



# **Annual Report and Financial Statements**

For the year ended

31 July 2021

## **CONTENTS**

## **Page number(s)**

Key Management Personnel, Board of Governors and Professional Advisers	1
Strategic Report	2 to 21
Statement of Corporate Governance and Internal Control	22 to 30
Governing Body's Statement of Regularity, Propriety and Compliance.	31
Statement of Responsibilities of the Members of the Corporation	32
Independent Auditors' Report to the Corporation of South Devon College	33 to 35
Independent Auditors' Report on Regularity to the Corporation of South Devon College	36 to 38
Statement of Comprehensive Income	39
Statement of Changes in Reserves	40
Balance Sheet as at 31 July	41
Statement of Cash Flows	42
Notes to the Accounts	43 to 63

## 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 Head of Governance all appointed directly by the Board) and members of the Senior Leadership Team. This group was represented by the following in 2020-21:

- 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;
- Lisa Keay, Head of Governance.

### 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:

Santander UK  
Bridle Road  
Bootle  
Merseyside, L30 4GB

#### Solicitors:

Michelmores  
Woodwater House  
Pynes Hill  
Exeter, EX2 5WR

#### Internal auditors:

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

#### Solicitors:

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

## **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 2021.

#### **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, tackling social exclusion and championing social mobility
- Excellent employment and progression for students
- Excellent student support
- Strong and meaningful links with employers, industry and commerce.
- A key 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 Torbay, Build Plymouth, Build Greater Exeter, South West Business Council, Torbay Business Forum, Chambers of Commerce, Federation of Small Business, CBI, Torbay Hi Tech Cluster, Local Manufacturing Groups, Marine SW, British Marine et al);
- 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)

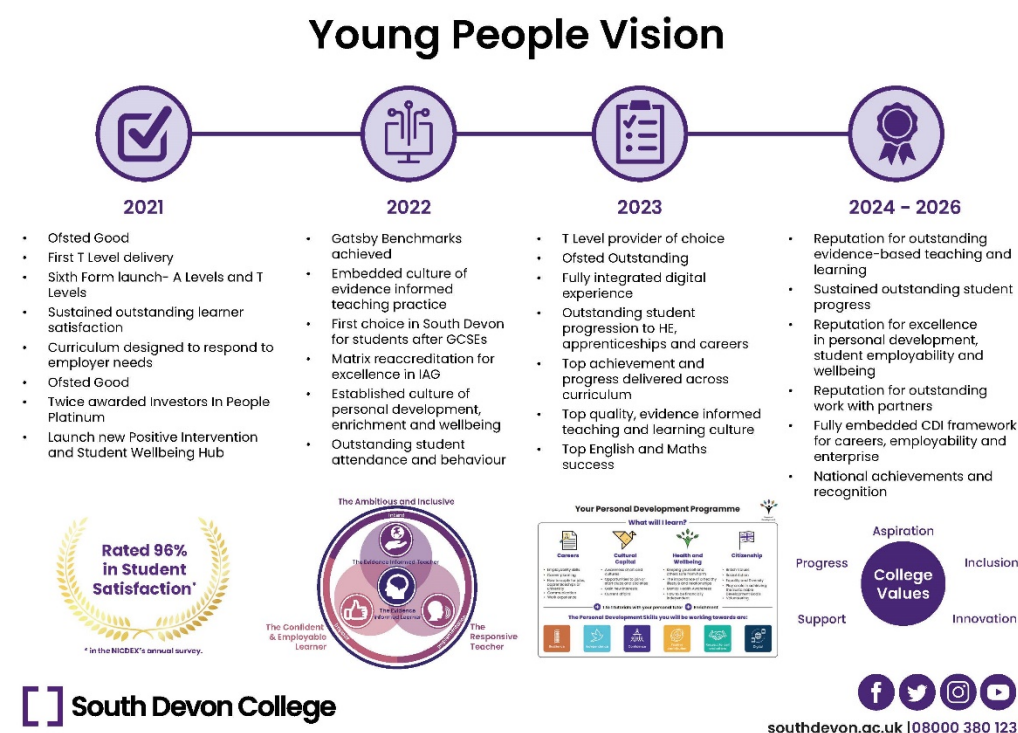
- National and local all party politicians;
- Schools, universities and other education organisations;
- Trade Unions (recognised unions Unison and UCU); and
- Professional, Statutory and Regulatory bodies.

The College recognises the importance of these relationships and engages in regular communication and engagement through a variety of meetings, activities and other engagements.

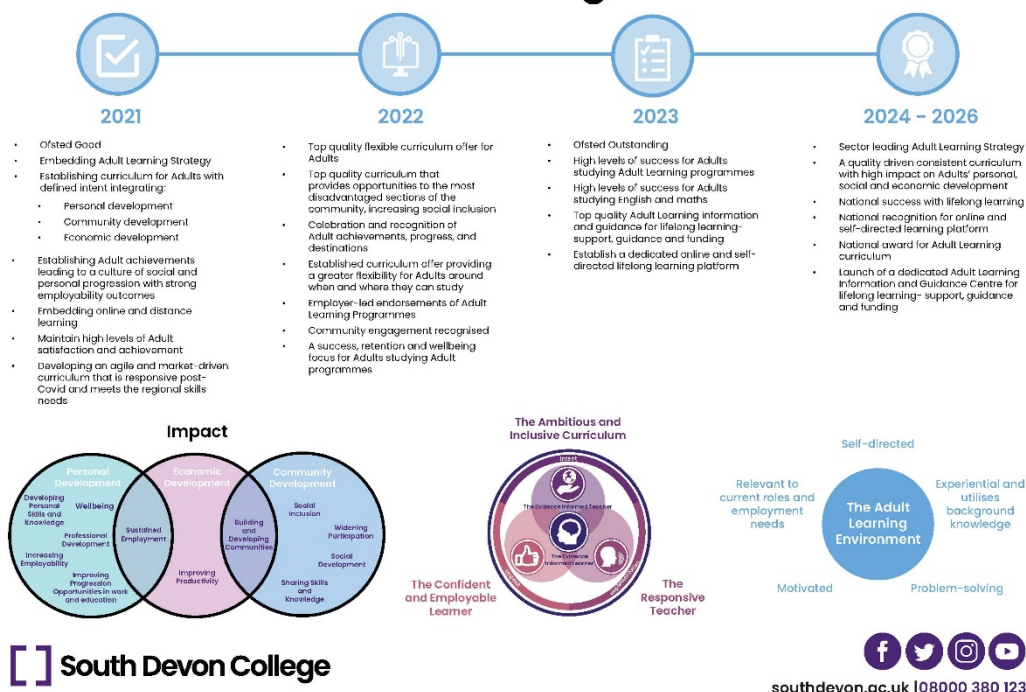
## Implementation of strategic plan

South Devon College is a mission led, values driven, and inspiring College of Further and Higher Education. It is the third largest local employer with a significant economic impact. The College is an anchor institution at the heart of its community of South Devon and Torbay and is accountable for providing excellent education, skills and training for individuals and employers. 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 of education; these are Young People, Adults, Apprenticeships and Higher Education. Below are the key aims for each of these visions.



## Adult Learning Vision

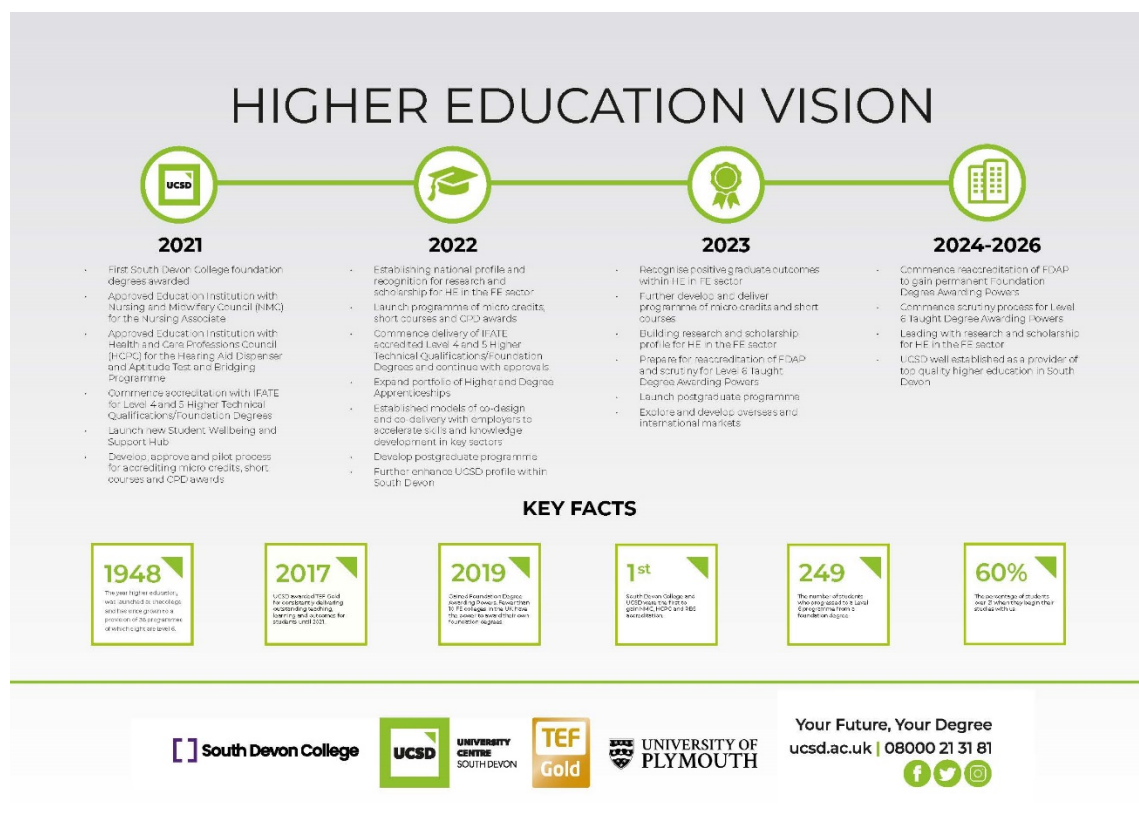


## Apprenticeship Vision



### Key Facts





To achieve our mission and goals, key elements of success have been identified against which the College will judge its performance and progress. 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 executive leadership 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 our commitment to the importance of all of our 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 visions with financial resilience and sustainability, strong business processes and useful targeted reporting, data and information.

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, including work with training.
- Maintaining a highly inclusive approach and very wide breadth of courses underpinning strong learner focus and outcomes.

## Strategic Report (continued)

- Utilising new Foundation Degree Awarding Powers (FDAP), continuing our gold standard for Higher Education which reflects 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 satisfaction rates, from students and employers: for employers 96% of reviews were graded as good or excellent on DfE website and 92% of students 'would recommend' SDC in internal survey
- Supporting a record and growing number of Apprenticeships in 2020-21, with a total of over 1600 across more than 700 businesses.
- Establishment and continued success and recognition high quality facilities and resources 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 was 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 including the first and only College in England to gain Accredited Education Institution status from the Nursing and Midwifery Council and approval to deliver the Nursing Associate Higher Apprenticeship.
- Continued development and implementation of online and blended learning approaches to meet student needs 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.
- Continued development of a bespoke portfolio of online learning courses including a new online employability hub delivering a suite of courses to support individuals back into employment as well as well-established courses including 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 the ongoing pandemic and second and third lockdowns 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 the launch of the College's own Teaching and Learning Framework to further enhance teaching through an evidenced informed approach.
- National dissemination of Outstanding Teaching Learning and Assessment through Champions in maths and English (CHiME), Level Up projects and T Level best practice networks
- Continuing international partnerships with relationships and encouragement of European linkages through Erasmus Plus and other activity in countries such as with Sweden and France. The College was also in the first wave of organisations successfully securing new Turing funding to ensure sustainability of European and international linkages post-Brexit.
- Very positive maturing relationship and joint working developed and strengthened with the Bay Education Trust and Paignton Academy including the signing of an MoU to build on partnership work to date and develop a shared strategy for an all-through approach to education, "2 to 22".



## **Strategic Report (continued)**

- Significant changes in College Leadership structure implemented through careful succession planning to increase leadership capability and create capacity for further continuous improvement and growth.

The College continues to successfully work with challenging recruitment in an increasingly competitive environment and despite reduced funding allocations is continuing 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 to 2020. The Government made a small welcome injection through the 16-19 formula allocation for colleges and the national demographic rise is beginning to be seen in our annual recruitment with positive early signs that not only are we seeing growth in 16-19 enrolments these are higher than the 2% population growth indicating improvement in our market share of the local post-16 population in further education after Year 11. In the long term this is welcome news but in the short to medium term means that delivery is unfunded due to the lagged funding model.

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 support the recovery of the UK economy following the global Covid pandemic, to help meet the increasingly urgent need for a more skilled domestic workforce following the UK's exit from the European Union, 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 these significant changes..

With the FE White Paper published by Government and the Comprehensive Spending Review (CSR) announced for the coming financial year, there had been growing expectations of an improvement to the funding environment, particularly recognising the impact of the Auger Review which provided clear positive recommendations for increases in funding for FE. However, the need for the Treasury to begin to re-balance the nations finances means that target reductions in spending at national Government Department levels are likely to lead to continued challenges in funding for colleges and consequently for the financial health of the sector as a whole.

Until we see the outcome of the Comprehensive Spending Review (CSR), the enactment and implementation of any significant policy and funding changes as a result of the White Paper, it is anticipated that College finance will remain fragile in the post-Covid, post-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 starting to grow) accompanied by sixth form competition and imperfect school IAG, although the Careers Hub is continuing to have an increasingly positive impact as is the effect of the expectation on schools to achieve Gatsby benchmarks.

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 as a Wave 2 provider from September 2021.

## Strategic Report (continued)

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 including the potential for “County Deals” recently announced by the Government as part of its devolution agenda.

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 and aggressive market competition from universities has increased still further following the significant reduction in overseas students as a result of Covid-19 and Brexit alongside “unconditional offer” approaches and with barriers and inconsistencies in the system this growth in the short term will remain a key challenge. The publication of FE White Paper, Skills for Jobs, places Further Education at the forefront of higher level technical education delivery and with the resulting act passing through parliament, the College and sector as a whole welcomes this recognition and looks forward to supporting economic regeneration in close collaboration with employers. Despite the challenges of the pandemic, the College continues its ambition to further develop its capacity to deliver higher Education provision and maintains the aim of securing Taught Degree Awarding Powers at level 6 albeit within a timescale amended due to impact of the pandemic.

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 has been 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 first national lockdown in 2020 but future waves of capital are looking increasingly difficult to access with limited match funding available and the reduced appetite of lenders as a source.

The College is engaged in ever-ongoing work on determining where forward efficiencies will need to be made whilst maintaining capacity and the ability to grow, minimising as far as possible impact on quality delivery, and also recognising short and medium term (2020 to 2028) 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 now recovers. However, less critical provision will need to be considered very carefully as always to offset the risks of this.

The implementation of Brexit from January 2021 already seems to be having a longer term impact on the UK economy with labour and skills shortages in critical areas exacerbated by a stronger than expected post-Covid economic recovery. Currently along with ongoing Covid-19 impact and recovery priorities also seeing multiple delays in “business as usual” in government departments and related decision making. At a national level, there is falling unemployment, increasing skills and labour shortages and a consequent pressure on salaries in many sectors., In the short term FE colleges are

## **Strategic Report (continued)**

already 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. The College are likely to remain challenged to retain and recruit high calibre staff in many critical areas of the curriculum, including support, or in specialist areas of professional services.

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”. 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 measured against rigorous financial KPIs set and reviewed annually which are measured and scrutinised monthly;
- 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 including cash days in hand, 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 including maintaining positive relationships with lenders and compliance with all lenders covenants, and plan to secure future investment.

Financial performance indicators to monitor progress against the listed objectives are annually agreed and monitored as part of the College's performance indicator process including against sector benchmarks. 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 2020-21 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, 34 are achieved/on track. Performance and progress is monitored by the senior leadership team and the governing body, 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 2020-21 were significantly affected by the global coronavirus pandemic. The budget was set in July 2020 to achieve a break-even budget. A re-forecast was carried out in November 2020 showing a deficit position of £500,000; the final results in 2020-21 were a loss of £795,000. Loss of income was a key driver, with significant impact in adult education, apprenticeships, catering income and facility hire. There is also an adjustment in the accounts relating to prior year income accruals for apprenticeship income of £766,000. If this adjustment is excluded, the result for the year is a small deficit of £29,000. Some cost savings were secured throughout lockdown periods and the College did furlough some staff in relation to the areas of income loss.

## **Strategic Report (continued)**

The College generated an operating loss for the year of £795,000 (excluding pension costs). A pension cost of £2,646,000 under FRS 102 has been made, resulting in an overall deficit on continuing operations of £3,441,000 (2019-20 operating loss £512,000, FRS 102 provision £1,739,000 leaving a deficit on continuing operations of £2,251,000).

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 £1,242,000 compared to last year, with the provision now standing at £33,418,000 (2019-20 £32,176,000).

It should be noted that the LGPS provision is an accounting adjustment based on actuarial assumptions, using bonds and not equities to drive a discount rate. The actual funding performance of the Devon Pension Fund is healthy. Key information relating to the funding of the Devon Pension can be found here:

Devon Pension Fund Funding Strategy Statement:  
[Funding Strategy Statement - Devon Pension Fund](#)

Devon Pension Fund Annual Report & Accounts:  
[Devon Pension Fund AR&A](#)

The College has accumulated reserves of £17,772,000 (2019-20 £18,567,000) from which a pension provision of £33,418,000 is deducted (see above) leaving a negative net reserves position of £15,645,000 (2019-20 £13,608,000 negative). There are cash balances of £3,379,000 (2019-20 £2,904,000). 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 £1,289,000. This includes land and buildings of £51,000, assets in the course of construction of £130,000 and equipment purchased of £1,108,000. Of this, £390,000 was spent on computer equipment and £332,000 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 2020-21 these organisations provided 70% of the College's total income (66% in 2019-20).

## **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.

## **Strategic Report (continued)**

### **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 (2019-20 £1) held as restricted reserves. As at the balance sheet date the income and expenditure reserve stands at £17,772,000 (2019-20 £18,567,000). 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 £3,475,000 (2019-20 £1,852,000), as presented in the Statement of Cash Flows. There was an increase of cash balances from 2019-20 to 2020-21 of £475,000.

There were no new loans drawn in 2020-21 (zero drawn in 2019-20). Loan balances were reduced by £754,000 to £9,828,000 (£10,582,000 in 2019-20).

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 2021-22 shows sufficient cash generation to meet debt servicing commitments.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers**

In 2020-21 the College delivered 16-18 activity equating to £11,299,795 in ESFA main allocation funding (2019-20 - £11,639,866). Learner numbers were 2,301 against a target of 2,122. Actual funding received, based on lagged learner numbers was £9,747,001 (2019-20 - £9,747,001). This includes ESFA funding for high needs learners.

19+ adult education budget activity was amended due to devolution and equated to £1,446,382 in ESFA main allocation funding (2019-20 - £2,397,397). Learner numbers were 1,617 (2019-20 - 2,148).

Apprenticeship funding is largely demand led with a small allocation awarded for those apprentices continuing under previous methodologies. 552 16-18 apprentices and 1,088 adult apprentices generated income of £4,759,431 (2019-20 - £5,440,917)

14-16 direct activity allocation equated to £913,856 for 175 learners (2019-20 £790,908, 159 learners).

Funding via Advanced Learning Loans was £775,593 in 2020-21, against a total facility of £876,808 (2019-20 funding of £682,748 against a facility of £735,831).

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 2020-21 was another very strong academic year, although exceptional in the way grades were awarded due to Covid19. Key successes included:

## **Strategic Report (continued)**

- A Level pass rate for 16-18 year-olds was 100% across a range of 20 subjects with over half of the results in the A\* to B range.
- South Devon High School students achieved highly across a wide range of GCSE and vocational qualifications including 81% GCSE grades 4-9 in English and 85% grades 4-9 in Maths.
- Technical and 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 many students have improved their levels of literacy and numeracy to support progression onto their next course or into work.
- Apprenticeship achievements are still being updated as learners enter their end point assessments phase but despite the challenges of the pandemic achievement rates to look to be in line with those of last year.
- Higher Education achievement was strong again this year with the first South Devon College Foundation Degrees awarded under our own Degree Awarding powers.

## **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, including T Levels from September 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 2021.

Academic staff embraced digital models of teaching and learning to continue the delivery of the curriculum throughout the pandemic and two key periods of lockdown. Innovative approaches developed during the pandemic have been formalised and will be taken forward into 2021-22 to ensure high quality and accessible education can be accessed by all students in the new academic year whilst having strong contingency plans in place should further disruption occur.

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 the new High Tech and Digital Skills Centre.

## **Strategic Report (continued)**

### **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 2020 to 31 July 2021, the College paid 49% of its invoices within 30 days and 84% within 60 days (compared to 51% and 84% in the 2019-20 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. 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 2021-22 based on applications and early enrolments which indicate a successful increase in our market share, 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 the last two financial years.

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:

- 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

## Strategic Report (continued)

- OfSTED FE Inspection Framework
- Local HE and higher skills growth and securing university status
- Student residential accommodation
- Demographic growth in 16-18 year olds including growth in market share
- 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 £15,645,000 however this includes: £33,418,000 LGPS pension liability, deferred government grants of £26,524,000 and long term debt of £9,828,000.

### *People*

The College employs 553 people (expressed as full time equivalents), of whom 324 (59%) 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 – We Invest in Apprentices Gold accreditation in 2021
- IIP Platinum – this is the highest ranking any national or international employer can achieve, the college was re-accredited as platinum in 2020. Achieved the IIP Health & Well-being Award 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 – re-accredited 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 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.
- 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

## Strategic Report (continued)

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	553

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	£7,228
Total pay bill	£19,936,000
Percentage of total bill spent on facility time	0.04%

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 2021 which set out the financial forecast to July 2023, taking into consideration, as far as practical, the impacts of the global pandemic. 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 2021-22 along with new apprenticeship delivery contracts with large local and national levy payers. The College's latest forecast is more constrained while it recovers from the impact of 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 21-22 financial year include an increase in core 16-18 funding from the ESFA which is committed and therefore secure; growth in apprenticeship income, supported by some secured contracts but also sensitive to recessionary affects in the wider economy. There is substantial growth in High Needs funding in 21-22 and catering/commercial income is expected to return to at least pre-pandemic levels, driven by an 8% increase in 16-18 learners compared to 20-21.

Key assumptions for costs in the 21-22 financial year include increases in assessment costs linked to apprenticeships. Pay costs are assumed to include a small 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. Cost of sales for catering/commercial activity will increase in-line with income growth and increased costs relating to travel and subsistence are predicted as College activities return to more "in-person" model compared to almost exclusive remote/digital over the past 18 months.

On the critical issue of cash flow, the key pinch point is from January 2022 to March 2022 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 2022 onwards. An overdraft facility is in place if needed.

The College currently has a total of £9,828,000 in loans outstanding (£10,582,000 in 2019-20) 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.

### **Strategic Report (continued)**

There are 9 covenants attached to the College's borrowing, at 31<sup>st</sup> July 2021 all are met. Based on our current forecast, all covenants are met in the coming financial year as we recover and stabilise post-pandemic. All the College's bankers have clearly stated their intention to support the College.

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 9 December 2021 and signed on its behalf by:**

A handwritten signature in grey ink, appearing to read 'J Viner', with a long, sweeping horizontal stroke extending to the right.

Jane Viner  
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 in December 2018; and
- iii. By monitoring and reviewing developments in relation to the Charity Governance Code, the UK Corporate Governance Code and the Higher Education Code of Governance.

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 2021. 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 (01/08/20 - 31/07/21)
Howard Brugge	12/10/21	4 years		Independent member	QTLA Committee	N/A
Tracey Cabache	01/03/2019	4 years		Independent member	People & Resources Committee, Search & Governance Committee	N/A*
Christine Candlish	16/11/2020	4 years	15/12/20	Independent member	QTLA Committee	50%
Joe Considine	01/09/2017	4 years	24/06/21	Independent member	People & Resources Committee	75%
Kate Doodson	13/03/2020	4 years		Independent member	People & Resources Committee	50%
Graham Fice (Chair/Vice Chair of Governors)	01/09/2016 01/09/2020	4 years		Independent member	QTLA, Remuneration and Chair of Search & Governance Committee and Project Board and GB Advisory Group	100%
Laurence Frewin	01/09/2019	Ex-officio		Principal & CEO	QTLA, Project Board, People & Resources, Search and Governance and GB Advisory Group	100%
Philip Gibson	10/06/2016 10/06/2020	4 years		Independent member	Chair of QTLA Committee and member of Remuneration Committee and GB Advisory Group	83%
Rory Gilbert (Chair of Audit Committee from May 2020)	15/06/2017 15/06/2021	4 years		Independent member	Audit Committee, Remuneration Committee, Project Board	83%
Matt Green	20/12/2013 20/12/2017	4 years		Staff (support services) member	People & Resources Committee and Search & Governance Committee	100%
Jon Goldman	01/09/2018	4 years		Independent Member	QTLA, Audit Committee, Search & Governance Committee and Project Board	94%
Roger Knight	08/03/2021	4 years		Independent member	People & Resources Committee	100%
Monica Lewis	13/11/2020	1 year	31/08/21	Student (HE) member	QTLA Committee	100%
Brandon Murphy	23/10/2020	1 year	31/08/21	Student (FE) member	QTLA Committee	67%
Adam Parnell	01/11/2020	4 years	25/10/21	Independent member	People & Resources Committee	50%
Judy Ravenscroft	01/03/2019	4 years		Independent member	Audit Committee, QTLA Committee and Project Board	77%
Lee Soden (Vice Chair of Governors)	15/06/2017	4 years	31/08/20	Independent member	GB Advisory Group	100%



Jane Viner (Vice Chair/Chair of Governors)	01/09/2017	4 years		Independent member	Chair of People & Resources Committee and Remuneration Committee, Temporary Member of Project Board and Member of GB Advisory Group	100%
Mark Waldron	22/10/2015 22/10/2019	4 years	31/08/21	Independent member	QTLA Committee	50%
Dave Wildman	01/11/17	4 years		Staff (academic) member	QTLA Committee Audit Committee	90%
<p>Lisa Keay was appointed as Clerk to the Governing Body on 11 April 2016.</p> <p>* Temporary leave of absence authorised by the Chair and Head of Governance due to the impact of COVID-19.</p>						

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](mailto: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](mailto: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 and supporting papers are shared with governors at least one week before Board meetings.

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

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

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

### **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 induction and 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**

During the summer term the Governing Body received an external board review by the Education & Training Foundation (ETF). The external reviewer concluded that the College's governance arrangements were good. Some areas of practice were identified for improvement and an Action Plan was agreed to implement these changes during the 2021/2022 academic year. The Search & Governance Committee will monitor the successful implementation of this Action Plan.

In addition to this external board review, the Governing Body's Committees reviewed and confirmed their effectiveness in fulfilling their terms of reference via an annual cycle of business. A high level of governor engagement was evidenced by many examples of Governor "Support and Challenge" in the minutes of all meetings.

Governors undertake regular training and development throughout the academic year. These opportunities are provided by the Education & Training Foundation (ETF), RSM (internal auditors) and the College Management Team. Areas of focus are wide ranging and during the past year included safeguarding, financial forecasting, risk appetite and 'T' Levels. The Head of Governance also undertook the ETF's Intermediate Level Programme for Governance Professionals during 2020/21.

Due to social distancing restrictions during 2020/21 most of the Governing Body's meetings (and stakeholder events) took place via videoconference. Effective governance was maintained during this move to online meetings and the Governing Body took assurance on its overall effectiveness from the ETF external review report circulated in July 2021. Going forward, hybrid meetings will become the norm for Governing Body meetings and it is anticipated that Governors will resume some face-to-face meetings with key stakeholders.

### **Remuneration Committee**

For the year ending 31 July 2021 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other 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 2021 are set out in note 7 to the financial statements.

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

### **Audit Committee**

The Audit Committee comprised of four governors and two co-opted members of the Corporation (membership excludes the Accounting Officer and the Chair of the Governing Body). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets once each term (twice in the autumn 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; except as disclosed on page 29 of this report.

The specific areas of work undertaken by the audit committee in 2020/21 and up to the date of the approval of the financial statements are:

- Receipt of Internal Audit Reports/reviews on:
  - Remote working practices
    - Conclusion: Substantial Assurance; Recommendations: 3 Low actions
  - Financial controls – payroll and payment controls – remote working
    - Conclusion: Reasonable Assurance; Recommendations: 1 Low action
  - Timetable Control – Room Utilisation Arrangements
    - Conclusion: Reasonable Assurance; Recommendations: 2 Low actions
  - Apprenticeship Data Journey/Processing Controls
    - Conclusion: Partial Assurance; Recommendations: 1 Low, 5 Medium and 1 High Action
  - Follow Up Audit
    - Conclusion: Reasonable Progress; Recommendations: 4 Low, 2 Medium and 1 High action
  - ESFA Funding Rules Compliance Testing
    - Conclusion: Advisory; Recommendations: 8 Low, 13 Medium and 3 High actions
  - HR Data Flows and Associated Controls
    - Conclusion: Advisory; Recommendations: 8 Low and 4 Medium Actions
- Receipt of 2019-20 Higher Education ILR Audit and the Action Plan submitted to the OfS in response to this audit.

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

- 'Deep dive' reports from Management were requested and governors received assurance of controls/mitigations in place for the following risk areas:
  - COVID-19
  - Growth/future shape of provision
  - Apprenticeship Funding 2019/20
  - Cyber Security status and IT staff/resourcing
  - Staff Recruitment and Retention
- Strategic Risk Management Plan – reviewed and improved.

### **Quality Teaching Learning & Assessment (QTLA)/HE Committee**

The QTLA/HE Committee is responsible for ensuring that 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. The decision to set up a Project Board to oversee a closer working relationship with the Bay Education Trust was confirmed at a meeting of the Governing Body on 15 October 2020. This Committee had four meetings from 09 December 2020 to 13 May 2021. It will be reconvened by the Governing Body as and when needed.

### **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.

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

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

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

The system of internal control has been in place in South Devon College for the year ended 31 July 2021 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 2021 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.

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

### **Control weaknesses identified**

Overall the College has an adequate system of internal controls however there has been a significant issue relating to Student Funding Data internal controls which has been identified and reported by Internal Audit and other existing assurance activities of the corporation during 2020/21.

The corporation is ensuring a robust, rigorous and relentless response to mitigate, reduce and minimise these risks by investing more resource, including recruitment of additional specialists and experts. The corporation has increased its oversight through its Board Assurance Framework and has been monitoring the impact of these measures closely throughout 2020/21 and will continue to do so in 2021/22. It is anticipated these matters will be resolved within this timescale.

### **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.
- 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 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.

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

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*"; except as disclosed on page 29 of this report.

**Approved by order of the members of the Corporation on 9 December 2021 and signed on its behalf by:**



**Jane Viner**  
**Chair of the Governing Body**



**Laurence Frewin**  
**Accounting Officer**

## **Statement of Regularity, Propriety and Compliance**

The corporation has considered its responsibility to notify the ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA. As part of our consideration, we have had due regard to the requirements of grant funding agreements and contracts with the ESFA.

We confirm on behalf of the corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with the ESFA, or any other public funder, except as disclosed on page 29 of this report.

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.



**Jane Viner**  
**Chair of the Governing Body**

**Date: 9 December 2021**



**Laurence Frewin**  
**Accounting Officer**

**Date: 9 December 2021**



## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA and any other relevant funding bodies, the corporation – through its accounting officer – is required to prepare financial statements and, within the Members' Report, an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice, and which gives a true and fair view of the state of affairs of the corporation and surplus/deficit of income over expenditure for that period. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report); and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation.

The corporation is also required to prepare a members' report that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

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

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

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

**Approved by order of the members of the Corporation on 9 December 2021 and signed on its behalf by:**



**Jane Viner**  
**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 2021 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 affairs of the College as at 31 July 2021 and of the College's deficit of income over expenditure for the year then ended; and
- 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**

In auditing the financial statements, we have concluded that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the Members of the Corporation with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the Report of the Governing Body, 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 doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information, and 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:

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

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

- Proper accounting records have not been kept; and
- The financial statements are not in agreement with the accounting records; 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; and
- 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 29, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of our audit planning, we obtained an understanding of the legal and regulatory framework that is applicable to the College. We gained an understanding of the industry in which the Charity operates as part of this assessment to identify the key laws and regulations affecting the College. As part of this, we reviewed the College's website for indication of any regulations and certification in place and discussed these with the relevant individuals responsible for compliance. The key regulations we identified were the regulations of the Department for Education, the Education & Skills Funding Agency (ESFA), the Office for Students (OfS) and Ofsted, as well as health and safety regulations, employment law, the Coronavirus Job Retention Scheme (CRJS) legislation, and breaches of The General Data Protection Regulation (GDPR). We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the College Accounts Direction for 2020 to 2021 and the Post-16 Audit Code of Practice issued by the ESFA.

We discussed with management how the compliance with these laws and regulations is monitored and discussed policies and procedures in place. As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the College's ability to continue operating and

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

the risk of material misstatement to the accounts. We also evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Enquiries of management regarding their knowledge of any non-compliance with laws and regulations that could affect the financial statements.
- Review of the College's risk register and minutes of Board and Audit Committee meetings for any potential or actual instances of non-compliance.
- Review of the College's GDPR policy and enquiries of the College's compliance officer as to the occurrence and outcome of any reportable breaches.
- Review of Ofsted reports, and inquiries of management of points raised and action plans developed.
- Reviewed legal and professional costs to identify any possible non-compliance or legal costs in respect of non-compliance.

We assessed the susceptibility of the financial statements to material misstatement through management override or fraud and obtained an understanding of the controls in place to mitigate the risk of fraud. We also discussed with management whether there had been any instances of known or alleged fraud, of which there were none. Based upon our understanding we designed and conducted audit procedures including:

- Audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.
- Undertook specific testing in respect of CJRS claims made during the year.

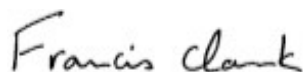
Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our audit report.

### 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: ..... 13/12/2020

## **Reporting Accountant's Assurance Report on Regularity for the Year Ended 31 July 2021 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 2020 to 31 July 2021 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 2020 to 31 July 2021 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 2021 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, except as disclosed on page 29 of this report, which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 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: .....13/12/2021.....

**South Devon College**  
**Statement of Comprehensive Income and Expenditure**

	Notes	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
<b>INCOME</b>			
Funding body grants	2	20,971	20,655
Tuition fees and education contracts	3	7,112	7,362
Other income	4	2,013	3,137
Investment income	5	2	11
Donations and Endowments	6	10	30
<b>Total income</b>		<b>30,109</b>	<b>31,195</b>
<b>EXPENDITURE</b>			
Staff costs	7	22,351	21,411
Fundamental restructuring costs	7	346	480
Other operating expenses	8	7,684	8,464
Interest and other finance costs	9	846	857
Depreciation and amortisation	10 & 11	2,323	2,234
<b>Total expenditure</b>		<b>33,550</b>	<b>33,446</b>
<b>Operating loss or surplus on continuing activities</b>			
		(795)	(512)
<b>FRS 102 pension adjustments</b>			
		(2,646)	(1,739)
		<b>(3,441)</b>	<b>(2,251)</b>
<b>(Deficit) for the year</b>		<b>(3,441)</b>	<b>(2,251)</b>
Actuarial gain/(loss) in respect of pensions schemes	22	1,404	(9,429)
<b>Total comprehensive gain/(loss) for the year</b>		<b>(2,037)</b>	<b>(11,680)</b>
<b>Represented by:</b>			
<b>Unrestricted comprehensive gain/(loss)</b>		<b>(2,037)</b>	<b>(11,680)</b>
<b>Restricted comprehensive income</b>		-	-
		<b>(2,037)</b>	<b>(11,680)</b>

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

**South Devon College**  
**Statement of Changes in Reserves**

	<b>Income and Expenditure account</b>
	<b>£'000</b>
<b>Balance at 31 July 2019</b>	(1,929)
Deficit from the income and expenditure account	(2,251)
Other comprehensive income	(9,429)
<b>Total comprehensive gain for the year</b>	<b>(11,680)</b>
 <b>Balance at 31 July 2020</b>	 (13,609)
Deficit from the income and expenditure account	(3,441)
Other comprehensive income	1,404
<b>Total comprehensive gain for the year</b>	<b>(2,037)</b>
<b>Balance at 31 July 2021</b>	<b><u>(15,646)</u></b>



**South Devon College**  
**Balance sheet as at 31 July**

	Notes	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Tangible fixed assets	10	54,349	55,276
Intangible fixed assets	11	235	233
Investments	12	5	5
		<b>54,590</b>	<b>55,515</b>
<b>Current assets</b>			
Stocks		27	34
Trade and other receivables	13	2,437	2,706
Cash and cash equivalents	19	3,379	2,904
		<b>5,843</b>	<b>5,644</b>
<b>Less: Creditors – amounts falling due within one year</b>	14	(7,150)	(6,930)
<b>Net current assets</b>		<b>(1,307)</b>	<b>(1,286)</b>
<b>Total assets less current liabilities</b>		<b>53,283</b>	<b>54,229</b>
Less: Creditors – amounts falling due after more than one year	15	(34,977)	(35,130)
<b>Provisions</b>			
Defined benefit obligations	18	(33,418)	(32,176)
Enhanced pensions	18	(533)	(531)
<b>Total net assets</b>		<b>(15,645)</b>	<b>(13,608)</b>
<b>Reserves</b>			
Income and expenditure account		17,772	18,567
Pension reserve		(33,418)	(32,176)
<b>Total unrestricted reserves</b>		<b>(15,646)</b>	<b>(13,609)</b>
Restricted reserves		1	1
<b>Total reserves</b>		<b>(15,645)</b>	<b>(13,608)</b>

The financial statements on pages 29 to 52 were approved and authorised for issue by the Corporation on 9 December 2021 and were signed on its behalf on that date by:



**Jane Viner**  
**Chair of the Governing Body**



**Laurence Frewin**  
**Accounting Officer**

**South Devon College**  
**Statement of Cash Flows**

	<b>Year ended 31st July 2021</b>	<b>Year ended 31st July 2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash inflow from operating activities</b>		
Deficit for the year	(3,441)	(2,251)
<b>Adjustment for non cash items</b>		
Depreciation and amortisation	2,323	2,234
Decrease/(increase) in stocks	7	4
Decrease/(increase) in debtors	269	(165)
(Decrease)/increase in creditors due within one year	340	353
(Decrease)/increase in creditors due after one year	481	(909)
(Decrease)/increase in provisions	2	1
Pension adjustment - FRS 102	2,646	1,739
<b>Adjustment for investing or financing activities</b>		
Investment income	(2)	(11)
Interest payable	846	857
Loss on sale of fixed assets	4	-
	<b>3,475</b>	<b>1,852</b>
<b>Net cash flow from operating activities</b>		
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	2	10
Investment income	2	11
Purchase of investments	-	(5)
Payments made to acquire fixed assets	(1,404)	(1,631)
	<b>(1,400)</b>	<b>(1,615)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(846)	(857)
Repayments of amounts borrowed	(754)	(898)
	<b>(1,600)</b>	<b>(1,755)</b>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>	<b>475</b>	<b>(1,518)</b>
Cash and cash equivalents at beginning of the year	18 2,904	4,422
Cash and cash equivalents at end of the year	18 3,379	2,904

## **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 2020 to 2021 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 2021.

### **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 £9,828,000 in loans outstanding, with 4 lenders, negotiated at various dates. The terms the agreements vary, with the shortest date being December 2023 and the longest being June 2042. 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.

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.

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

### **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.

### **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.

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

### Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the 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.
- Revenue generally is recognised when it has been earned, it can be measured reliably, and the collection of payment is reasonably assured. The nature of the College's revenues are such that significant judgement is involved in the exercise of these principles.
- A provision is recognised when an obligation exists 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 reasonable estimate can be made of the obligation. The College is involved in discussions concerning the termination of one of its property leases and significant judgement has been required in the application of these principles at 31 July 2021 in relation to those negotiations.

#### *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 2021. 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**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	2,009	2,619
Education and Skills Funding Agency - 16 - 18	11,774	10,965
Education and Skills Funding Agency - apprenticeships	4,759	5,435
Office for Students	407	454
<b>Specific Grants</b>		
Releases of government capital grants	351	339
Teachers Pension grant	701	631
Non-recurrent agency grants	969	213
	<hr/>	<hr/>
<b>Total</b>	<b>20,971</b>	<b>20,655</b>
	<hr/>	<hr/>

**3 Tuition fees and education contracts**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Adult education fees	212	381
Apprenticeship fees and contracts	159	279
Fees for FE loan supported courses	554	660
Fees for HE loan supported courses	3,248	3,489
Total tuition fees	<hr/> 4,174	<hr/> 4,809
Education contracts	<hr/> 2,939	<hr/> 2,553
	<hr/>	<hr/>
<b>Total</b>	<b>7,112</b>	<b>7,362</b>
	<hr/>	<hr/>

**South Devon College**  
**Notes to the Accounts (continued)**

**4 Other income**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Catering and residences	442	736
Transport	565	585
Other income generating activities	362	538
Other grant income	446	390
Non government capital grants	0	592
Coronavirus Job Retention Scheme grant	145	285
Covid testing grant	48	0
Miscellaneous income	5	11
	<u>2,013</u>	<u>3,137</u>
<b>Total</b>	<b><u>2,013</u></b>	<b><u>3,137</u></b>

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 £145k (2020 - £285k) relates to staff costs which are included within the staff costs presented in Note 7.

**5 Investment income**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	<u>2</u>	<u>11</u>

**6 Donations and endowments**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Unrestricted donations	<u>10</u>	<u>30</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:

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	324	344
Non teaching staff - classroom support	89	80
Non teaching staff - business support	140	143
	<b>553</b>	<b>567</b>
<b>Staff costs for the above persons</b>		
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	15,746	15,771
Social security costs	1,350	1,352
Other pension costs	5,251	4,285
<b>Payroll sub total</b>	<b>22,347</b>	<b>21,408</b>
Contracted out staffing services	4	4
	<b>22,351</b>	<b>21,411</b>
Fundamental restructuring costs - contractual	346	480
	<b>22,697</b>	<b>21,891</b>

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 Quality and Curriculum; the Vice Principal People and Resources; the Director of Finance and Funding; 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**

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	<b>10</b>	<b>11</b>

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	
	2021	2020	2021	2020
	No.	No.	No.	No.
£60,000 or under	1	2	1	2
£60,001 to £65,000 per annum	-	-	1	-
£65,001 to £70,000 per annum	-	1	3	4
£70,001 to £75,000 per annum	-	-	-	-
£75,001 to £80,000 per annum	1	-	-	-
£80,001 to £85,000 per annum	-	-	-	-
£85,001 to £90,000 per annum	-	-	-	-
£90,001 to £95,000 per annum	-	1	-	-
£95,001 to £100,000 per annum	1	-	-	-
£100,001 to £105,000 per annum	-	-	-	-
£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	-	-	1	-
£135,001 to £140,000 per annum	1	-	-	-
£140,001 to £145,000 per annum	-	-	-	-
£145,001 to £150,000 per annum	-	-	-	-
Over £150,001 per annum	-	-	-	-
	<b>4</b>	<b>5</b>	<b>6</b>	<b>6</b>

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:

	2021 £'000	2020 £'000
Salaries	794	714
Employer's national insurance	93	87
Pension contributions	145	135
<b>Total emoluments</b>	<b>1032</b>	<b>936</b>

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

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

	2021 £'000	2020 £'000
Salaries	135	128
Pension contributions	22	19

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:

	2021	2020
Principal and CEO's basic salary as multiple of the median of all staff	7.11	5.4
Principal and CEO's total remuneration as multiple of the median of all staff	7.11	5.4

**South Devon College**  
**Notes to the Accounts (continued)**

**8 Other operating expenses**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	2,800	3,197
Non teaching costs	2,226	2,318
Premises costs	2,658	2,949
	<hr/>	<hr/>
<b>Total</b>	<b>7,684</b>	<b>8,464</b>
	<hr/>	<hr/>

**Other operating expenses include:**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
- Financial statements audit	21	22
- Internal audit	26	22
- Other services provided by the financial statements auditors	0	1
(Profit)/Losses on disposal of tangible fixed assets	4	0
Depreciation and amortisation	2,323	2,234
Hire of assets under operating leases	550	563

**9 Interest payable and other finance costs**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans	416	428
Pension finance costs (note 21)	430	429
	<hr/>	<hr/>
<b>Total</b>	<b>846</b>	<b>857</b>
	<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
<b>Cost</b>					
At 1 August 2020	60,642	636	16,339	165	77,782
Additions	51	-	1,108	130	1,289
Transfers	-	-	-	-	-
Disposals	-	-	(85)	-	(85)
<b>At 31 July 2021</b>	<b>60,693</b>	<b>636</b>	<b>17,362</b>	<b>295</b>	<b>78,986</b>
<b>Depreciation</b>					
At 1 August 2020	10,339	584	11,583	-	22,506
Charge for the year	1,116	33	1,061	-	2,210
Elimination in respect of disposals	-	-	(79)	-	(79)
<b>At 31 July 2021</b>	<b>11,455</b>	<b>617</b>	<b>12,565</b>	<b>-</b>	<b>24,637</b>
<b>Net book value at 31 July 2021</b>	<b>49,238</b>	<b>19</b>	<b>4,797</b>	<b>295</b>	<b>54,349</b>
Net book value at 31 July 2020	50,303	52	4,756	165	55,276

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**

	<b>Software £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 August 2020	857	155	1,012
Additions	110	5	115
	<u>967</u>	<u>160</u>	<u>1,127</u>
<b>Depreciation</b>			
At 1 August 2020	689	90	779
Charge for the year	82	31	113
	<u>771</u>	<u>121</u>	<u>892</u>
<b>Net book value at 31 July 2021</b>	<u><b>196</b></u>	<u><b>39</b></u>	<u><b>235</b></u>
Net book value at 31 July 2020	<u>168</u>	<u>65</u>	<u>233</u>

**12 Non-current investments**

	<b>2021 £'000</b>	<b>2020 £'000</b>
Broughton Award	1	1
SW Mutual Bank Founding Member Investment	5	5
	<u>5</u>	<u>5</u>
<b>Total</b>	<u><b>5</b></u>	<u><b>5</b></u>

**13 Trade and other receivables**

	<b>2021 £'000</b>	<b>2020 £'000</b>
Amounts falling due within one year:		
Trade receivables	752	759
Other debtors	156	124
Prepayments and accrued income	639	634
Amounts owed by the Education & Skills Funding Agency	889	1,189
	<u>2,437</u>	<u>2,706</u>
<b>Total</b>	<u><b>2,437</b></u>	<u><b>2,706</b></u>

**South Devon College**  
**Notes to the Accounts (continued)**

**14 Creditors: amounts falling due within one year**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	630	751
Payments received in advance	1,023	890
Trade payables	901	873
Other taxation and social security	686	685
Accruals and deferred income	690	1,032
Holiday pay accrual	542	484
Other creditors	291	467
Amounts owed to Education Skills Funding Agency	1,549	999
Deferred income - government capital grants	838	748
<b>Total</b>	<b><u>7,150</u></b>	<b><u>6,930</u></b>

**15 Creditors: amounts falling due after one year**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	9,198	9,832
Other long term creditors	93	94
Deferred income - government capital grants	25,686	25,204
<b>Total</b>	<b><u>34,977</u></b>	<b><u>35,130</u></b>

**16 Maturity of debt**

**Bank loans and overdrafts**

Bank loans are repayable as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	630	751
Between one and two years	638	630
Between two and five years	4,321	4,680
In five years or more	4,239	4,521
<b>Total</b>	<b><u>9,828</u></b>	<b><u>10,582</u></b>

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 Santander, 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 2020	Cash flows	Other non cash changes	At 31 July 2021
	£'000	£'000	£'000	£'000
Cash at bank and in hand	2,904	475		3,379
Bank overdrafts	-	-	-	-
	<u>2,904</u>	<u>475</u>	<u>-</u>	<u>3,379</u>
Bank loans	(10,582)	754		(9,828)
Net debt	<u>(7,678)</u>	<u>1,229</u>	<u>-</u>	<u>(6,449)</u>

**18 Provisions**

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2020	32,176	531	32,707
Additions in period	1,242	2	1,244
<b>At 31 July 2021</b>	<b><u>33,418</u></b>	<b><u>533</u></b>	<b><u>33,951</u></b>

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:

	2021	2020
Interest rate	1.6%	1.3%
Net interest rate	2.6%	2.2%

**19 Cash and cash equivalents**

	At 1 August 2020	Cash flows	At 31 July 2021
	£'000	£'000	£'000
Cash and cash equivalents	2,904	475	3,379
<b>Total</b>	<b><u>2,904</u></b>	<b><u>475</u></b>	<b><u>3,379</u></b>

**20 Capital commitments**

	2021 £'000	2020 £'000
Commitments contracted for at 31 July	<u>1,048</u>	<u>110</u>

**21 Lease Obligations**

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

	2021 £'000	2020 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	224	430
Later than one year and not later than five years	222	323
Later than five years	1,480	1,520
	<u>1,926</u>	<u>2,273</u>
<b>Other</b>		
Not later than one year	26	26
Later than one year and not later than five years	26	52
Later than five years	-	-
	<u>52</u>	<u>78</u>

## 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	2021 £'000	2020 £'000
Teachers Pension Scheme: contributions paid	1,953	1,842
Local Government Pension Scheme:		
Contributions paid	1,132	1,112
FRS 102 charge	2,159	1,310
Charge to the Statement of Comprehensive Income	3,291	2,422
Enhanced pension charge to Statement of Comprehensive Income	7	21
<b>Total pension cost for year within staff costs</b>	<b>5,251</b>	<b>4,285</b>

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

Contributions amounting to £339,000 (2020: £332,000) 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 2019. 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.

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 £1,953,067 (2020: £1,842,058).

## 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 2021 was £1,492,000 (£1,472,000 in the year to 31 July 2020), of which employer's contributions totalled £1,132,000 (£1,112,000 2019-20) and employees' contributions totalled £360,000 (£360,000 2019-20). The agreed contribution rates for future years are 16% for employers and range from 5.5% to 7.5% for employees, depending on salary. Under the funding policy, secondary contributions are required to clear historic deficits; these were £137,234 for the year from 1st April 2021 and will be £142,237 for the year from 1st April 2022. The deficit recovery period was 19 years from 1st April 2020.

##### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by Barnett Waddingham, a qualified independent actuary.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.85%	3.25%
Future pensions increases	2.85%	2.25%
Discount rate for scheme liabilities	1.60%	1.35%
Inflation assumption (CPI)	2.85%	2.25%
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 2021 years	At 31 July 2020 years
<i>Retiring today</i>		
Males	22.7	22.9
Females	24.0	24.1
<i>Retiring in 20 years</i>		
Males	24.0	24.3
Females	25.4	25.5

##### Sensitivity analysis

	At 31 July 2021 £'000	At 31 July 2020 £'000
Projected service cost:		
Discount rate +0.1%	3,851	2,552
Discount rate -0.1%	4,135	2,725
Mortality assumption – 1 year increase	4,158	2,731
Mortality assumption – 1 year decrease	3,830	2,546
Long term salary increases +0.1%	3,993	2,638
Long term salary increases -0.1%	3,988	2,636
Pension increases and deferred revaluation +0.1%	4,134	2,723
Pension increases and deferred revaluation -0.1%	3,853	2,554

**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:

		<b>Fair Value at 31 July 2021 £'000</b>		<b>Fair Value at 31 July 2020 £'000</b>
Gilts	13%	4,192	4%	1,017
UK equities	10%	3,233	13%	3,487
Overseas equities	53%	16,622	46%	12,221
Property	8%	2,492	8%	2,190
Infrastructure	4%	1,173	4%	1,129
Target return portfolio	10%	3,018	12%	3,309
Cash	1%	301	1%	370
Other bonds	2%	606	5%	1,293
Alternative assets	0%	2	6%	1,660
Private equity	0%	0	0%	0
<b>Total fair value of plan assets</b>	<b>100%</b>	<b><u>31,639</u></b>	<b>100%</b>	<b><u>26,676</u></b>
<b>Weighted average expected long term rate of return</b>		<b>17%</b>		<b>-2%</b>
<b>Actual return on plan assets</b>		<b><u>4,553</u></b>		<b><u>(462)</u></b>

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

	<b>2021 £'000</b>	<b>2020 £'000</b>
Fair value of plan assets	31,639	26,676
Present value of plan liabilities	(65,057)	(58,852)
<b>Net pensions (liability) (Note 18)</b>	<b><u>(33,418)</u></b>	<b><u>(32,176)</u></b>

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

	<b>2021 £'000</b>	<b>2020 £'000</b>
<b>Amounts included in staff costs</b>		
Current service cost	3,176	2,402
Past service cost	153	-
Admin costs	19	20
<b>Total</b>	<b><u>3,348</u></b>	<b><u>2,422</u></b>

**Amounts included in interest and other finance costs**

Net interest expense	430	429
	<b><u>430</u></b>	<b><u>429</u></b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	4,190	(1,037)
Other actuarial gains/(losses) on assets	-	(355)
Experience losses arising on defined benefit obligations	1,118	(1,075)
Changes in assumptions underlying the present value of plan liabilities	(4,646)	(7,947)
Change in demographic assumptions	742	985
<b>Amount recognised in Other Comprehensive Income</b>	<b><u>1,404</u></b>	<b><u>(9,429)</u></b>

**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**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at 1 August	(32,176)	(21,008)
Movement in year:		
Current service cost	(3,195)	(2,422)
Past service costs	(153)	-
Employer contributions	1,132	1,112
Net interest on the defined (liability)/asset	(430)	(429)
Actuarial gain or loss	1,404	(9,429)
<b>Net defined benefit liability at 31 July</b>	<b>(33,418)</b>	<b>(32,176)</b>

**Asset and Liability Reconciliation**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	58,852	48,251
Current service cost	3,176	2,402
Interest cost	793	1,004
Contributions by Scheme participants	360	360
Changes in financial assumptions	4,646	7,947
Changes in demographic assumptions	(742)	(985)
Loss/(gain) on defined benefit obligations	(1,118)	1,075
Estimated benefits paid	(1,063)	(1,202)
Past service cost	153	-
Curtailments and settlements	-	-
<b>Defined benefit obligations at end of period</b>	<b>65,057</b>	<b>58,852</b>

**Reconciliation of Assets**

<b>Fair value of plan assets at start of period</b>	26,676	27,243
Interest on plan assets	363	575
Return on plan assets	4,190	(1,037)
Other actuarial losses	-	(355)
Administration expenses	(19)	(20)
Employer contributions	1,132	1,112
Contributions by Scheme participants	360	360
Estimated benefits paid	(1,063)	(1,202)
Settlement prices paid	-	-
<b>Assets at end of period</b>	<b>31,639</b>	<b>26,676</b>

The estimated value of employer contributions for the year ended 31 July 2022 is £1,207,000 (2021 estimate was £912,000).

These accounts show a past service cost of £230 million in respect of the McCloud / Sergeant judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just under 2% of the total scheme liability as at 31 July 2020. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. 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 £nil; 0 governors (2020: £570; 3 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 £17,104 (2020 - £30,986) was recognised by the college for these services. At the year end there was an outstanding balance of £nil (2020 - £nil) due to the College. Purchases were made totalling £nil (2020 - £nil) of which £nil (2020 - £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

	2021 £'000	2020 £'000
Funding body grants – bursary support	922	802
Funding body grants – discretionary learner support	632	559
Other Funding body grants	270	393
Other items	5	7
	<u>1,829</u>	<u>1,761</u>
Disbursed to students	(1,184)	(1,005)
Administration costs	(56)	(50)
	<u>589</u>	<u>707</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**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Access investment	61	58
Financial support provided to students	187	157
Support for disabled students	82	69
Research and evaluation activity	25	14
	<b>356</b>	<b>298</b>

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>