

R U N S H A W
C O L L E G E

Report and Financial Statements
for the year ended 31 July 2020

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Runshaw College Report and Financial Statements

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Highlights

Some of the College's major achievements in 2019/20 include:

- 100% pass rate, 32% A*/A and 66% A/B grades for A level;
- 100% pass rate on 16-18 vocational and occupational courses at all levels and 60% top grades (D*D*D*) on level 3 BTEC qualifications.
- 76 Offers in total this year for Medicine, Dentistry and Veterinary Science;
- Recognition as the top General Further Education College in England for positive progression
- North West Overall College Sports Champions (for the 20th year in a row);
- More than 1000 students engaged in volunteering activities within their local communities;
- Successful reaccreditation for Matrix (Quality Standard for Information, Advice and Guidance);
- STEM assured status awarded in August 2019;
- Exceeding our 2020 carbon footprint reduction target.



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Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as Senior Postholders and were represented by the following in 2019/20:

Simon Partington	Principal and CEO; Accounting officer
Michelle Brabner	Deputy Principal
Clare Russell	Deputy Principal

Board of Governors

Members of the Corporation are listed on pages 5 and 6.

Mrs F Hussein acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statement and regularity auditors RSM UK Audit LLP

Internal auditors Mazars

Bankers Royal Bank of Scotland plc
Barclays Bank plc
Santander UK plc

Solicitors Mills and Reeve LLP
DLA Piper UK LLP

Insurers Hettle Andrews
Zurich Municipal

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Members of the Corporation

The members who served the Corporation during the year and up to the date of signature of this report are:

	Date Appointed / Re-elected / Retired	Term of office	Committees served	Attendance at Corporation meetings
A Watson Bird	Jan 2019	4 yrs	Audit (Chair); Search and Governance	100%
Y Bradshaw (Vice Chair)	Dec 2013 Dec 2017	4 yrs	Search and Governance (Chair); Standards and Curriculum.	100%
J Chatwood	Mar 2011 Mar 2015 Mar 2019	4 yrs	Finance (Chair)	100%
S Gregson	Dec 2019	4 yrs	Audit Committee.	80%
J Jariwala	Sep 2013 Sep 2017	4 yrs	Remuneration and Organisational Development (Chair).	60%
M Jay	Jul 2015 Jul 2019	4 yrs	Audit.	80%
W Middleton (Chairman)	Dec 2017 Dec 2018	4 yrs	Finance.	100%
S Partington (Principal to July 2020)	Sep 2013	-	All apart from Audit.	100%
A Pratt	Mar 2013 Mar 2017	4 yrs	Search and Governance.	100%
C Russell (Principal from August 2020)	Aug 2020	-	All apart from Audit.	N/A
J Venn	Mar 2011 Mar 2015 Mar 2019	4 yrs	Standards and Curriculum (Chair)	100%
Staff Elected Members				
R Cobourne	June 2020	4 yrs	Standards and Curriculum.	100%
P Pye	July 2019	4 yrs	Remuneration and Organisational Development.	40%
W Sutton	May 2016	4 yrs	Standards and Curriculum. Term of Office ended May 2020	100%
Student Elected Members				
J Gill	Dec 2019	2 yrs	Standards and Curriculum.	50%
E Lawrenson	Dec 2018	2 yrs	Standards and Curriculum.	60%

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Members of the Corporation (continued)

	Date Appointed / Re-elected / Retired	Term of office	Committees served	Attendance at Corporation meeting
Co-opted members				
M Balshaw	Nov 2018	4 yrs	Finance	N/A
D Bourne	Mar 2012 Apr 2016 Apr 2020	4 yrs	Remuneration and Organisational Development	N/A
S Carrier	Nov 2018	4 yrs	Finance	N/A
D Grime	July 2019	4 yrs	Standards and Curriculum	N/A
G Hall	Nov 2018	4 yrs	Finance	N/A
S Haycocks	July 2019	4 yrs	Standards and Curriculum	N/A
B Houston	Sep 2018	2 yrs	Standards & Curriculum	N/A
M Lowe	Apr 2019	4 yrs	Audit	N/A
K Lee	Jan 2019	2 yrs	Finance	N/A
M Lylyk	Nov 2018	4 yrs	Audit	N/A
L Myers	Sep 2018	4 yrs	Remuneration and Organisational Development	N/A
P Zak	Dec 2008 Dec 2012 Dec 2016	4 yrs	Finance	N/A

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

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

Introduction

Runshaw College is a tertiary further education institution situated in Leyland and Chorley, in Lancashire.

The College operates from two main sites: a sixth form centre and an adult college (including FE, HE and Apprenticeships). Education and training is offered in most curriculum areas and has been recognised as an 'Outstanding College' by OFSTED for more than 26 consecutive years. Runshaw was designated as a Beacon College and has won several awards including a United Kingdom Business Excellence Award and a European Quality Award. The College is a designated Centre for Excellence in Mathematics and was awarded STEM assured status in August 2019.

Legal status

The Corporation, incorporated as Runshaw College, was established under the Further and Higher Education Act 1992 to provide further education, principally for the Lancashire boroughs of South Ribble and Chorley. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Public Benefit

Runshaw College is an exempt charity under part 3 the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the Charity are disclosed on page 5 and 6.

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

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

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

The delivery of public benefit is covered throughout this Strategic Report.

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Strategic Report (continued)

Mission

Governors review the College's mission annually. No changes have been made to the College's longstanding mission statement.

We believe education changes lives, so we put teaching and learning and the needs of our students first.

Values

As a comprehensive college serving its community, we strive for:

- Respect
- Excellence
- Enjoyment
- Dedication

Implementation of strategic plan

In July 2019 the College adopted a strategic plan for the period 1 August 2019 to 31 July 2020. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year.

The College's specific objectives for 2019/20 and achievement of those objectives is addressed below.

Objective	Achievement
Complete the journey to "excellence everywhere" by securing further improvements to the quality of provision in the schools/programmes/functions which are not yet outstanding.	The College has a strong focus on quality which has once again produced exceptional results for all learners and stakeholders. The 2019/20 Curriculum Observation and Review process produced very positive outcomes in several curriculum areas.
Continue to hit all of our key ("road map") financial targets; this will require: a) healthy recruitment on all programmes; b) some further efficiencies in our operating costs/practices.	The College exceeded its 16-18 recruitment target for 2019/20 and was on track to meet all financial targets prior to the COVID-19 pandemic outbreak in March 2020. Despite the pandemic having an adverse impact upon finances, the College was able to take remedial action and produce a positive outturn for the year.
Be fully prepared to deliver T-levels from September 2020.	The College has made good progress with learner engagement in WRA. New functionality has been developed within the Student Portal.

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Strategic Report (continued)

High Level College Goals 2020/21

The college's high level strategy is to meet the needs of its community and to be a fantastic place to study and work. For the year ahead, we have identified three key priorities for the college as a whole:

1. Continuing our journey to "Excellence Everywhere" so that we can be sure that all of our learners are benefitting from "outstanding" educational experiences;
2. Further improving and extending external partnerships so that we can even better (identify and) meet the needs of our community;
3. Further improving our estate & facilities so that all staff and students can enjoy the benefits of a high-quality (and high-tech) work/learning environment.

Despite the financial and operational pressures undoubtedly presented by the current COVID-19 pandemic, the College is confident of achieving these objectives.

Financial objectives

The College's financial objectives are:

- (a) To maintain strong financial health and meet key financial performance indicators.
- (b) To ensure the effectiveness of all key financial monitoring, procurement and income maximisation processes.
- (c) To maintain effective management of risks so that we can continue to protect the College from issues that have the potential to impact negatively on the College and/or its key stakeholders.

A series of performance indicators have been agreed to monitor the successful implementation of the strategies.

Key Performance Indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. Key performance indicators for the College are regularly and rigorously monitored by managers and governors. The indicators are included in the College's annual self-assessment report.

Other specific KPI's for the year ended 31 July 2020 are shown below:

Key Performance Indicator	Actual Performance	Target/ Measure	Target achieved
16-18 learner numbers	4,917	4,860	Y
Operating surplus (excl. pensions and exceptional items)	£52,000	£200,000	N - Whilst the budget target was not achieved, a small surplus outcome is regarded as acceptable given the impact of COVID-19.
Financial health	Good	Good	Y
Loan covenant compliance	Compliant	Compliant	Y

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Strategic Report (continued)

Trade Union facility time

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

Table 1 - Relevant union officials

Number of employees who were relevant union officials during the period 1 April 2019 to 31 March 2020	Full-time equivalent employee number
6	5.6

Table 2 - Percentage of time spent on facility time

Percentage of time	Number of employees
0%	
1-50%	6
51%-99%	
100%	

Table 3 - Percentage of pay bill spent on facility time

Total cost of facility time	£6,539
Total pay bill	£17,980,178
Provide the percentage of the total pay bill spent on facility time, calculated as: <i>(total cost of facility time ÷ total pay bill) x 100</i>	0.04%

Table 4 - Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: <i>(total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100</i>	3.16%
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FINANCIAL POSITION

Financial results

Before the impact of FRS102 pension adjustments, the College generated a surplus of **£52,000** (2018/19 – surplus of £475,000).

The College is reporting a deficit before other gains and losses in the year of **£1,346,000** (2018/19 – deficit of £742,000). This deficit includes a charge of **£1,405,000** (2018/19 - £1,217,000) in respect of defined benefit pension obligations.

Total income for the year was **£26,494,000** (2018/19 - £26,378,000).

The College has an accumulated deficit of £812,000 and cash and short term investment balances of £3,726,000. The College intends to generate cash to assure its financial position and to continue to improve buildings and resources.

Tangible fixed asset additions during the year amounted to £307,000. This was in respect of equipment purchased.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the FE funding bodies provided 89% of the College's total income (2018/19 – 87%).

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Strategic Report (continued)

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

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

Cash flows and liquidity

At £1,298,000 (2018/19 £2,358,000), net cash flow from operating activities remained strong, despite the impact of COVID-19.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cashflow. During the year this margin was achieved.

Reserves Policy

The College seeks to maintain adequate levels of reserves to:

- (1) satisfy all bank loan covenants;
- (2) ensure that FRS 102 Pension Costs (insofar as they are reasonably foreseeable) are comfortably exceeded;
- (3) provide assurance with regard to the risk of insolvency by retaining sufficient cash balances to mitigate against income risks and unforeseen emergency expenditure; and
- (4) appropriately support and fund the College's long term property strategy.

Financial health

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Finance Record produces a financial health grading. The College is graded as "Good" financial health grading under the current methodology. This is considered an acceptable outcome.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2019 to 31 July 2020, the College paid 97% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There have been no significant post balance sheet events requiring disclosure in the financial statements.

Runshaw College Report and Financial Statements

Strategic Report (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2019/20 the College has delivered activity that has produced £22,552,000 in funding body main allocation funding (2018/19 – £22,158,000). The College had approximately 5,500 funded and 500 non-funded students. 5,018 of the funded learners are in the 16-18 age range.

Student achievements

Students continue to prosper at the College. August 2020 exam results show a 100% pass rate for A Levels, 32% A*/A and 66% A/B grades. Vocational learners also achieved a 100% pass rate and 60% top grades (D*D*D*) on L3 BTEC courses.

Curriculum developments

Subjects and methods of teaching and learning are under continuous review and development to ensure that curriculum meets the needs of the population that the College serves. Specific developments include:

- Introduction and delivery of new Apprenticeship standards.
- Continued development of T Levels and substantial industry placements.
- Expansion and development of new Access of HE provision, including Paramedics and Police and Criminal Investigation.
- Introducing a level 4 counselling course, to provide a progression route for students completing their level 3 course.
- Moving to the RQF option for a number of level 3 Applied General BTEC qualifications.
- Discontinuing a small number of courses which have been unable to consistently recruit financially viable cohorts in recent years.

Future prospects

The environment for FE Colleges continues to be an increasingly challenging one. Despite this, the College continues to deliver exceptional quality and outcomes for learners and has maintained financial stability. Recruitment numbers for 2020/21 have once again been very strong, which, along with exceptional results, provides real confidence with regard to the future prospects of the College.

However, the impact of COVID-19 on the UK economy cannot be ignored, but it is uncertain how this will affect the FE sector, especially in regard to future funding rates. The lagged funding system provides the College with some certainty and, for 2020/21, a surplus budget has been produced and management and governors are confident in meeting its financial targets.

Management and governors are confident that the College remains a going concern based upon the following key factors:

- Runshaw College is one of the highest achieving colleges in England.
- Learner satisfaction is extremely high and has been consistently high for the last 10 years.
- The College has strong and stable finances, satisfying all bank covenants and with a robust long term financial forecast.
- Recruitment at the College has remained buoyant, despite declining demographics.

Runshaw College Report and Financial Statements

Strategic Report (continued)

RESOURCES:

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

Financial

The College has £1.2m net current assets and £0.8 million net liability (including £20.4 million pension liability and long term debt of £5.0 million).

Tangible resources include the main 26 acres freehold Leyland Campus at Langdale Road and freehold Chorley Campus at Euxton Lane.

People

The College employs 690 staff , of whom 379 are teaching staff.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

Stakeholders

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

- its current, future and past students;
- its staff;
- employers;
- funding bodies and exam boards;
- FE commissioner;
- partner high schools;
- local borough councils and Local Enterprise Partnership;
- contractors and suppliers;
- neighbours and local community;
- trade unions;
- professional bodies
- other FE institutions..

The College recognises the importance of these relationships and engages in regular communication with them through meetings, verbal and written communications and the College internet site.

Runshaw College Report and Financial Statements

Strategic Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES:

Risk management is a continuous and embedded process at Runshaw College. Financial Regulations require that Managers have a responsibility to consider risks inherent in activities for which they are accountable.

The major challenges for the College over the next year are identified in the Strategic Plan and the Commentary to the Financial Plans that accompanies the Strategic Plan summarises risks and a sensitivity analysis for these. These risks are taken from the College's Risk Register, which lists significant and longer-term risks facing the College. For each risk, the register provides an assessment, considers operational mitigation activities and monitoring and control responsibilities. The register is regularly reviewed and updated by SMT and reported to each Audit Committee meeting.

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.

COVID-19

The impact of COVID-19 on the UK economy is likely to be significant and far-reaching. The College responded to this during 2019/20 through swift implementation of its Business Continuity Plan. Remedial action was taken during the year to ensure a positive financial outcome for the College. The College is now focussed upon managing the impact of the pandemic for all of its staff and students, in addition to the financial consequences. Ongoing key issues related to COVID include:

- (i) Recruitment to apprenticeship provision may be adversely impacted as employers face tough economic conditions.
- (ii) Learner attendance may be negatively impacted, resulting in lower achievement rates.
- (iii) Financial losses for transport and catering provision due to the impact of social distancing requirements.
- (iv) Higher than usual staff absence rates impacting productivity and quality of service.

The College is taking proactive measures to mitigate against these risks, with both governor and senior management oversight.

Changing Government Policy

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2019/20, 89% of the College's revenue was ultimately publicly funded and this level of funding is expected to continue. Funding rates for 16-18 learners were increased in 2020/21 (the first increase in real terms for ten years). There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels, especially in the economic aftermath of COVID-19. The College continues to mitigate this risk through careful financial planning and management of resources.

Competition

Competition from other educational institutions is a high priority risk for the College. Whilst the College is confident in its quality and exceptional results, management are also conscious of the increasing competitive environment in which it is operating. COVID-19 has presented an additional risk for competition as different institutions are able to respond to the pandemic and social distancing requirements in different ways. Mitigating strategies include a focus on inspirational promotional events, sampling events and review of admissions policies.

Runshaw College Report and Financial Statements

Strategic Report (continued)

Reputation

The continuing high standards in academic results place the College amongst the best performing in the country, thereby sustaining a reputation for excellence. Marketing opportunities publicise the College in its highly competitive local market. The College continually strives to improve its performance.

Maintain adequate funding of pension liabilities

Accounting for defined benefit pension schemes under FRS 102 is a risk as the relevant pension scheme is not under the College's direct control and is accounted for in accordance with the advice of independent qualified actuaries. Significant judgements are needed in assumptions for future salary increases, inflation, investment returns and member longevity that underpin valuations. Changes in these key assumptions can have a significant upon the valuation of the reported liability. The College mitigates this risk by ensuring careful forecasting and regular communications with banks and other key stakeholders.

Facilities

The College is pursuing a strategy of incremental improvement to its estate and facilities, taking account of the local area educational and economic needs. During the COVID-19 pandemic, effective IT infrastructure and equipment was essential to the Colleges business continuity planning. The College is dependent on being granted planning approvals and being able to generate funding to undertake significant improvements so that facilities remain attractive to learners.

Data security and General Data Protection Regulations ("GDPR")

The College is exposed to the risk that IT systems upon which it relies may fail. There are appropriate controls in place to cover the risk of system failure, including back-up procedures and disaster recovery plans. Furthermore, as with all Colleges, Runshaw College keep information about staff, students and other parties to allow it to operate as a successful Further education institution and meet its legal obligations. As such, there are inherent risks to holding and processing such data and the potential impact of any breach of GDPR principles. In mitigation of this risk, the College has a comprehensive staff training programme and follows appropriate policies and procedures to ensure the safety of all data.

Credit and counterparty risk

The College has Financial Regulations and a Treasury Management policy that address the risk of loss due to poor credit control or investment decisions. The College places surplus funds for terms not exceeding one year with several UK banks that have suitable credit ratings.

Valuing diversity

Runshaw College is committed to ensuring equality of opportunity for all its students, staff and all members of its community. We promote equality and diversity in all that we do. Ensuring equality and celebrating diversity is core to Runshaw and is an integral part of all we do for our learners, our staff, our governors, employers and wider community.

The college actively seeks to promote an environment in which:

- equality of opportunity is the norm for all learners and staff.
- diversity is promoted, advanced and embraced.
- barriers to learning and progression are removed whenever and wherever reasonably achievable.

Runshaw College Report and Financial Statements

Strategic Report (continued)

We have clear duties under The Equality Act 2010 and seek to exceed these wherever possible. We are committed to the elimination of all types of discrimination and will take appropriate action to implement our Equality and Diversity and our Anti-Bullying Policy. These policies are resourced, implemented, regularly monitored and published on the College's Internet site.

The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees. The College considers all applications from disabled persons, bearing in mind individual aptitudes. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues.

An Equality and Diversity report is published annually and progress towards achieving equality and diversity goals is monitored by managers and governors.

Information about student admissions, specialist learning programmes, learner achievements and destinations, counselling and welfare services, complaints and disciplinary procedures is available on the College website, prospectuses, student diary and other publications.

The College has complied with the Gender Pay Gap reporting regulations.

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 7 December 2020 and signed on its behalf by:



W Middleton

Chair

Runshaw College Report and Financial Statements

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the essential provisions of the AOC Code, and it has complied throughout the year ended 31 July 2020.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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.

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 Board meet five times during the year.

The Head of Governance maintains a register of financial and personal interests of governors. The register is available for inspection by arrangement with the Head of Governance.

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, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Head of Governance/Clerk are matters for the Corporation as a whole.

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

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

Runshaw College Report and Financial Statements

Statement of Corporate Governance and Internal Control (continued)

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

Appointments to the Corporation

Any new appointments to the Board are a matter for the consideration of the Corporation as a whole. Members of the Corporation are appointed for a term of office not exceeding four years, detailed on pages 5 and 6.

Committees

The Corporation conducts its business through a number of committees. Each committee has terms of reference that have been approved by the Corporation. These committees are Finance, Remuneration & Organisational Development, Search & Governance, Audit, and Standards and Curriculum. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Head of Governance at Langdale Road, Leyland, PR25 3DQ and are on the College's website at <https://www.runshaw.ac.uk/about-runshaw/governance/accountability/>.

Finance committee

The Finance committee includes eight members, meeting termly. The committee's responsibilities include monitoring, challenge and review of monthly management accounts, annual statutory financial statements, annual budgets and financial forecasts and approval of key financial policies. The committee also monitors property and facilities strategies on behalf of the Corporation.

Organisational Development committee

The Organisational Development committee includes five members and meets termly. The committee's responsibilities include monitoring and advising the Corporation on the College's equality and diversity practices including the Equality and Diversity Annual Report in line with statutory requirements. The Committee also advises on key performance indicators such as staff satisfaction, staff absence and staff turnover. The committee also advises the Corporation on the College's health, safety and wellbeing policy and performance.

Remuneration Committee

The Remuneration committee includes four members and meets at least twice during the academic year. The committee's responsibilities include making recommendations to the Corporation on the remuneration of the Accounting Officer and other senior post-holders. Details of remuneration for the year ended 31 July 2020 are set out in note 7 to the financial statements.

Search and Governance committee

The Corporation has a Search and Governance committee, comprising of five members, meeting termly. The committee is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. It also advises the Corporation on matters relating to the good governance of the College.

Runshaw College Report and Financial Statements

Statement of Corporate Governance and Internal Control (continued)

Audit committee

The Audit Committee comprises five members. The Accounting Officer and Chair are excluded from membership. The committee meets termly and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the committee for independent discussion, without the presence of College management. The committee also considers other relevant reports. The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

Standards and Curriculum committee

The Corporation has a Standards and Curriculum committee, consisting of eight members, is responsible for monitoring the College's quality framework and the impact and effectiveness of teaching and learning at the College.

Corporation performance

Corporation performance is monitored and assessed in a number of ways. The following evaluation and self-assessment tools are used as part of this process:

- Governance self-assessment report and quality improvement plan;
- Review against the AOC Code of Good Governance (clause by clause);
- Individual governor annual self-assessment;
- Annual appraisal of the Chair;
- Independent external evaluation of the Board (every three years);
- Governance impact statement;
- Ongoing review and feedback via meeting evaluation forms (after all meetings).

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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Runshaw College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

Runshaw College Report and Financial Statements

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 Runshaw College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

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

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her 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
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

Runshaw College Report and Financial Statements

Statement of Corporate Governance and Internal Control (continued)

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2020.

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

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. In addition, the Corporation also consider the following factors to be relevant with regard to the long term viability of the College.

- Runshaw College is one of the highest achieving colleges in England.
- Learner satisfaction is extremely high and has improved every year for the last eight years.
- The College has strong and stable finances, satisfying all bank covenants and with a robust long term financial forecast.
- The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the FE funding bodies provided 89% of the College's total income (2018/19 – 87%).
- 16-18 funding is lagged and, at the date of signing the financial statements, is therefore relatively certain for 2020-2022. An allocation of £25.1m has been confirmed for the year ended 31 July 2021.
- Recruitment at the College has remained buoyant, despite declining demographics.

For this reason, the going concern basis is adopted in preparing the financial statements.

Approved by order of the members of the Corporation on 7 December 2020 and signed on its behalf by:



W Middleton
Chair



C Russell
Accounting Officer

Runshaw College Report and Financial Statements

Statement of Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's 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 College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contracts with ESFA, or any other public funder.

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



W Middleton

Chair

7th December 2020



C Russell

Accounting Officer

7th December 2020

Runshaw College Report and Financial Statements

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the college's grant funding agreements and contracts with ESFA, the Corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period. .

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

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

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

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

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

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

Approved by order of the members of the Corporation on 7 December 2020 and signed on its behalf by:



W Middleton

Chair

Runshaw College Report and Financial Statements

Independent Auditor's Report to the Corporation of Runshaw College

Opinion

We have audited the financial statements of Runshaw College (the "College") for the year ended 31 July 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in reserves, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Runshaw College Report and Financial Statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

Responsibilities of the Corporation of Runshaw College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 23, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to 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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities> this description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 28 October 2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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 for the opinions we have formed.



RSM UK AUDIT LLP

Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
PR2 5PE

15 December 2020

Runshaw College Report and Financial Statements

Statement of Comprehensive Income for the year ended 31 July 2020

	Notes	2020 £'000	2019 £'000
INCOME			
Funding body grants	2	24,014	23,068
Tuition fees and education contracts	3	1,305	1,856
Other grants and contracts	4	233	99
Other income	5	939	1,352
Investment income	6	3	3
		26,494	26,378
EXPENDITURE			
Staff costs	7	19,266	18,546
Fundamental restructuring costs	7	-	99
Other operating expenses	8	6,432	6,236
Depreciation	10	1,601	1,744
Interest and other finance costs	9	541	495
		27,840	27,120
		(1,346)	(742)
(Deficit) before other gains and losses			
Loss on disposal of assets	10	(7)	(70)
		(1,353)	(812)
(Deficit) before tax			
Taxation		-	-
		(1,353)	(812)
(Deficit) for the year			
Remeasurement of net defined pension liability	23	(7,096)	(3,448)
		(8,449)	(4,260)
Total Comprehensive Income for the year		(8,449)	(4,260)

The statement of comprehensive income is in respect of continuing activities.

Runshaw College Report and Financial Statements

Statement of Changes in Reserves

	Income and Expenditure account	Revaluation Reserve	Total
	£'000	£'000	£'000
Balance at 31st July 2018	7,704	4,193	11,897
(Deficit) from the income and expenditure account	(812)	-	(812)
Other comprehensive income	(3,448)	-	(3,448)
Transfers between revaluation and income and expenditure reserves	185	(185)	-
Total comprehensive income for the year	(4,075)	(185)	(4,260)
Balance at 31st July 2019	3,629	4,008	7,637
(Deficit) from the income and expenditure account	(1,353)	-	(1,353)
Other comprehensive income	(7,096)	-	(7,096)
Transfers between revaluation and income and expenditure reserves	185	(185)	-
Total comprehensive income for the year	(8,264)	(185)	(8,449)
Balance at 31st July 2020	(4,635)	3,823	(812)

Runshaw College Report and Financial Statements

Balance sheet as at 31 July

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible fixed assets	10	28,608	29,909
		28,608	29,909
Current assets			
Stocks		49	45
Trade and other receivables	11	681	781
Investments	12	-	1,003
Cash and cash equivalents	17	3,726	2,747
		4,456	4,576
Less: Creditors – amounts falling due within one year	13	(3,258)	(3,987)
Net current assets		1,198	589
Total assets less current liabilities		29,806	30,498
Less: Creditors – amounts falling due after more than one year	14	(10,141)	(10,866)
Provisions			
Defined benefit pension schemes	23	(20,386)	(11,885)
Other provisions	16	(92)	(110)
Total net assets		(812)	7,637
Unrestricted reserves			
Income and expenditure account		(4,633)	3,629
Revaluation reserve		3,821	4,008
Total unrestricted reserves		(812)	7,637

These financial statements were approved and authorised for issue by the Corporation on 7 December 2020 and were signed on its behalf on that date by:



W Middleton
Chair



C Russell
Accounting Officer

Runshaw College Report and Financial Statements

Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Net cash flow from operating activities	18	1,298	2,358
Cash flows from investing activities			
Proceeds from sale of fixed assets & investments		-	-
Investment income	6	3	3
Payments made to acquire fixed assets	10	(307)	(764)
		<u>(304)</u>	<u>(761)</u>
Cash flows from financing activities			
Interest paid	9	(541)	(495)
Repayments of amounts borrowed	13+14	(292)	(288)
Repayments of obligations under finance leases	13+14	(184)	(335)
		<u>(1,017)</u>	<u>(1,118)</u>
(Decrease)/increase in cash and cash equivalents in the year		<u>(24)</u>	<u>479</u>
Cash and cash equivalents at beginning of the year	17	3,750	3,271
Cash and cash equivalents at end of the year	17	3,726	3,750

Runshaw College Report and Financial Statements

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

General information

Runshaw College is a corporation established under the Further and Higher Education Act 1992 as an English General college of Further Education. The address of the college's principal place of business is given on page 18. The nature of the college's operations is set out in the strategic report.

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* (F&HE SORP 2019), the *College Accounts Direction for 2019 to 2020* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The 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 as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

The financial statements are presented in sterling which is also the functional currency of the College. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

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. The financial position of the College, its' cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The balance sheet as at 31 July 2020 shows a net liability of £0.8m, however, this is due to long term (and estimated) liabilities. The College has a strong net asset position, at £1.2m.

The College currently has £5.3m of loans outstanding with bankers on terms negotiated in 2008 and 2012. The loans are repayable over the next 20 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the FE funding bodies provided 89% of the College's total income (2018/19 – 87%). 16-18 funding is lagged and, at the date of signing the financial statements, is therefore relatively certain for 2020-2022. An allocation of £25.1m has been confirmed for the year ended 31 July 2021.

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.

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

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

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 achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits.

16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Levy-funded and ESFA funding for co-investment model apprenticeship income is measured in line with best estimates of the provision delivered in the year, taking account and as reconciled to cash received.

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

Grants (including research 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.

Capital grant funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met. The deferred income is allocated between creditors due within the year and those due after more than one year.

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 income and expenditure account in the period in which it is earned on a receivable basis.

Accounting for post-employment benefits

Post-employment benefits to employees of the College are 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.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

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

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit 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 interest and other finance costs.

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

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.

Non-current Assets - Tangible fixed assets

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

Land and buildings

Land and buildings inherited from the Local Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 40 years.

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

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

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account 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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost and is depreciated on a straight line basis from the month of inception as follows:

- Motor vehicles and computer equipment - 3 years;
- Furniture, fixtures, fittings and other equipment – between 5 and 10 years.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income.

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

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

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

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

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

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 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.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds, bursaries and consortium funds related to 16-18 year old pupils. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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.

Notes to the Accounts (continued)

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

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

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

2 Funding body grants

	2020 £'000	2019 £'000
Recurrent grants		
Education and Skills Funding Agency – adult	339	388
Education and Skills Funding Agency – 16-18	21,200	20,574
Education and Skills Funding Agency – apprenticeships	972	1,112
Office for students	41	84
Specific Grants		
Education and Skills Funding Agency	1,138	510
Releases of government capital grants	324	400
Total	24,014	23,068

3 Tuition fees and education contracts

	2020 £'000	2019 £'000
Adult education fees	156	118
Apprenticeship fees and contracts	14	37
Fees for FE loan supported courses	221	247
Fees for HE loan supported courses	761	1,232
Total tuition fees	1,152	1,634
Education contracts	153	222
Total	1,305	1,856

4 Other grants and contracts

	2020 £'000	2019 £'000
Coronavirus Job Retention Scheme	126	-
Other grants and contracts	107	99
Total	233	99

The Corporation furloughed some of the catering staff under the government's Coronavirus Job Retention Scheme. The funding received in respect of 48 staff related to staff costs which are included within the staff costs in note 7.

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

5 Other income

	2020	2019
	£'000	£'000
Catering and residences	815	1,209
Miscellaneous income	124	143
Total	939	1,352

6 Investment income

	2020	2019
	£'000	£'000
Other interest receivable	3	3

7 Staff costs

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

	2020 No.	2019 No.
Teaching staff	379	396
Non-teaching staff	311	314
	690	712
Staff costs for the above persons	2020 £'000	2019 £'000
Wages and salaries	14,083	14,069
Social security costs	1,232	1,223
Other pension costs	3,833	3,184
Payroll sub total	19,149	18,476
Contracted out staffing services	117	70
	19,266	18,546
Fundamental restructuring costs - contractual	-	-
Total	19,266	18,645

Notes to the Accounts (continued)

Runshaw College Report and Financial Statements

7 Staff costs (continued)

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 (who also holds the positions of Accounting Officer and Chief Executive) and two Deputy Principals.

One of the Deputy Principal postholders resigned during the year, leaving the post vacant for the remainder of the year.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	3	3

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

Year ended 31 July	Key management personnel		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,001 to £65,000	-	-	1	2
£65,001 to £70,000	-	-	2	-
£70,001 to £75,000	-	-	1	1
£85,001 to £90,000	1	1	-	-
£90,001 to £95,000	-	1	-	-
£145,001 to £150,000	-	1	-	-
£155,001 to £160,000	1	-	-	-
	2	3	4	3

Other staff numbers exclude one part time member of staff whose full time equivalent emoluments would fall within the £60,001 to £65,000 banding.

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

7 Staff costs (continued)

Key management personnel emoluments are made up as follows:

	2020	2019
	£'000	£'000
Salaries	297	329
Employers National Insurance	38	42
Benefits in kind	-	-
	<u>335</u>	<u>371</u>
Pension contributions	63	52
Total emoluments	<u>398</u>	<u>423</u>

There were no salary sacrifice arrangements in place for key management personnel in the year.

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

	2020	2019
	£'000	£'000
Salaries	157	148
Benefits in kind	-	-
Employers National Insurance	20	19
	<u>177</u>	<u>167</u>
Pension contributions	<u>32</u>	<u>24</u>

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

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 package of the Accounting Officer is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Accounting Officer reports to the Chair of Governing Council, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

7 Staff costs (continued)

The relationship between the Accounting Officer's emoluments, expressed as a multiple of all other employees based on full-time equivalents, is set out below for both basic salary and total remuneration.

	2020	2019
	£'000	£'000
Relationship of the Accounting Officer pay and remuneration expressed as a multiple:		
Accounting Officer's basic salary as a multiple of the median of all staff	6.42	5.71
Accounting Officer's total remuneration as a multiple of the median of all staff	7.23	6.40

8 Other operating expenses

	2020	2019
	£'000	£'000
Teaching costs	657	866
Non-teaching costs	4,417	3,862
Premises costs	1,358	1,508
Total	6,432	6,236

Other operating costs include:

	2020	2019
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	19	18
Internal audit	24	19
Other services provided by the financial statements auditors	1	2
Other services provided by the internal auditors	-	7
Losses on disposal of tangible fixed assets (where not material)	7	55
Operating lease rentals	-	-

9 Interest payable

	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loans	287	298
On finance leases	-	-
Net interest on defined pension liability (note 23)	254	197
Total	541	495

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

10 Tangible fixed assets

	Freehold Land and Buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2019	42,841	6,047	48,888
Additions		307	307
Disposals		(638)	(638)
	42,841	5,716	48,557
At 31 July 2020			
Depreciation			
At 1 August 2019	14,917	4,062	18,979
Charge for the year	1,020	581	1,601
Elimination in respect of disposals		(631)	(631)
	15,937	4,012	19,949
At 31 July 2020			
Net book value at 31 July 2020	26,904	1,704	28,608
Net book value at 31 July 2019	27,924	1,985	29,909

Land and buildings were valued in 1994 at depreciated replacement cost by the Department of Property Services, Lancashire County Council. If inherited land and buildings had not been valued they would have been included in the financial statements at nil net book value based on cost. Land and buildings with a net book value of £3,821,000 (2019: £4,007,000) have been funded from Local Authority sources. Should these assets be sold, the College may be liable under the terms of the Financial Memorandum with the Education & Skills Funding Agency, to surrender the proceeds.

The net book value of equipment includes an amount of £112,000 (2019: £305,000) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £193,000 (2019: £327,000).

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

11 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	68	216
Prepayments and accrued income	613	565
Total	681	781

12 Current investments

	2020 £'000	2019 £'000
Short term deposits	-	1,003

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

13 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank loans and overdrafts	298	292
Obligations under finance leases	112	178
Trade payables	619	737
Other taxation and social security	318	334
Pension contributions	316	278
Accruals and deferred income	438	738
Deferred income - government capital grants	309	324
Deferred income - government revenue grants	763	810
Amounts owed (from)/to the ESFA	(5)	103
Other creditors	90	193
Total	3,258	3,987

14 Creditors : amounts falling due after one year

	2020 £'000	2019 £'000
Bank loans	4,982	5,280
Obligations under finance leases	-	118
Deferred income - government capital grants	5,159	5,468
Total	10,141	10,866

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

15 Maturity of debt

	2020 £'000	2019 £'000
Bank loans are repayable as follows:		
In one year or less	298	292
Between one and two years	213	298
Between two and five years	948	929
In five years or more	3,821	4,053
Total	5,280	5,572

Bank loans of £2.4 million to finance new buildings at the Langdale Road campus were rescheduled in 2008. They are repayable by 2033 in quarterly instalments from October 2011, secured against the College's freehold land and buildings. The interest rate is fixed at 5.91% per annum.

A new loan of £5.1 million was drawn down in March 2012, of which £4.2 million is at an effective fixed interest rate of 5.5% for the first 12.5 years and then 5.7% for the following 9.5 years. The balance of the loan is at floating rate. Capital repayments started in October 2012.

	2020 £'000	2019 £'000
The net finance lease obligations to which the institution is committed are:		
In one year or less	112	178
Between one and two years	-	118
Between two and five years	-	-
In five years or more	-	-
Total	112	296

16 Provisions

	Lease obligations	Pensions	MIS systems	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2019	30	36	-	44	110
Expenditure in the period	(19)	-	-	-	(19)
At 31 July 2020	11	36	-	44	92

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

17 Cash and cash equivalents

	Notes	At 1 August 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents		2,747	(21)	1,000	3,726
Short term deposits	12	1,003	(3)	(1,000)	-
Total		3,750	(24)	-	3,726

18 Cashflow reconciliation of surplus after tax to net cash generated from operations

	Notes	2020 £'000	2019 £'000
(Deficit) for the year		(1,353)	(812)
Adjustment for			
Depreciation	10	1,601	1,744
Investment income	6	(3)	(3)
Interest payable	9	541	495
Loss on disposal of fixed assets	10	7	70
Decrease in provisions	16	(19)	(22)
Pensions costs less contributions payable	23	1,406	1,217
Operating cashflow before movements in working capital		2,180	2,689
(Increase)/Decrease in stocks		(4)	16
Decrease/(Increase) in debtors	11	99	(137)
(Decrease)/Increase in creditors due within one year	13	(668)	113
Decrease in creditors due after one year	14	(309)	(323)
Net cash flow from operating activities		1,298	2,358

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

19 Capital commitments

	2020 £'000	2019 £'000
Commitments contracted for at 31 July	-	-

No capital commitments at the year end.

20 Lease Obligations

The College has no non-cancellable operating leases at the date of signing this report.

21 Contingencies

The College has no contingent liabilities as at the date of signing this report.

22 Events after the reporting period

There are no events after the reporting period.

23 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 Lancashire County Council. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2020 £'000	2019 £'000
Teachers' Pension Scheme: contributions paid	1,760	1,378
Local Government Pension Scheme:		
Contributions paid	921	891
FRS 102 (28) charge	1,151	1,020
Charge to the Statement of Comprehensive Income	2,072	1,911
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year	3,832	3,289

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

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

Contributions amounting to £312,000 (2019: £278,000) were payable to the schemes and are included in creditors.

Teachers' Pension Scheme

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

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

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The 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.

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion giving a notional past service deficit of £22 billion.

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

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

The pension costs paid to TPS in the year amounted to £1,760,000 (2019: £1,378,000).

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Lancashire County Council. The total contribution made for the year ended 31 July 2020 was £1,243,000, of which employer's contributions totalled £926,000 and employees' contributions totalled £317,000. The agreed contribution rates for future years are 17.6% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.80%	3.70%
Future pensions increases	2.40%	2.30%
Discount rate for scheme liabilities	1.60%	2.20%
Inflation assumption (CPI)	2.30%	2.20%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2020	At 31 July 2019
	Years	years
<i>Retiring today</i>		
Males	22.30	22.80
Females	25.00	25.50
<i>Retiring in 20 years</i>		
Males	23.80	25.10
Females	26.80	28.20

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

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

	Fair Value at 31 July 2020	Fair Value at 31 July 2019
	£'000	£'000
Equities	17,624	18,578
Treasury Bonds	-	-
Bonds	2,667	622
Property	5,256	3,420
Cash	696	700
Other	12,406	15,546
Total market value of assets	38,649	38,866

Actual return on plan assets	(867)	4,991
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The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2020 £'000	2019 £'000
Fair value of plan assets	38,649	38,866
Present value of plan liabilities	(59,035)	(50,751)
Net pensions (liability)	(20,386)	(11,885)

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	1,907	1,504
Administration expenses	31	25
Effect of curtailments	7	-
Past service cost	127	382
Total	2,072	1,911

Amounts included in investment income

Net interest cost	254	197
	254	197

Amounts recognised in Other Comprehensive Income

Changes in assumptions underlying the present value of plan liabilities	7,096	3,448
Amount recognised in Other Comprehensive Income	7,096	3,448

Movement in net defined benefit (liability) during the year

	2020 £'000	2019 £'000
Deficit in scheme at 1 August	(11,885)	(7,220)
Movement in year:		
Current service cost	(1,907)	(1,504)
Employer contributions	921	891
Past service cost	(127)	(382)
Net interest on the defined (liability)/asset	(254)	(197)
Administration expenses	(31)	(25)
Actuarial gain or loss	(7,096)	(3,448)
Net defined benefit (liability) at 31 July	(20,379)	(11,885)

Runshaw College Report and Financial Statements

Notes to the Accounts (continued)

23 Defined benefit obligations (continued)

Asset and Liability Reconciliation

	2020 £'000	2019 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	50,751	40,644
Current Service cost	1,907	1,504
Interest cost	1,115	1,173
Contributions by Scheme participants	317	310
Experience loss on defined benefit obligations	4,910	7,463
Estimated benefits paid	(662)	(725)
Past Service cost	127	382
	<u>58,465</u>	<u>50,751</u>
Defined benefit obligations at end of period	58,465	50,751

Reconciliation of Assets

Fair value of plan assets at start of period	38,866	33,424
Interest on plan assets	861	976
Changes in financial assumptions	(1,623)	4,015
Administration expenses	(31)	(25)
Employer contributions	921	891
Contributions by Scheme participants	317	310
Estimated benefits paid	(662)	(725)
	<u>38,649</u>	<u>38,866</u>
Assets at end of period	38,649	38,866

24 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was NIL. No Governor has received any remuneration or waived payments from the College during the year (2019: None).

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Notes to the Accounts (continued)

25 Amounts disbursed as agent

Learner support funds	2020 £'000	2019 £'000
Funding body grants – bursary support	489	548
Funding body grants – discretionary learner support	24	33
	<hr/> 513	<hr/> 581
Disbursed to students	(489)	(498)
Administration costs	(24)	(23)
Balance / Underspend as at 31 July, included in creditors	<hr/> 0	<hr/> 60

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.

Runshaw College Report and Financial Statements

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

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 28 October 2020 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Runshaw College during the period 1 August 2019 to 31 July 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Basis for conclusion

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

We are independent of the Runshaw College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Corporation of Runshaw College for regularity

The Corporation of Runshaw College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of Runshaw College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 ACoP.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material

Runshaw College Report and Financial Statements

irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to the Corporation of Runshaw College and the Secretary of State for Education acting through the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Runshaw College and the Secretary of State for Education acting through the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Runshaw College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.



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15 December 2020