awards, surveys and inspections.

- IIP Platinum – this is the highest ranking any national or international employer can achieve, the college was re-accredited as platinum in 2020.
- TEF Gold – the highest level possible under the Teaching Excellence Framework for university-level curriculum.
- FE Choices – recognised as the top college in South England for student satisfaction in 2019.
- FE Week AAC Apprenticeship Awards – nationally recognised in 2020 for outstanding contribution to apprenticeship development.
- South Devon Business Awards – 2 awards in 2019; outstanding business of the year and best digital/tech business.
- TES FE Awards – shortlisted for college of the year in 2018.
- AAT Training Provider Award – awarded for innovation in course design and delivery in 2019.
- Matrix Award – reaccruited with the Matric standard in 2019, a unique quality benchmark for information and guidance.

Strategic Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to maintain robust systems of internal control, including financial, operational, IT & Data (cyber security) and risk management, designed to protect the College's assets and reputation.

Based on the strategic plan, the College Leadership Team and Governors undertake a regular comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions, which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Senior Leadership Team and Governors will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A strategic risk register is maintained at the College level which is reviewed by the Audit Committee at each meeting and by the full Governing Body at least annually. The risk register is a live working document and identifies: the key risks; the likelihood of those risks occurring; their potential impact on the College; the actions being taken and planned for implementation to reduce and mitigate the risks; and sources of evidence of assurance that the risks are being managed. Risks are prioritised using High, Medium and Low and are aligned to the College's Elements of Success of Quality, Leadership, People & Resources and mapped against the Measures Matrix (Key Performance Indicators). The Audit Committee request a "deep dive" analysis for two of the risks on the register for presentation at their meetings.

This is supported by a risk management training programme to raise awareness of risk throughout the College and inclusion within college operating plans of actions targeted to mitigate those risks. These are reviewed as part of the College's "business as usual" approach to managing risk.

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. These are broad risk categories whereas the strategic risk register is a detailed internal document and commercially sensitive.

1. Global pandemic response

The ongoing coronavirus pandemic has far-reaching social and economic consequences that will undoubtedly affect the operations of the College at all levels.

2. Government policy and funding changes

Two thirds of the College's income come from government sources, leading to high exposure to government policy. Further Education funding was drastically reduced from 2010 and while the government has increased investment in 2020 somewhat, it does not address the real-term cuts that have been suffered. The government is signalling that FE is higher up the list of priorities as the positive societal impact of colleges is now better understood. However, with the backdrop of recession and economic turmoil, the level of additional funding is unclear.

3. Ability to maintain effective and secure digital environment

College operations are increasingly digital by design, ever more so in the current pandemic climate when remote access for students and staff is vital during any lockdowns. At the same time the instances of malicious cyber attacks have increased exponentially.

4. Ability to retain high quality

The provision of highest excellent quality education and training is at the heart of the College and continues to be the key driver of further growth and financial sustainability.

Strategic Report (continued)

5. Highly competitive market

Although the College works in close collaboration with local schools and other education/training providers on some matters, the current policy and funding environment encourages competition for learners. The marketplace is highly competitive with many providers hoping to attract the maximum funding for their institution.

6. Key stakeholder management

As an anchor institution with an important role in the social and economic prosperity of the South Devon community, it is vital that the College maintains close relationships with stakeholders. The key stakeholders are listed above, on page 2 of this report.

7. Recruitment and retention of staff

The College's staff is its most precious resource and critical to ensure successful outcomes. Attracting and retaining high calibre staff alongside ensuring a suitable talent pipeline at all levels of the organisation is a top priority.

Equality and Diversity

South Devon College believes in the principle of freedom from discrimination for everyone, regardless of their age, gender, disability, ethnic or national origins, marital status, sexual orientation, social background or religious beliefs, or of being part of any other group which may have experienced discrimination. South Devon College aims to provide real equality of opportunity for all of our existing learners and staff and supports the same for the wider community. We aim to continue to attract increasing numbers of learners into non-traditional vocational areas and from groups within the wider community who are underrepresented in learning. The College will continue to foster a learning community for all its staff and students in which equality is promoted and diversity is valued. The College will champion equality and diversity in all of our activities. Our commitment to equality and diversity will ensure that success is achieved across the widest possible spectrum of the community. The College's Single Equality Scheme and Equality Objectives are published on the College's external and internal websites. This policy is resourced, implemented and monitored on a planned basis.

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

The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability Statement

South Devon College is committed to ensuring that people with a disability, including those with learning difficulties, are treated fairly and will ensure all reasonable adjustments are made to enable students and staff full access. The College will provide, wherever possible, as wide a range of opportunities and support for students who have disabilities and/or learning difficulties and have a commitment to encourage them to join chosen courses wherever appropriate. We have the facilities and are happy to produce learning materials in a variety of formats where necessary. We can, if appropriate, provide a range of equipment to help students' access learning, and additional support is available within the classroom or workshop environment if required.

Where an existing employee becomes disabled, every effort is made to ensure that adjustments are made to allow meaningful employment with the College. The College's policy is to provide training, career development and opportunities for promotion for all employees.

Strategic Report (continued)

The College seeks to achieve the objectives set in the Equality Act 2010 including its obligations under the General and Public Sector Equality Duty. In particular it makes the following commitments:

- Students with learning difficulties or disabilities are given the opportunity to have a supported site visit with the schools liaison team and are then contacted again to inform of any changes to the site over the holiday period. Accessibility is reviewed regularly through the Equality & Diversity Committee, Learner Forums and through consultation and feedback from groups representing all the protected characteristics.
- The College also meets students, staff, members of the community and representatives from all protected characteristics when undertaking significant new projects such as the University Centre and the South West Energy Centre to ensure accessibility is considered early in the design process.
- The College also has a clearly defined process for Equality Impact Assessments; school leavers with specific needs or disabilities are identified to the college through a variety of ways: Section 139 assessments, school liaison, liaison with parents and carers and close working with local authorities, commissioning bodies and relevant agencies. Students are invited to attend 'bridging' days / transition time with the College during which individual needs are assessed in order to provide appropriate support.
- The College has recently achieved Disability Confident Employer status. The College has moved from being Disability Confident Committed (Level 1) to Disability Confident Employer (Level 2). Accreditation for a Disability Confident Employer lasts for 3 years. The scheme aims to help The College successfully recruit and retain disabled people and those with health conditions through many means including inclusive and accessible recruitment practices, offering interviews to disabled people, providing reasonable adjustments and supporting employees with disabilities or long term health conditions.
- The College has a Single Equality Scheme which lays out the way ahead and explains what, why and how we intend to continue to promote equality and tackle discrimination for all our students, staff and communities and to fulfil its General and Public Sector Equality Duty. We aim to continue to attract increasing numbers of learners into non-traditional vocational areas and from groups within the wider community who are under-represented in learning.
- There is a wide range of specialist equipment which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- The College has successfully supported 189 learners with high needs this year at FE level and also provides strong support at HE level to minimise barriers to active participation.
- 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.
- There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities. Partnership working, cross FE college communication and sharing of good practice both internally and externally have been introduced and are now firmly embedded in the college annual planning cycle as well as established events and activities in the College annual calendar.
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

Strategic Report (continued)

- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction. The information can also be found on the College web site and is displayed on the plasma screens at times. The College Positive Intervention team provides further specialist support. Learning Opportunities students can access a specialist counsellor and physiotherapy service in addition to the College welfare services. Theme weeks occur at regular academic intervals, supporting the tutorial process.

Safeguarding and Prevent

The College is fully committed to providing a safe and secure environment for all students and staff. The College has been committed to fully implementing necessary steps and guidance and ongoing training across the whole College to meet its duties in respect of the Prevent legislation at further and higher education levels and actively works in partnership with relevant agencies and partners to this effect. The College has prepared itself for the updated safeguarding legislation "Keeping Children Safe in Education" September 2019, and updates and trains staff throughout the year.

There has been ongoing investment in the College's Positive Intervention team who provide learners with pastoral care and deal with any safeguarding concerns. They work closely with other members of College staff, such as the nurse, the Designated Safeguarding Lead and tutors to provide a full wrap around care package, as well as with other agencies within and outside the College. They are able to refer students to external agencies if and when necessary to provide relevant support.

The Positive Intervention team also leads on Mental Health First Aid and other mental health support and referral services for the College, and works pro-actively to monitor and respond to other pastoral and behavioural agendas affecting learners' education and training.

Mental Health and Wellbeing

Last year the College has recently signed up to the AoC Mental Health & Wellbeing charter. This charter contains a number of pledges that the college has and will continue to implement to create an environment that promotes student and staff wellbeing and that proactively supports student and staff mental health. In June 2020, we were also delighted to hear that the College achieved the Investors In People Health & Wellbeing Award. This confirms that we have the right principles in place and that we have developed a good staff wellbeing strategy. This will be in place for 3 years.

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:

Number of employees who were trade union officials during the relevant period	4
FTE employee number	567

Percentage of working hours spent on facility time	Number of employees
0%	0
1-50%	4
51-99%	0
100%	0

Strategic Report (continued)

Total cost of facility time	£6,245
Total pay bill	£19,902,000
Percentage of total bill spent on facility time	0.03%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Events after the end of the reporting period

There have been no significant post balance sheet events.

Going concern

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

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

The College submitted a financial plan to the Education Skills Funding Agency (ESFA) in July 2020 which set out the financial forecast to July 2022, taking into consideration, as far as practical, the impacts of the global pandemic. An updated financial forecast was submitted to the ESFA in November, indicating a slightly worsening financial picture. There have undoubtedly been negative consequences on the College's financial position as a result of the current pandemic, particularly around commercial income. However, there have been some positive movements on government funding going into 2020-21 along with new apprenticeship delivery contracts with large local and national levy payers. The College's latest forecast is more constrained due to the pandemic, but a positive cash position is predicted, sufficient to cover borrowing commitments and continue to invest in capital.

Key assumptions for income in the 20-21 financial year include an increase in core 16-18 funding from the ESFA which is committed and therefore secure; maintaining apprenticeship income, supported by some secured contracts but also sensitive to recessionary affects in the wider economy. Other income lines have been held flat or reduced compared to 19-20 levels.

Key assumptions for cost in the 20-21 financial year include increases in assessment costs linked to apprenticeships which may reduce depending upon the impacts of any further lockdown. Pay costs are assumed to include a cost of living increase which is subject to approval by the governing body. There is some, although limited, scope to adjust operations in-year to make cost savings should they be needed.

On the critical issue of cash flow, the key pinch point is from January 2021 to March 2021 which is traditionally a low point in the cash cycle for colleges, when they await the release of cash from central government for core funding and the final 50% of HE loan funding from Student Finance England. The position improves from April 2021 onwards. An overdraft facility is in place if needed.

The College currently has a total of £10,582,000 in loans outstanding (£11,480,000 in 2018-19) with 4 lenders, negotiated at various dates. The College's forecasts and financial projections indicate that it will be able to adequately service all loan commitments for the foreseeable future.

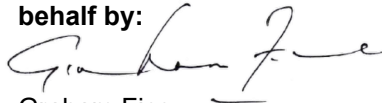
There are 11 covenants attached to the College's borrowing. One has been breached in 2019-20, but the bank will waive the conditions due to the extraordinary circumstances caused by Covid-19. The remaining 10 covenants are met as at 31st July 2020 but some will breach at 31st July 2021 if our latest financial forecast is accurate. All the College's bankers have clearly stated their intention to support the College while the pandemic crisis continues.

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 reasonable steps that, in his or her opinion, 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 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Graham Fice', written over a horizontal line.

Graham Fice
Chair of the Governing Body

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts to gain an understanding of the College's governance and legal structure. The College endeavours to conduct its business:

- i. In accordance with the seven 'Nolan' principles identified by the Committee on Standards in Public Life, namely: selflessness; integrity; objectivity; accountability; openness; honesty and; leadership;
- ii. In accordance with 'The Code of Good Governance for English Colleges' (the 'Code'), as issued in March 2015 and as amended December 2018; and
- iii. By monitoring and reviewing developments in relation to the Charity Governance Code (July 2017 – update due Autumn 2020), the UK Corporate Governance Code (July 2018) and the Higher Education Code of Governance (September 2020).

The College is committed to adopting best practice in all aspects of corporate governance and the Governing Body has adopted and complies with the Code. The College is also watchful of developments in relation to the Charity Governance Code, the UK Corporate Governance Code and The Higher Education Code of Governance. The College Corporate Governance arrangements draw upon best practice available from these Codes and associated practice.

In the opinion of the governors, the College complies with the provisions of the Code (including The Colleges Senior Post Holder Remuneration Code) and it has complied throughout the year ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code, which it formally adopted at the July 2015 meeting of the Governing Body.

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.

Public benefit

The College is committed to adding value to the social, economic and physical wellbeing of its community and environment. This document provides information on the activities of the College and its role in the community.

South Devon College is an exempt charity under Part 3 of the Charities Act 2011. The College was regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England until 13 July 2016. Through a machinery of government change in late July 2016, the College is now regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 20 and 21.

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

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

- High quality teaching and learning.
- Widening participation and tackling social exclusion.
- Excellent employment record for students.

Statement of Corporate Governance and Internal Control (continued)

- Strong student support systems.
- Links with employers, industry and commerce.
- The delivery of public benefit is covered throughout the Strategic Report.

The Corporation

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

Name	Date of appointment /re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Gov. Body/ Committee Attendance (01/08/19 - 31/07/20)
Joe Considine	01/09/17	4 years		Independent member	People & Resources Committee	100%
Tracey Cabache	01/03/19	4 years		Independent member	People & Resources Committee	83%
Kate Doodson	13/03/20	4 years		Independent member	People & Resources Committee	75%
Graham Fice (Chair of Governors)	01/09/2016	4 years		Independent member	QTLA, Remuneration and Chair of Search & Governance Committee and GB Advisory Group	93%
Laurence Frewin	01/09/19	Ex-officio		Principal & CEO	QTLA, Project Board, People & Resources, Search and Governance and GB Advisory Group	84%
Philip Gibson	10/06/16	4 years		Independent member	Chair of QTLA Committee and member of Remuneration Committee and GB Advisory Group	92%
Rory Gilbert (Chair of Audit Committee from May 2020)	15/06/17	4 years		Independent member	Audit Committee, Project Board and GB Advisory Group	100%
Matt Green	20/12/2013 20/12/2017	4 years		Staff (support services) member	People & Resources Committee, Search and Governance Committee and Project Board	90%
Jon Goldman	01/09/18	4 years		Independent Member	QTLA, Audit Committee and Search & Governance Committee	73%
Caroline Lee	22/10/15	4 years	29/09/19	Independent member	Search & Governance Committee, People & Resources Committee	N/A
Elizabeth Lyons	15/11/18 01/08/19	1 year		Student (HE) member	QTLA Committee	33%
Elias Newton-White	18/07/19	1 year		Student (FE) member	QTLA Committee	17%
Judy Ravenscroft	01/03/19	4 years		Independent member	Audit Committee. QTLA Committee	78%
Graham Rooke	22/03/13 22/03/17	4 years	12/05/20	Independent member	Chair of Audit Committee and Member of Remuneration Committee	80%

Lee Soden (Vice Chair of Governors)	15/06/17	4 years		Independent member	People & Resources Committee, Chair of Remuneration Committee Chair of Project Board and Member of GB Advisory Group	100%
Jane Viner (Vice Chair of Governors)	01/09/17	4 years		Independent member	Chair of People & Resources Committee, Member of Remuneration Committee and GB Advisory Group	77%
Mark Waldron	22/10/15	4 years		Independent member	QTLA Committee	17%
Dave Wildman	01/11/17	4 years		Staff (academic) member	QTLA Committee Audit Committee	89%
Lisa Keay was appointed as Clerk to the Governing Body on 11 April 2016.						

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

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

The Corporation conducts its business through a number of committees. These committees are Audit, Quality Teaching Learning & Assessment, Remuneration, People & Resources, Search & Governance, and Project Board. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Head of Governance by emailing lisakeay@southdevon.ac.uk or writing to:

South Devon College
Vantage Point
Long Road
Paignton, TQ4 7EJ

The Head of Governance maintains a register of financial and personal interests of the governors. The register is available for inspection by emailing the Head of Governance: lisakeay@southdevon.ac.uk.

All governors are able to take independent professional advice in furtherance of their duties, at the College's expense, and have access to the Head of Governance (Clerk), 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 one week before 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.

Statement of Corporate Governance and Internal Control (continued)

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee, consisting of 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.

Independent and staff members of the Corporation are appointed for a term of office not exceeding four years but may, subject to satisfactory performance, be re-appointed. Student members are appointed for a term of one year and can be re-appointed if re-elected by the student body. The Principal of the College is an ex-officio member of the Corporation.

Corporation performance

The result of the Governing Body's annual self-assessment questionnaire (July 2019) was a rating of "Good" to "Outstanding". The Chairs' Committee and Search & Governance Committee will discuss this self-assessment and determine whether there are any particular areas identified for further improvement.

During the lockdown all committee and Governing Body meetings (and stakeholder events) took place via videoconference. Governors were asked, as part of their annual self-assessment questionnaire, whether the Governing Body had maintained good systems of governance whilst operating remotely and this was confirmed as 'outstanding' or 'good'. Indeed, the Corporation was swift in setting up a Governing Body Advisory Group (COVID-19) to support robust governance during the early stages of the pandemic. Its Terms of Reference included advising and supporting the leadership team and it did this by meeting fortnightly throughout the summer term to receive updates on teaching and learning and finances. This Committee met from April onwards and its membership consisted of Committee Chairs and the Principalship Team.

The Governing Body also formally self-assessed its performance through its committees. In particular, all committees reviewed and confirmed their effectiveness in fulfilling their terms of reference via an annual cycle of business. A high level of governor engagement and corporation performance was evidenced by many examples of Governor "Support and Challenge" in the minutes of all meetings.

Remuneration Committee

For the year ending 31 July 2020 the College's Remuneration Committee comprised five 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 senior post-holders.

These recommendations are based on the Governing Body's Remuneration Framework for Senior Post Holders which is underpinned by the principles found in the AoC Colleges Senior Post Holder Remuneration Code, namely:

- a) 1.4.1 Fair, appropriate and justifiable levels of remuneration;
- b) 1.4.2 Procedural fairness; and
- c) 1.4.3 Transparency and accountability.

Details of remuneration for year ended 31 July 2020 are set out in note 7 to the financial statements.

Audit Committee

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

Statement of Corporate Governance and Internal Control (continued)

The Audit Committee meets once each term and provides a forum for reporting by the College's internal 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 work and report their findings to management and the Audit Committee.

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

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

Statement from the Audit Committee

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

The specific areas of work undertaken by the audit committee in 2019/20 and up to the date of the approval of the financial statements are:

- Receipt of Internal Audit Reports/reviews on:
 - Teaching Hours/Staff Utilisation – Conclusion: reasonable assurance. Recommendations: 2 medium and 2 low
 - Mental Health and Wellbeing – Conclusion: reasonable assurance. Recommendations: 3 medium and 5 low
 - Key Financial Controls: Procure to Pay – Conclusion: reasonable assurance. Recommendations: 2 medium and 2 low
 - Follow-Up Audit – Conclusion: good progress. Recommendations: 3 medium and 3 low
 - IT Digital Strategy – Conclusion: reasonable assurance. Recommendations: 1 high, 1 medium and 1 low
 - Funding Assurance – Recommendations: 3 medium
- Strategic Risk Management Plan – reviewed and improved
- 'Deep dive' reports from Management were requested and governors received sufficient assurance of effective controls/mitigations in place for the following risk areas:
 - Level 3 Funding Assurance Audit
 - Cyber Essentials
 - Student recruitment and retention
 - Follow Up: Level 3 Funding Assurance Audit
 - Safeguarding
 - IT provision/infrastructure for teaching and learning
 - Apprenticeships

COVID-19 delayed the completion of internal audit reports on IT Digital Strategy and Funding Assurance. The Audit Committee convened an additional meeting on 24 September 2020 to receive and review these reports.

Statement of Corporate Governance and Internal Control (continued)

Quality Teaching Learning & Assessment (QTLA) Committee

The QTLA Committee is responsible for ensuring student success, progression and satisfaction is maximised with continuous review and improvement of strategies, policies, procedures and data relating to quality, teaching, learning and assessment. It also monitors the impact of the College's policies and actions in relation to safeguarding, including the Prevent duty and Equality and Diversity.

People & Resources Committee

The People & Resources Committee is responsible for making recommendations to the Governing Body on the annual estimates of income and expenditure, financial monitoring, and approving broad College policies relating to property/accommodation. It receives termly HR reports and monitors the impact of the College's policies and actions in relation to Health and Safety. The Committee is also responsible for approving major external contracts, which are consistent with the College's Strategic Plan.

Search and Governance Committee

The Search and Governance Committee is responsible for making recommendations to the Governing Body on the nomination of candidates for appointment as members of the Governing Body in accordance with the Instruments and Articles of Government and to recommend policies and procedures for such appointments. The Committee also considers and advises the Corporation on the composition and balance of the Governing Body and its Committees.

Project Board

Project Board is an ad hoc sub-committee of the Governing Body, and is set up as directed by the Governing Body to consider specific matters requiring close attention; for example where the College is undertaking large capital projects. The decision to set up a Project Board to support the development of the College's estate was confirmed at the meeting of the Governing Body on 17 July 2015 (GB/14/120). Following the completion of the College's main capital projects, this Committee was dissolved by the Governing Body on 26 March 2020. Outstanding actions related to these capital projects were transferred to the People & Resources Committee for termly monitoring until resolved.

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 the Principal is personally responsible, in accordance with the responsibilities assigned to the Principal in the Financial Memorandum between South Devon College and the Education and Skills Funding Agency. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

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

Statement of Corporate Governance and Internal Control (continued)

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

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year 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; and
- the adoption of formal project management disciplines, where appropriate.

South Devon 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. As a minimum, the internal auditor annually provides the Governing Body with a report on internal audit activity in the College. The report includes the internal auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Risks faced by the corporation

The Corporation identifies, evaluates and manages risk through the termly monitoring of a Strategic Risk Management Plan. This Plan is regularly reviewed and updated by the Director of Finance who draws governor attention to the impact and likelihood evaluation of key operational, financial, compliant and other risks. The principal risks have been summarised in the report above.

Control weaknesses identified

There have been no significant internal control weaknesses or failures identified during 2019/20.

Responsibilities under funding agreements

The Corporation has met its contractual responsibilities under its funding agreements and contracts with the ESFA by

- a) ensuring that the College's funds are used only in accordance with the College's powers as set out in the Further and Higher Education Act 1992 and the College's own statutory duties and other obligations.
- b) ensuring the effective and efficient use of resources, the solvency of the institution and the corporate body and the safeguarding of its assets
- c) ensuring that it has operated in line with its exempt charitable status.

Statement of Corporate Governance and Internal Control (continued)

- d) appointing the Principal as its Accountable Officer and receiving assurances from the Principal that there is compliance with the Funding Agreement and all other terms and conditions of funding (as evidenced below by the signed Statement of Regularity, Propriety and Compliance).

Compliance with Office for Students conditions of registration

The Audit Committee receives assurances, at its termly meetings, that the College has complied with OfS conditions of registration.

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors, the regularity auditors, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The 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, 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 Committee's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

Approved by order of the members of the Corporation on 10 December 2020 and signed on its behalf by:



Graham Fice
Chair of the Governing Body



Laurence Frewin
Accounting Officer

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with the 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 not 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.



Graham Fice
Chair of the Governing Body

Date: 10 December 2020



Laurence Frewin
Accounting Officer

Date: 10 December 2020

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 Financial Memorandum agreed between the ESFA and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements, and an operating and financial review for each financial year. These must be prepared in accordance with the *Statement of Recommended Practice – Accounting for Further and Higher Education*; with the *College Accounts Direction* issued by the Education and Skills Funding Agency; the *Office for Students Account Direction*; the UK's Generally Accepted Accounting Practice; and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is also required to prepare a Strategic 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 which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including the Further and Higher Education Act 1992; the Charities Act 2011; and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that 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 Education and Skills Funding Agency are used only in accordance with the Financial Memorandum with the Education and Skills Funding Agency 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 Education and Skills Funding Agency and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 10 December 2020 and signed on its behalf by:



Graham Fice
Chair of the Governing Body

Independent Auditor's Report to the Corporation of South Devon College

Opinion

We have audited the financial statements of South Devon College for the year ended 31 July 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2020 and of the College's deficit of income over expenditure for the year then ended;
- Have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice;
- Have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- Meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient 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 Corporations' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Other information

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

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

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.

Report on other legal and regulatory requirements

We are required to report on the following matters by the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency.

We have nothing to report in respect of the following matters in our opinion:

- Proper accounting records have not been kept; and
- The financial statements are not in agreement with the accounting records and returns; and
- All information and explanations required for the audit were not received.

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students:

We have nothing to report in respect of the following matters in our opinion:

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

Responsibilities of the Members of the Corporation of South Devon College

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 28, the College's Corporation is responsible for the preparation of the financial statements which give a true and fair view and for such internal control as the Members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements the Members of the Corporation are responsible for assessing the 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 members either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

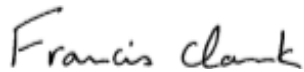
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

Use of our report

This report is made solely to the Corporation as a body in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the Corporation as a body 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 Corporation, as a body, for our audit work, for this report, or the opinions we have formed.



PKF Francis Clark
Registered Auditors
North Quay House
Sutton Harbour
Plymouth
PL4 0RA

Date: 15/12/2020

Reporting Accountant's Assurance Report on Regularity for the Year Ended 31 July 2020 to the Corporation of South Devon 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 29 May 2019 and further to the requirements of the funding agreement with the Education and Skills Funding Agency 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 South Devon College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of South Devon College and the Department in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of South Devon College and the Department 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 South Devon College and the Department for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the Corporation of South Devon College and the reporting accountant

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

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

Approach

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

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

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

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

Reporting Accountant's Assurance Report on Regularity for the Year Ended 31 July 2020 to the Corporation of South Devon College and Secretary of State for Education acting through the Department for Education ("the Department") (continued)

The work undertaken to draw to our conclusion includes:

- Inspection and review of documentation providing evidence of governance procedures, including the self-assessment questionnaire prepared by South Devon College.
- Evaluation of the system of internal controls for authorization and approval.
- Performing substantive tests on relevant transactions.

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.



PKF Francis Clark,
Registered Auditors
North Quay House
Sutton Harbour
Plymouth
PL4 0RA

Date: 15/12/2020

South Devon College
Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
INCOME			
Funding body grants	2	20,655	20,959
Tuition fees and education contracts	3	7,362	7,394
Other income	4	3,137	2,496
Investment income	5	11	27
Donations and Endowments	6	30	65
Total income		31,195	30,941
EXPENDITURE			
Staff costs	7	21,411	20,764
Fundamental restructuring costs	7	480	451
Other operating expenses	8	8,464	8,541
Interest and other finance costs	9	857	823
Depreciation and amortisation	10 & 11	2,234	1,918
Total expenditure		33,446	32,497
Operating loss or surplus on continuing activities			
		(512)	203
FRS 102 pension adjustments			
		(1,739)	(1,759)
		(2,251)	(1,556)
(Deficit) for the year		(2,251)	(1,556)
Actuarial gain/(loss) in respect of pensions schemes	22	(9,429)	(1,754)
Total comprehensive gain/(loss) for the year		(11,680)	(3,310)
Represented by:			
Unrestricted comprehensive gain/(loss)		(11,680)	(3,310)
Restricted comprehensive income		-	-
		(11,680)	(3,310)

This Statement of Comprehensive Income and Expenditure is in respect of continuing activities.

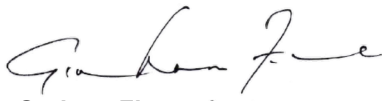
South Devon College
Statement of Changes in Reserves

	Income and Expenditure account
	£'000
Balance at 1 August 2018	1,381
Deficit from the income and expenditure account	(1,556)
Other comprehensive income	(1,754)
Total comprehensive loss for the year	(3,310)
 Balance at 31 July 2019	 (1,929)
Deficit from the income and expenditure account	(2,251)
Other comprehensive income	(9,429)
Total comprehensive gain for the year	(11,680)
Balance at 31 July 2020	(13,609)

South Devon College
Balance sheet as at 31 July

	Notes	2020 £'000	2019 £'000
Non-current assets			
Tangible fixed assets	10	55,276	55,876
Intangible fixed assets	11	233	246
Investments	12	5	1
		55,515	56,123
Current assets			
Stocks		34	38
Trade and other receivables	13	2,706	2,541
Cash and cash equivalents	19	2,904	4,422
		5,644	7,001
Less: Creditors – amounts falling due within one year	14	(6,930)	(6,725)
Net current assets		(1,286)	276
Total assets less current liabilities		54,229	56,399
Less: Creditors – amounts falling due after more than one year	15	(35,130)	(36,789)
Provisions			
Defined benefit obligations	18	(32,176)	(21,008)
Enhanced pensions	18	(531)	(530)
Total net assets		(13,608)	(1,928)
Reserves			
Income and expenditure account		18,567	19,079
Pension reserve		(32,176)	(21,008)
Total unrestricted reserves		(13,609)	(1,929)
Restricted reserves		1	1
Total reserves		(13,608)	(1,928)

The financial statements on pages 29 to 52 were approved and authorised for issue by the Corporation on 10 December 2020 and were signed on its behalf on that date by:


Graham Fice
 Chair of the Governing Body


Laurence Frewin
 Accounting Officer

South Devon College
Statement of Cash Flows

	Year ended 31st July 2020	Year ended 31st July 2019
	£'000	£'000
Cash inflow from operating activities		
Deficit for the year	(2,251)	(1,556)
Adjustment for non cash items		
Depreciation and amortisation	2,234	1,918
Decrease/(increase) in stocks	4	-
Decrease/(increase) in debtors	(165)	(153)
(Decrease)/increase in creditors due within one year	353	(758)
(Decrease)/increase in creditors due after one year	(909)	6,877
(Decrease)/increase in provisions	1	64
Pension adjustment - FRS 102	1,739	1,759
Adjustment for investing or financing activities		
Investment income	(11)	(27)
Interest payable	857	823
Loss on sale of fixed assets	-	2
	1,852	8,948
Net cash flow from operating activities		
Cash flows from investing activities		
Proceeds from sale of fixed assets	10	14
Investment income	11	27
Purchase of investments	(5)	-
Payments made to acquire fixed assets	(1,631)	(11,807)
	(1,615)	(11,766)
Cash flows from financing activities		
Interest paid	(857)	(823)
Repayments of amounts borrowed	(898)	(889)
	(1,755)	(1,712)
Increase / (decrease) in cash and cash equivalents in the year	(1,518)	(4,529)
Cash and cash equivalents at beginning of the year	18 4,422	8,951
Cash and cash equivalents at end of the year	18 2,904	4,222

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of 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 Strategic Report, including the exceptional impact of an unprecedented global coronavirus pandemic. The financial position of the College, its cash flow, liquidity and borrowings are presented in the financial statements and accompanying notes.

The College currently has a total of £10,582,000 in loans outstanding, with 4 lenders, negotiated at various dates. The terms of the existing agreements are for another 22 years. The College's forecasts and financial projections indicate that it will be able to adequately service all loan commitments 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.

Recognition of income

Revenue grant funding

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

1. Statement of accounting policies and estimation techniques (continued)

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

Capital grant funding

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met. Non-government grants received with no outstanding performance related conditions are immediately credited direct to the Statement of Comprehensive Income.

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. Non-government capital grants received with no outstanding performance related conditions are immediately credited direct to the Statement of Comprehensive Income.

Fee income

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.

Investment income

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are 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 costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit

obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

1. Statement of accounting policies and estimation techniques (continued)

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

Short term employment benefits

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

Enhanced pensions

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives of 50 years. Major adaptations to the College's buildings are depreciated on the same basis.

Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific government grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to the Statement of Comprehensive 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 £1,000 per individual item is recognised as expenditure in the period of acquisition, unless part of a wider project. All other equipment is capitalised at cost.

1. Statement of accounting policies and estimation techniques (continued)

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

• IT (Medium Life)	5 years
• IT (Short Life)	3 years
• IT (Tablets & Other Portable)	2 years
• Furniture & Fittings (Long Life)	10 years
• Furniture & Fittings (Medium/Long Life)	8 years
• Furniture & Fittings (Medium Life)	5 years
• Furniture & Fittings (Short Life)	2 years
• Motor Vehicles	4 years

Where equipment is acquired with the aid of specific government grants, it is capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised on a straight-line basis over their useful life. If a reliable estimate of useful life is not possible, the life shall not exceed 5 years.

An intangible asset will be recognised only if future economic benefits flow to the College and the cost of the asset can be measured reliably.

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset will be treated as finance leases; if such leases are in place.

Inventories

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

Cash and cash equivalents

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

1. Statement of accounting policies and estimation techniques (continued)

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

Financial liabilities and equity

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

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction 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.

Foreign currency translation

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

Taxation

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

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

Provisions and contingent liabilities

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

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

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

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

1. Statement of accounting policies and estimation techniques (continued)

Provisions made in the 2019-20 accounts are as follows: £250,000 relating to an onerous lease for the building called “S Block” which is no longer in use; and £200,000 relating to anticipated dilapidations commitments for “S Block” when the lease expires.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds and bursaries. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income of the College, except for the 5% charge retained by the College to cover administrative expenses. Details of amounts received and disbursed can be found in Note 24.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, 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 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

South Devon College
Notes to the Accounts (continued)

2 Funding body grants

	2020	2019
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - adult	2,619	2,630
Education and Skills Funding Agency - 16 - 18	10,965	11,964
Education and Skills Funding Agency - apprenticeships	5,435	4,847
Office for Students	454	399
Specific Grants		
Releases of government capital grants	339	368
Teachers Pension grant	631	-
Non-recurrent agency grants	213	750
Total	20,655	20,959

3 Tuition fees and education contracts

	2020	2019
	£'000	£'000
Adult education fees	381	437
Apprenticeship fees and contracts	279	195
Fees for FE loan supported courses	660	703
Fees for HE loan supported courses	3,489	3,621
Total tuition fees	4,809	4,956
Education contracts	2,553	2,438
Total	7,362	7,394

South Devon College
Notes to the Accounts (continued)

4 Other income

	2020	2019
	£'000	£'000
Catering and residences	736	1,030
Transport	585	656
Other income generating activities	538	472
Other grant income	390	242
Non government capital grants	592	88
Coronavirus Job Retention Scheme grant	285	-
Miscellaneous income	11	8
	<u> </u>	<u> </u>
Total	<u>3,137</u>	<u>2,496</u>

The College furloughed catering staff, and some staff whose roles supported (or were funded by) impaired income streams (i.e. apprenticeship, other contracts and commercial) under the government's Coronavirus Job Retention Scheme. The funding received of £285k relates to staff costs which are included within the staff costs presented in Note 7.

5 Investment income

	2020	2019
	£'000	£'000
Other interest receivable	<u>11</u>	<u>27</u>

6 Donations and endowments

	2020	2019
	£'000	£'000
Unrestricted donations	<u>30</u>	<u>65</u>

South Devon College

Notes to the Accounts (continued)

7 Staff costs

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

	2020 No.	2019 No.
Teaching staff	344	358
Non teaching staff - classroom support	80	77
Non teaching staff - business support	143	144
	<u>567</u>	<u>579</u>
Staff costs for the above persons		
	2019 £'000	2019 £'000
Wages and salaries	15,771	15,727
Social security costs	1,352	1,357
Other pension costs	4,285	3,658
	<u>21,408</u>	<u>20,743</u>
Payroll sub total		
Contracted out staffing services	4	21
	<u>21,411</u>	<u>20,764</u>
Fundamental restructuring costs - contractual	480	451
	<u>21,891</u>	<u>21,215</u>

The College does not have any salary sacrifice arrangements in place

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; the Vice Principal Corporate Services; the Vice Principal Curriculum Quality and Performance; four Assistant Principals who are responsible for various operational departments of the College; and the Clerk to the Governors. Staff costs include compensation paid to key management personnel for loss of office.

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:	11	8

Note - Please see the list of post holders on page 1 of these accounts. The emoluments presented in the accounts are for the total amount paid to all key management personnel in the accounting period.

South Devon College
Notes to the Accounts (continued)

7 Staff costs

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

	Senior post-holders		Other staff	
	2020	2019	2020	2019
	No.	No.	No.	No.
£60,000 or under	2	1	2	-
£60,001 to £65,000 per annum	-	-	-	-
£65,001 to £70,000 per annum	1	-	4	4
£70,001 to £75,000 per annum	-	-	-	-
£75,001 to £80,000 per annum	-	-	-	-
£80,001 to £85,000 per annum	-	-	-	-
£85,001 to £90,000 per annum	-	-	-	-
£90,001 to £95,000 per annum	1	1	-	-
£95,001 to £100,000 per annum	-	-	-	-
£100,001 to £105,000 per annum	-	1	-	-
£105,001 to £110,000 per annum	-	-	-	-
£110,001 to £115,000 per annum	-	-	-	-
£115,001 to £120,000 per annum	-	-	-	-
£120,001 to £125,000 per annum	-	-	-	-
£125,001 to £130,000 per annum	1	-	-	-
£130,001 to £135,000 per annum	-	-	-	-
£135,001 to £140,000 per annum	-	-	-	-
£140,001 to £145,000 per annum	-	-	-	-
£145,001 to £150,000 per annum	-	-	-	-
Over £150,001 per annum	-	1	-	-
	5	4	6	4

Note: this table is presented on the basis of people, not posts and where staff have left in the reporting period and been replaced, more than one person is included.

Key management personnel emoluments are made up as follows:

	2020	2019
	£'000	£'000
Salaries	647	645
Employer's national insurance	79	80
Pension contributions	126	100
Total emoluments	852	825

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

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

	2020	2019
	£'000	£'000
Salaries	128	153
Pension contributions	19	22

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

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future. The Remuneration Committee will publish an annual statement on senior post holder pay that can be found on the South Devon College website.

The remuneration package of key management personnel, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of the Governing Body, who undertakes an annual review of their performance against the College's overall objectives using both qualitative and quantitative measures of performance.

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

	2020	2019
Principal and CEO's basic salary as multiple of the median of all staff	5.4	6.4
Principal and CEO's total remuneration as multiple of the median of all staff	5.4	6.4

South Devon College
Notes to the Accounts (continued)

8 Other operating expenses

	2020	2019
	£'000	£'000
Teaching costs	3,197	3,282
Non teaching costs	2,318	2,670
Premises costs	2,949	2,588
	<hr/>	<hr/>
Total	8,464	8,541
	<hr/>	<hr/>

Other operating expenses include:

	2020	2019
	£'000	£'000
Auditors' remuneration:		
- Financial statements audit	22	17
- Internal audit	22	24
- Other services provided by the financial statements auditors	1	3
(Profit)/Losses on disposal of tangible fixed assets	0	2
Depreciation and amortisation	2,234	1,918
Hire of assets under operating leases	563	567

9 Interest payable and other finance costs

	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loans	428	374
Pension finance costs (note 21)	429	449
	<hr/>	<hr/>
Total	857	823
	<hr/>	<hr/>

South Devon College
Notes to the Accounts (continued)

10 Tangible fixed assets

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2019	46,704	631	15,175	13,747	76,257
Additions	327	5	1,193	29	1,554
Transfers	13,611	-	-	(13,611)	-
Disposals	-	-	(29)	-	(29)
At 31 July 2020	60,642	636	16,339	165	77,782
Depreciation					
At 1 August 2019	9,280	553	10,548	-	20,381
Charge for the year	1,059	31	1,054	-	2,144
Elimination in respect of disposals		-	(19)	-	(19)
At 31 July 2020	10,339	584	11,583	-	22,506
Net book value at 31 July 2020	50,303	52	4,756	165	55,276
Net book value at 31 July 2019	37,424	78	4,627	13,747	55,876

Foyer Project

The College still owns 12,000 square feet of land at the previous campus site in Newton Road, Torquay. This land is leased to Torbay Council on a 99 year lease, starting in July 2002. The land has not been valued in the accounts as the value on its return to the College in the future is uncertain.

South Devon College
Notes to the Accounts (continued)

11 Intangible fixed assets

	Software £'000	Other £'000	Total £'000
Cost			
At 1 August 2019	802	133	935
Additions	55	22	77
At 31 July 2020	857	155	1,012
Depreciation			
At 1 August 2019	627	62	689
Charge for the year	62	28	90
At 31 July 2020	689	90	779
Net book value at 31 July 2020	168	65	233
Net book value at 31 July 2019	175	71	246

12 Non-current investments

	2020 £'000	2019 £'000
Broughton Award	1	1
SW Mutual Bank Founding Member Investment	5	-
Total	5	1

13 Trade and other receivables

	2019 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	759	758
Other debtors	124	5
Prepayments and accrued income	634	666
Amounts owed by the Education & Skills Funding Agency	1,189	1,111
Total	2,706	2,541

South Devon College
Notes to the Accounts (continued)

14 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts	751	899
Payments received in advance	890	816
Trade payables	873	1,359
Other taxation and social security	685	685
Accruals and deferred income	1,032	1,002
Holiday pay accrual	484	469
Other creditors	467	78
Amounts owed to Education Skills Funding Agency	999	681
Deferred income - government capital grants	748	736
Total	<u>6,930</u>	<u>6,725</u>

15 Creditors: amounts falling due after one year

	2020 £'000	2019 £'000
Bank loans	9,832	10,581
Other long term creditors	94	95
Deferred income - government capital grants	25,204	26,112
Total	<u>35,130</u>	<u>36,789</u>

16 Maturity of debt

Bank loans and overdrafts

Bank loans are repayable as follows:

	2020 £'000	2019 £'000
In one year or less	751	899
Between one and two years	630	751
Between two and five years	4,680	5,021
In five years or more	4,521	4,809
Total	<u>10,582</u>	<u>11,480</u>

The Bank loans are provided by Allied Irish Bank, Lloyds, Santander and Torbay Council. The AIB loan is secured on the Vantage Point campus. The Lloyds loan relates to the construction of the University Centre. The overdraft facility, with Barclays Bank, is unsecured. This was not utilised during the year.

The loan with Allied Irish Bank incurs interest between 1.4315% variable rate and 2.35% fixed rate. The final instalment is due to be repaid on 29th September 2028.

The loan with Lloyds incurs interest at 6.628% fixed rate. The final instalment is due to be repaid on 9th November 2033.

The loan with Santander incurs interest at 4.18% and 4.9% fixed rate. The final instalment is due to be repaid on 13th December 2023.

The loan with Torbay Council incurs interest at 2.8% fixed rate. The final instalment is due to be repaid on 30th June 2042.

South Devon College
Notes to the Accounts (continued)

17 Analysis of changes in net debt

	At 1 August 2019	Cash flows	Other non cash changes	At 31 July 2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	4,422	(1,518)	-	2,904
Bank overdrafts	-	-	-	-
	4,422	(1,518)	-	2,904
Bank loans	(11,480)	898	-	(10,582)
Net debt	(7,058)	(620)	-	(7,678)

18 Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2019	21,008	530	21,538
Additions in period	11,168	1	11,169
At 31 July 2020	32,176	531	32,707

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in note 21.

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

The principal assumptions for this calculation are:

	2020	2019
Interest rate	1.3%	2.0%
Net interest rate	2.2%	2.2%

19 Cash and cash equivalents

	At 1 August 2019	Cash flows	At 31 July 2020
	£'000	£'000	£'000
Cash and cash equivalents	4,422	(1,518)	2,904
Total	4,422	(1,518)	2,904

20 Capital commitments

	2020 £'000	2019 £'000
Commitments contracted for at 31 July	110	925

21 Lease Obligations

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

	2020 £'000	2019 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	430	439
Later than one year and not later than five years	323	714
Later than five years	1,520	1,560
	2,273	2,713
Other		
Not later than one year	26	26
Later than one year and not later than five years	52	78
Later than five years	-	-
	78	104

South Devon College

Notes to the Accounts (continued)

22 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 Devon County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2020 £'000	2019 £'000
Teachers Pension Scheme: contributions paid	1,842	1,195
Local Government Pension Scheme:		
Contributions paid	1,112	1,142
FRS 102 charge	1,310	1,310
Charge to the Statement of Comprehensive Income	2,422	2,452
Enhanced pension charge to Statement of Comprehensive Income	21	11
Total pension cost for year within staff costs	4,285	3,658

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2016. The next LGPS valuation is currently in progress (expected in 2019 for contribution changes from April 2020).

Contributions amounting to £332,000 (2019: £276,000) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

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

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

The pension costs paid to TPS in the year amounted to £1,876,604 (2019: £1,315,805).

South Devon College

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

FRS 102

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 plan.

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Devon County Council. The total contribution made for the year ended 31 July 2019 was £1,472,000 (£1,536,000 in the year to 31 July 2019), of which employer's contributions totalled £1,112,000 (£1,142,000 2018-19) and employees' contributions totalled £360,000 (£394,000 2018-19). The agreed contribution rates for future years are 16% for employers and range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by Barnett Waddingham, a qualified independent actuary.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.25%	3.85%
Future pensions increases	2.25%	2.35%
Discount rate for scheme liabilities	1.35%	2.10%
Inflation assumption (CPI)	2.25%	2.35%
Commutation of pensions to lump sums	50.00%	50.00%

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

	At 31 July 2020 years	At 31 July 2019 years
<i>Retiring today</i>		
Males	22.9	22.5
Females	24.1	24.4
<i>Retiring in 20 years</i>		
Males	24.3	24.1
Females	25.5	26.2

Sensitivity analysis

	At 31 July 2020 £'000	At 31 July 2019 £'000
Projected service cost:		
Discount rate +0.1%	2,552	2,395
Discount rate -0.1%	2,725	2,513
Mortality assumption – 1 year increase	2,731	2,541
Mortality assumption – 1 year decrease	2,546	2,453
Long term salary increases +0.1%	2,638	2,453
Long term salary increases -0.1%	2,636	2,453
Pension increases and deferred revaluation +0.1%	2,723	2,512
Pension increases and deferred revaluation -0.1%	2,554	2,395

South Devon College
Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

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

		Fair Value at 31 July 2020 £'000		Fair Value at 31 July 2019 £'000
Gilts	4%	1,017	4%	970
UK equities	13%	3,487	16%	4,444
Overseas equities	46%	12,221	44%	11,936
Property	8%	2,190	9%	2,324
Infrastructure	4%	1,129	4%	991
Target return portfolio	12%	3,309	14%	3,757
Cash	1%	370	2%	456
Other bonds	5%	1,293	2%	502
Alternative assets	6%	1,660	5%	1,411
Private equity	0%	0	2%	452
Total fair value of plan assets	100%	<u>26,676</u>	100%	<u>27,243</u>
Weighted average expected long term rate of return		-2%		7%
Actual return on plan assets		<u>(462)</u>		<u>1,763</u>

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

	2020 £'000	2019 £'000
Fair value of plan assets	26,676	27,243
Present value of plan liabilities	(58,852)	(48,251)
Net pensions (liability) (Note 17)	<u>(32,176)</u>	<u>(21,008)</u>

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	2,402	2,435
Past service cost	-	-
Admin costs	20	17
Total	<u>2,422</u>	<u>2,452</u>

Amounts included in interest and other finance costs

Net interest expense	429	449
	<u>429</u>	<u>505</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(1,037)	1,094
Other actuarial gains/(losses) on assets	(355)	-
Experience losses arising on defined benefit obligations	(1,075)	-
Changes in assumptions underlying the present value of plan liabilities	(7,947)	(5,479)
Change in demographic assumptions	985	2,631
Amount recognised in Other Comprehensive Income	<u>(9,429)</u>	<u>(1,754)</u>

South Devon College
Notes to the Accounts (continued)

22 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	(21,008)	(17,495)
Movement in year:		
Current service cost	(2,422)	(2,452)
Employer contributions	1,112	1,142
Net interest on the defined (liability)/asset	(429)	(449)
Actuarial gain or loss	(9,429)	(1,754)
Net defined benefit liability at 31 July	(32,176)	(21,008)

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	48,251	42,475
Current service cost	2,402	2,171
Interest cost	1,004	1,118
Contributions by Scheme participants	360	394
Changes in financial assumptions	7,947	5,479
Changes in demographic assumptions	(985)	(2,631)
Loss on defined benefit obligations	1,075	-
Estimated benefits paid	(1,202)	(1,019)
Past service cost	-	264
Curtailments and settlements	-	-
Defined benefit obligations at end of period	58,852	48,251

Reconciliation of Assets

Fair value of plan assets at start of period	27,243	24,980
Interest on plan assets	575	669
Return on plan assets	(1,037)	1,094
Other actuarial losses	(355)	-
Administration expenses	(20)	(17)
Employer contributions	1,112	1,142
Contributions by Scheme participants	360	394
Estimated benefits paid	(1,202)	(1,019)
Settlement prices paid	-	-
Assets at end of period	26,676	27,243

The estimated value of employer contributions for the year ended 31 July 2021 is £912,000 (2020 estimate was £1,056,000).

The results in this report include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargent cases which relate to age discrimination within the Judicial and Fire Pension schemes respectively. An allowance of £223k was made in the previous accounting report and incorporated into the accounting results as at 31 July 2019. These results including the allowance have been rolled forward and remeasured to obtain the accounting results as at 31 July 2020.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closes on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. We do not believe there are any material differences between the approach underlying our estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore, we have not included any further adjustment in light of the ongoing consultation in this report.

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

South Devon College

Notes to the Accounts (continued)

23 Related party transactions

The College's board is composed of governors being drawn from local public and private sector organisations. A full Register of Interests is maintained by the Clerk to the Governors. 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 £570; 3 governors (2019: £638; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2019: None).

South Devon University Technical College

South Devon College is the sponsor college for this separate legal entity which opened in September 2015. During the year the College provided services to the school relating to finance, and school bus passes. Income of £30,986 (2019 - £47,899) was recognised by the college for these services. At the year end there was an outstanding balance of £0 (2019 - £1,841) due to the College included in trade receivables, which is in Note 13. Purchases were made totalling £nil (2019 - £nil) of which £nil (2019 - £nil) was payable at the year end.

Transactions with the funding bodies and OfS are detailed in Note 2.

24 Amounts disbursed as agent

Learner support funds

	2020 £'000	2019 £'000
Funding body grants – bursary support	802	733
Funding body grants – discretionary learner support	559	489
Other Funding body grants	393	259
Other items	7	4
	<u>1,761</u>	<u>1,486</u>
Disbursed to students	(1,005)	(868)
Administration costs	(50)	(43)
	<u>707</u>	<u>575</u>
Balance unspent as at 31 July		

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. Surplus funds to be distributed in future periods are included in Note 14 as Payments Received in Advance.

South Devon College

Notes to the Accounts (continued)

25 OfS access and participation expenditure

	2020 £'000
Access investment	58
Financial support provided to students	157
Support for disable students	69
Research and evaluation activity	14
	<hr/> 298

This note is a memorandum summarising the costs of the College's access and participation plan.

All of the costs included in the above table are already included in the notes that proceed it, i.e. staff costs are included in Note 7, other operating expenses in Note 8.

South Devon College's OfS access and participation plan is published at the following location:
<https://www.ucsd.ac.uk/student-life/essential-information/access-and-participation-plan>

Note there is no comparative for the financial year 2018-19 as the OfS APP was not in place for a full financial year in that period