The City of Liverpool College

Report and Financial Statements

for the year ended 31 July 2021

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2020/21:

Elaine Bowker - Principal and CEO; Accounting officer
Julie Barnes - Deputy Chief Executive
Gill Banks – Deputy Principal
Karon Brownbill – Vice Principal Business Development
Damien Kilkenny - Vice Principal Curriculum Development & Innovation

Board of Governors

A full list of Governors is given on page 18 & 19 of these financial statements.

Mrs C Lenderyou acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
Chartered Accountants, Statutory Auditors
Bluebell House
Brian Johnson Way
Preston
PR2 5PE

Internal auditors:

BDO LLP
5 Temple Square
Temple Street
Liverpool
L2 5RH

Bankers:

Barclays Bank plc
1st Floor
3 Hardman Street
Spinningfields
Manchester
M3 3AX

Close Brothers Invoice Finance
Ridgeland House
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Hove
East Sussex
BN3 1UY

Solicitors:

Hill Dickinson LLP
No. 1 St Pauls Square
Liverpool
L3 9SJ

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2021.

Legal status

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

The Corporation was incorporated as The City of Liverpool Community College. On 15 September 1998, the Secretary of State granted consent to the Corporation to change the College's name to Liverpool Community College. On 9 January 2013 the Secretary of State granted a further consent to the Corporation to change its name to The City of Liverpool College.

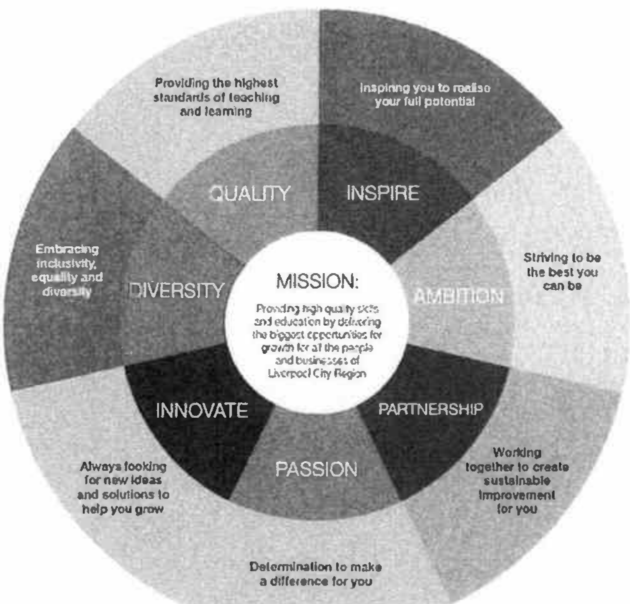
The City of Liverpool College comprises of the College Corporation established under the Further and Higher Education Act and Shared Education Services Limited, a wholly owned trading subsidiary.

Vision and Mission

During 2020/21, the College continued delivery against the Strategic Plan 2015-20 which was updated in March 2018. The College has launched a new Strategic Plan in September 2021 for the period 2021-2025. The plan retains the 3 Key Goals under the previous plan with new underlying Strategic Enablers to focus on Turning disadvantage into advantage and Systems thinking by critical thinkers.

As an educational establishment, we will deliver the biggest and best opportunities for our students, becoming the provider of choice for learners and employers alike; as an employer, we will seek to be the employer of choice for our staff. The College will be a system leader in the sector, building a culture founded on innovation and enterprise and continuous improvement.

The College's mission and values are the product of consultation with staff, students, governors and key partners. They reflect the best of the College and our aspirations for the future.



Public Benefit

The City of Liverpool College is an exempt charity under part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 18 & 19.

In setting and reviewing the College's strategic objectives, the Governing Body has due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirements 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:

- Being creative and enterprising, to support excellent employment records for students
- Being inclusive in everything we do, through widening participation and tackling social exclusion
- Being a great place to work and learn, delivering high quality teaching and strong student support systems
- Being a driver of economic success, with strong links with employers, industry and commerce
- Developing links with Local Enterprise Partnerships (LEPs)

Implementation of strategic plan

During 2020/21, the College continued delivery against the Strategic Plan 2015-20 which was updated in March 2018. The College has launched a new Strategic Plan in September 2021 for the period 2021-2025. The plan retains the 3 Key Goals under the previous plan with new underlying Strategic Enablers to focus on Turning disadvantage into advantage and Systems thinking by critical thinkers. The 3 Key Goals are:

Goal 1 - World Class Skills in Business

- We'll build on our successes in delivering on what employers need.
- We'll build on our success in supporting students to succeed.
- We'll build on our role as an anchor institution within the city.

Goal 2 – Delivering an outstanding student experience

- We'll ensure our learners are supported and challenged to reach the highest standards.
- We'll create an environment in which students are supported to succeed and thrive as individuals.
- We'll wrap our outstanding teaching and learning in a holistic approach to student support.

Goal 3 - Developing Talent for Sustainable Employment

- We'll give our learners a competitive advantage across the City Region.
- We'll enhance our curriculum offer around the skills and behaviours needed to access meaningful opportunities for employment and progression.
- We'll develop targeted interventions to reach those farthest away from employment and support them in removing the barriers to engagement.

The 2 Key Strategic Enablers are:

Strategic Enabler 1 - Turning disadvantage into advantage

- We'll recognise our students as individuals, tailoring our programmes of learning and support to enhance accessibility and meet different needs.
- We'll recognise the impact of the increased reliance on digital engagement across industry, education and society as a whole.
- We're committed to addressing the impact of bias, discrimination and injustice through a proactive approach to equality, diversity and inclusion.
- We'll work to enhance the social and cultural capital of our students.

Strategic Enabler 2 - Turning disadvantage into advantage

- We'll take a whole college approach to the whole individual, working to remove individual and systemic barriers to success.
- We'll step forward as part of a collaborative, united approach to leadership across the city and the Liverpool City Region.
- We'll amplify our impact within the Liverpool City Region's education and skills ecosystem.

The College was inspected by Ofsted in October 2017 and the result of the final report was an Ofsted grading 2 'Good'. Outcomes for students are now above national averages at all ages following a five year improvement trend. Performance continues to be reviewed at each Board meeting. In addition the Quality Improvement Plan 'QIP' is also monitored by the Performance, Quality, Task and Finish Group 'PQTFG' and a summary is presented at each meeting of the Board.

Financial Strategy

The College was assessed by the Education and Skills Funding Agency (the "ESFA") as having a "Outstanding" financial health grading based on the 2019/20 financial statements. The financial health grade calculated from the financial statements for 2020/21 is "Outstanding" and is considered a significantly positive outcome during the challenging year.

The Group's financial objectives are to:

- maintain the Group's medium and long term financial security
- continue to improve financial management in order to retain the confidence of the funders, suppliers, banks and auditors
- provide access to the Group's financial information for governors, staff, learners and other stakeholders
- ensure that the Group is able to finance a first class and efficient learning environment for students by the effective and efficient development of funds supporting the aims of the strategic plan.

A series of key performance indicators have been agreed to monitor the successful implementation of the objectives above.

Performance indicators

The Group measures itself against internal and external targets and benchmarks in areas such as:

Key Performance Indicator	Actual 2020/21	National Achievement Rate
Achievement rates:	87.7%	86.7%
16-18	85.1%	83.4%
19+	89.4%	89.9%

The key financial performance indicators are as follows:

Key Performance Indicator	Target	Actual 2021/22	Average rate *
Operating surplus as a percentage of income	1.1%	6.39%	(3.4%)
Sector specific EBITDA as a percentage of income	6.5%	11.97%	6.6%
Staff costs (excluding restructuring and pension adjustments) as a percentage of income (excluding sub-contracted income)	66.3%	66.92%	67.3%
Adjusted current ratio	1.29	2.16	1.95
Borrowing as a percentage of income	18.0%	19.32%	20.4%
Financial Health Score	Good	Outstanding	N/a

* Average rate based on the financial benchmarking data for 2019/20 for Further Education colleges.

Income used for the calculations above is adjusted income as defined with the ESFA's finance record.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the ESFA. The College is assessed by the ESFA as having a "Outstanding" financial health grading.

FINANCIAL POSITION

Financial results

The Group generated a surplus in the year of £400k after taxation (2019/20 surplus of £2,104k), with total comprehensive income loss of £6,849k (2019/20 loss of £2,428k). The total comprehensive income in 2020/21 is stated after accounting for the actuarial gain in respect of pension schemes as calculated under FRS102.

The financial results were not signficantly impacted by the COVID-19 pandemic in 2020/21. The majority of the income was secured due to the nature of funding for 16-18 year old learners being on the lagged methodology and the approach by funding bodies to reconciliation of AEB income in year. The College has not been subject to any reconciliation by either the Liverpool City Region Combined Authority or the ESFA. There was a reduction in College income for commercial courses and other income generating activities in 2020/21 to COVID-19 restrictions, however, this was partially offset by some reduction in non-pay costs during the period (e.g. utilities etc).

The Group has accumulated reserves of £8,803k (2019/20 – £1,954k) and cash and short term investment balances of £6,759k (2019/20 - £5,441k). The Group wishes to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £4,794k. This was split between land and buildings of £2,996k and equipment purchased of £1,798k. The majority of the work related to the refurbishment of reception areas, student social space and Learning Resource Centres at a number of College sites. The projects were completed in August 2020. The computer equipment additions mainly related to the development of a Virtual Desktop Instructure and laptops for student use during lockdown.

Overall the group is in a net asset position (2019/20 net asset position) including £24.7m pension liability as at the year end.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 the FE funding bodies provided 83.8% (2019/20 79.6%) of the Group's total income.

The College has one subsidiary company:

- Shared Education Services Limited, a wholly owned subsidiary which is a company limited by guarantee, incorporated on 5 May 2015. The principal business of the company is the provision of back office administration and support services.
- No gift aid has been transferred from Shared Education Services Limited.

Financial Plan

The College governors approved a financial plan in June 2021 which sets objectives for the period 2021/22. The College aims to maintain its financial health rating of 'Outstanding'. The budget which was set was relatively conservative which maintained income at a similar level to 2020/21. Despite this prudent approach, the budget obtains a small operating surplus for the year to 31 July 2022 and achieves a financial health rating of 'Outstanding'. The financial plan allows the College to comply with the loan covenants. Current indications following the main enrolment period for 2021/22 is that the budget is achievable.

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 Financial Memorandum agreed with the ESFA.

Cash flows and liquidity

At £3,461k (2019/20 £6,504k), net cash flow from operating activities is healthy and has allowed the College to build resilience. The improvement in the net cashflow resulted largely from the cash generated from operating activities.

In order to support working capital requirements within the year a debt financing facility was entered into during 2017. The facility enables up to £1.5 million of working capital to be accessed as required and is to be available between 1 January and 31 May each year. For the 2019/20 and 2020/21 financial years the facility was not required. It is not anticipated that the facility will be needed in 2021/22, however, due to current uncertainties relating to COVID-19 and potential capital projects, the College has decided to extend for the financial year.

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.

Reserves Policy

As part of the annual planning and budget setting process the Board review the level of cash required appropriate to the scale, complexity, and risk profile of The City of Liverpool College Group. The Board's aim is to ensure that sufficient funds are held to meet commitments and bank covenants. The level of reserves takes into account the fact that funding body grants provide a significant proportion of The City of Liverpool College Group's incoming resources which has historically been reasonably certain. Due to changing profiles of 16-18 year old learners and the lagged funding methodology associated with this cohort in addition to changes to the funding of apprenticeships due to the changes in apprenticeship funding the Board plans to set a budget that will allow the group to increase the cash reserve to provide an appropriate level of contingency for the Group. Positive operational performance in 2020/21 has led to an improvement in the position at the end of the year when compared to the budget (excluding the impact of the defined benefit scheme pensions liability). The budget has targeted a level of cash surplus to provide what is necessary for the forthcoming year and intends to build this further in 2021/22 by budgeting to a surplus position in each year to provide a reasonable contingency for a shortfall in income and to mitigate any cash flow risks (whether due to timing or other factors) on capital projects, restructuring costs and other unforeseen liabilities. Ongoing financial planning is essential to identify any potential issues at the earliest opportunity.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2020/21 the Group has delivered activity that has produced £27,713k in funding body main allocation funding (2019/20 – £25,153k). The College had approximately 8,580 funded and 1,554 unfunded (HE, Advanced Learner Loans and Income Generation) learners in the year 2020/21 (8,215 funded and 1,758 unfunded learners in 2019/20).

Student achievements

The Colleges reputation as an Ofsted 'Good' provider has again contributed to a positive enrolment period in 2021/22.

For the second academic year in a row, a hybrid approach to pedagogy and teaching, learning and assessment was adopted, with a combination of a 50/50 approach (learner bubbles) to reduce exposure to COVID and reduce the number of learners across College sites; and a full return to face-to-face learning from March 2021. 2020/21 overall combined age achievement rates have been maintained above national averages at 87.7% (pre-COVID National Rate 86.7%). The majority of qualifications for 2020/21 were assessed through Teacher Assessed Grades process (TAG). All TAG grades submitted were scrutinised for authenticity and were internally quality assured. All grades were formally signed off with no grades being down adjusted. A large proportion of adult provision was assessed conventionally with no adjustment to assessment put in place, mainly on Access to Higher Education Diplomas, ESOL qualifications, Functional Skills and License to Practice qualifications which were all assessed by methods comparable to a pre covid year. The achievement rates were attained alongside an increase in enrolments within partners (27%) and with ESOL achievement rates showing a substantial increase from 56.9% in 19/20 to 86.5% in 20/21. Achievement rates for young people are above national rates at 85.1% and adults achievement rates are just below national rate at 89.4%. 16-18 learner numbers showed no increase in volume, however adult enrolments increased significantly from 9,483 to 10,060. HE completions was up 8% to 89% in 2020/21.

Apprenticeship outcomes for 2020/21 are predicted to b 52% overall achievement all ages. This is a decline of 11% on 2019/20 and is a direct result of the pandemic and lockdown measures which has had significantly impact on the progress and achievement of apprentices in the 2020/21 cohort with 30 apprentices having to be continued into 2021/22. These apprentices will achieve, just later than planned.

All the apprentices within the 2020/21 cohort have experienced 2 years of disrupted learning as they are multi-year programmes with an average apprenticeship duration at the college being 36 months. There has been very little adaptation by awarding bodies to assessment methods; particularly for apprentices in building services sector or that require licences to practice. This has led to delays in workplace assessment and the gathering of evidence for portfolio completion across all sectors. 2020/21 has been the first year with significant numbers in the cohort on the new apprenticeship standards and delays have also been experienced with the booking of independent end point assessments for some occupation. Most End Point Assessment Organisation have indicated significant backlogs and delays with bookings of up to 8 – 9 months are being experienced. Apprentices within the health and social care, hairdressing and hospitality sectors have been placed on a break in learning and are only now starting to return. The apprenticeship programme has been hit by the economic slowdown with a number of apprentices losing their jobs during the pandemic. This is a national issue faced by all providers and similar to 2019/20 National Achievement Rate Tables (NARTS) will not be published for 2020/21 due to the pandemic.

Curriculum developments

The College continues to offer new and innovative provision across the curriculum in order to meet the demands of its learners and the skill needs of the City Region and its employers. 2021 is the final year of preparation for T-Level delivery from September 2022 in Health and Science, Engineering, Construction and Digital. The College has worked within Capacity Development Fund (CDF) to ensure that there is adequate industry placement for T-Level delivery. The College has worked in partnership with employers such as The Young Carers Association and NHS Clatterbridge to develop digital platforms to support employer needs which in turn supports the economic direction of the City Region. The College has responded to the changing delivery models which were implemented during lockdowns, which has further strengthened our approach to flexible delivery moving forward, for example when we have been using digital platforms certain elements of curriculum will continue to be delivered remotely.

The Higher Education curriculum offer continues to mature with the further rollout and development of top-up and full degrees validated by the Open University. The branding of the University Centre, has helped students to recognise this high quality provision as discrete to other young people and adult provision within the College. The college has already begun the process to situate itself for centre reapproval for The Open University which will be conducted in 2021/22 which will run alongside the revalidation of a number of degrees.

The College continues to align classroom learning provision with the skills priorities set out by the Metro Mayor. During the pandemic there was an increased focus on growing adult provision for employability into sectors which were not affected or subject to furlough during the pandemic, for example Access to Higher Education which showed significant increase in Allied Health Professions and Engineering.

The College secured additional funding from the government to operate COVID catch up sessions, which were operated in small classes of learners for Maths, English, Academic, Technical and Vocational courses where the

COVID pandemic had interrupted knowledge and skills. For year 2021/22 this will be further extended to pastoral support and building learners mental resilience.

The College has secured funding through Test and Learn, which was predominantly used within ESOL to support learners to upskill their digital learning. This will also extend into 2021/22 to support learners through the addition of Teaching Assistants and digital devices. The College rolled out the digital survey in 2020/21 and allocated 1,364 laptops to reduce digital poverty and exclusion.

During 2020/21 the college has been working with Vital Energi, a green energy provider and in September 2021 launched a new heating and ventilation apprenticeship focused on heat pumps and new hydrogen boilers. This is the start of what is planned to be a 6 year journey right up to degree level with stepping off points built in for Vital Energi apprentices. The college is continuing to explore opportunities to offer 'End Point Assessment' opportunities to other providers, leveraging the opportunities afforded by its improved facilities and growing expertise. Addressing the balance and mix of apprenticeship provision is a key priority with a focus on expanding the volumes of starts in digital, leadership and management and business and professional a priority.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2020 to 31 July 2021, the Group paid 49.5% per cent of its invoices within 30 days. The Group is continuing to move an increased number of suppliers towards 60 day payment terms as standard which has an impact regarding the performance against the sector target based on 30 days. The College incurred no interest charges in respect of late payment for this period.

Future prospects

The College aims to continue increasing contribution through continuous improvements to efficiencies across the college sites. The College would like to reduce dependency on the funding bodies and is seeking opportunities, particularly in the areas where the College currently performs well such as Higher Education and the Office for Students (OfS) and Local Enterprise Partnership grants.

Effective from 1 August 2019, the administration of the Adult Education Budget (AEB) for the Liverpool City Region (LCR) has been devolved to the Liverpool City Region Combined Authority (LCRCA). This makes up the majority of the AEB income for the College. The College was on track to deliver its AEB allocation and had successfully bid for additional income of £270k which was awarded in year. LCRCA have confirmed that they will not be reconciling for any underdelivery below 68% of AEB value for grant funded providers in 2020/21 due to challenges in delivering as a result of COVID-19 restrictions. The College has delivered approximately 96% of the AEB allocation and therefore will not be subject to any recovery of funds.

The LCRCA has confirmed the potential to bid for further growth in 2021/22, subject to affordability and recruitment in economic priority areas; plus a further opportunity to apply for growth in year subject to the same criteria.

The Group accounts have been prepared on a going concern basis with further detail provided on pages 22 and 36.

RESOURCES

The Group has various resources that it can deploy in pursuit of its strategic objectives. There are existing facilities at the Learning Exchange at Roscoe Street as well as College sites at The Arts Centre, Vauxhall Road, Duke Street and Clarence Street.

Financial
The Group has a £8.8 million net assets, including a £24.7 million pension liability and long term debt (due after one year) of £6.1 million.

People
The Group employed an average of 542 people (expressed as full time eqivalents), of whom 231 were teaching staff.

Reputation
The Group continues to enhance its reputation by forging strong links with stakeholders across Liverpool as well as those engaged with apprenticeship schemes. Continued improvement of the Group's sites and facilities will maintain a quality brand and continue to maintain student numbers and attract quality external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:
Throughout the year the Group has continued to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Group's assets and reputation.

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

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

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

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through HEFCE/OfS. In 2020/21, 83.8% of the Group's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding, including continued apprenticeship reforms and the devolution of the adult education budget. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that continued changes to apprenticeship funding including the Digital Apprenticeship Service has significantly affected that marketplace and added to the complexity of delivering apprenticeships. Government policy continues to develop in this area.

In addition, the College is also aware that future funding will be impacted by the lagged funding methodology for 16-18 core funding and the impact of the actual performance in 2020/21 against targets.

This risk is mitigated in a number of ways:
- Funding is derived through a number of direct and indirect contractual arrangements
- Ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding

- Regular dialogue with funding bodies.

2 Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, The City of Liverpool College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

3 Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

This risk is mitigated by an agreed plan for the recovery of the deficit with the Merseyside Pension Fund.

4 Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Outstanding" as described previously. This is largely the consequence of rigorous budget setting procedures and robust financial controls. Over recent years, the College has made ongoing efficiencies via a rigorous business transformation programme and procurement savings.

However, the College is experiencing additional challenges and uncertainties in 2020/21 as a result of COVID-19. This risk is mitigated in a number of ways:

- By prudent budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Maintaining the Close Brothers facility to aid cash flow during uncertain times
- Robust financial controls

Debt is low as a percentage of income however the majority of the debt is held under a term loan with accompanying bank covenants in place. At the end of the year the bank covenants were met. It should be noted that there is a risk regarding the need to balance the servicing of debt and surpluses achieved in the year to ensure that covenants are not breached.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, The City of Liverpool College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Employers (with specific links);
- Liverpool City Region Combined Authority
- Local authorities;
- Office for Students & Universities;
- Schools;
- Government Offices/Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE/HE institutions;
- Trade unions; and
- Professional bodies.

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

Staff and Student Involvement
The Group considers good communication with its staff to be very important. It encourages staff and student involvement through membership of formal committees. The Group also receives good feedback from regular staff surveys and student satisfaction survey.

Equality
The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy is published on the College's Intranet site.

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

The College is committed to being an inclusive employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. The Equality and Diversity group, met 7 times in the year. The Ofsted inspection highlighted that:

- Governors, leaders and staff have created a culture which recognises and celebrates equality and diversity throughout the college.
- Students take part in innovative events and activities throughout the year to promote equality and celebrate diversity.
- Also Managers' actions, identified and led by the EDI Strategy Group, aiming to narrow achievement gaps between different groups of students have been successful. Students who have learning difficulties or are from disadvantaged backgrounds now achieve as highly as their peers. Young people who are in the care of the local authority and who had very low attainment rates at school make good progress.

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

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

a) As part of its Estates strategy the College updated its access audit. Buildings are accessible (insofar as is practical), with ramps and lifts to allow wheelchair access.
b) The College has support in place to provide information, advice and arrange support where necessary for students with disabilities.
c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Trade union facility time

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

Numbers of employees who were relevant union officials in the period	FTE employee number
11	10.7

Percentage of time	Number of employees
0%	0
1-50%	11
51-99%	0
100%	0

Total cost of facility time (£)	£8,342
Total pay bill (£000)	£17,596k
Percentage of total bill spent on facility time	0.047%

Time spent on paid trade union activities as a percentage of total paid facility time	6.0%

Going concern

After making appropriate enquiries and consideration of the forecasts prepared, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The College has previously experienced pressure on cash flow in January to May primarily due to the payment profile from funding bodies during that period. In order to provide further contingency a short term finance facility was put into place during the financial year which provides flexibility to manage working capital during the January to May period of the year. This facility was not required in 20210/21 and is not forecast to be required in 2021/22, however, due to the current uncertainties relating to COVID-19, the facility has been retained for financial year in order to provide further contingency and flexibility in managing working capital during the January to May period of the year. The facility is subject to renewal which is underway. The College forecasts that with effective management of working capital as referred to in the basis of preparation, sufficient resources are in place to meet essential financial commitments going forward.

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 8 December 2021 and signed on its behalf by:

AT Cobain

………………………………………………

Antony Cobain
Chair

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 1 August 2020 to 31 July 2021 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 Group is committed to exhibiting best practice in all aspects of corporate governance and in particular the College/Board has adopted and complied with the 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 the provisions of the Code, and it has complied throughout the year ended 31 July 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 8 July 2015; the Board has subsequently accepted the amendments required as a result of also adopting the Colleges Senior Staff Remuneration Code on 3 July 2019.

When adopting the Code in July 2015, the Board agreed that it would not comply with point 7.5 which suggested that subsidiary Boards should be comprised wholly of independent directors. While independent directors have been added to the Board of Shared Education Services, the Corporation Board agreed that the Group would still adhere to the BIS guidance on subsidiary companies (Consent for FE Colleges to Invest in Companies, June 2011) and continues to appoint College governors to subsidiary Boards due to the strategic interdependencies; for similar reasons, senior College staff will also continue to be appointed to subsidiary companies.

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

The Corporation

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

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Ms Louise Barry	Reappointed 7 October 2020	4 years		Independent member		87.50
Ms Elaine Bowker	1 June 2011	-		Principal	Finance	94.44
Mr Antony Cobain	Reappointed 25 June 2020	4 years		Independent member	Remuneration Chair of the Corporation	100
Mr John Denny	Reappointed 13 December 2017	4 years		Independent member	Audit Chair of Audit Committee	81.25
Mr Ashley Griffiths	7 October 2020	4 years		Staff Governor		100
Mr Daniel Harvey	12 May 2021	4 years		Independent member	Audit	100
Ms Hilene Henry	25 August 2016	4 years		Independent member	Finance Remuneration	52.78
Cllr Patrick Hurley	31 August 2016	4 years		Independent member		81.25
Ms Vivienne Lacey	Reappointed 8 November 2017	4 years		Independent member	Audit Vice Chair of the Corporation	93.75
Mr Frank McKenna	13 December 2017	4 years		Independent member		75.00
Mr John Nolan	Reappointed 7 October 2020	4 years		Independent member (ringfenced to employee of subsidiary)		62.50
Mr David Pichilingi	27 January 2021	4 years		Independent member		50.00

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Mr Ian Pollitt	Reappointed 7 October 2020	4 years	11 February 2021	Independent member		70.00
Mr Stephen Sankson	Reappointed 3 July 2019	4 years		Independent member	Finance Chair of the Finance Committee	72.92
Mr Majid Shemsedin	1 August 2019	4 years	31 August 2021	Student		40
Mr Phillip Sheard	Reappointed 9 December 2020	4 years		Independent member		56.25
Ms Sian Taylor	18 March 2020	4 years		Independent member		100
Dr Peter Tavernor	Reappointed 13 December 2017	4 years		Independent member	Finance Performance and Quality Task and Finish Group	89.58
Ms Gill Williams	Reappointed 7 October 2020	4 years		Staff		100
Ms Christine Lenderyou acts as Clerk to the Corporation.						

The attendance information includes extraordinary meetings which may be called at short notice. It does not include attendance outside of meetings (e.g. with stakeholders, the Education and Skills Funding Agency, auditors, bank, procurement/recruitment panels, strategic planning events, link governor activity etc). On occasion, the Board will grant a leave of absence from Board meetings so long as that governor's overall contribution merits that. Where governors are appointed mid-year, the Board appreciates that prior commitments may need to be honoured. Attendance is monitored throughout the year and considered in the context of overall contribution as governors are expected to perform more duties than solely attending meetings. Overall attendance at meetings in 2020/21 was 75.6% (76.5% excluding student governors).

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 Group together with other information such as performance against funding targets, proposed capital expenditure, risk management, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets at least twice each term, and shall hold such other meetings as may be necessary.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance, Remuneration, and

Audit. The Corporation is also supported by a Performance and Quality Task and Finish Group which operates under the direction of the Board. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website http://www.liv-coll.ac.uk/The-college/college governance/board-minutes-meetings/ or from the Clerk to the Corporation at:

The City of Liverpool College
The Learning Exchange
Roscoe Street
Liverpool
L1 9DW

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

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

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

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

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

The College was subject to an Ofsted inspection in October 2017 and the result of the final report was an Ofsted grading 2 'Good' which was an improvement from the previous Ofsted inspection in November 2015. The Board are pleased with the outcome of the inspection visit and the College continues to monitor progress against any recommendations made and ensure that high standards are maintained.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation determines the scope of any additional appointments and arrangements for the identification of candidates and recommendations to the Corporation on appointments are delegated to the Chair, Principal and Clerk. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years. Ordinarily governors will serve a maximum of two terms, but this may be extended in exceptional circumstances.

Corporation performance

The Corporation Board reviews its own performance taking account of Committee performance, compliance with the AoC's Code of Good Governance for English Colleges and independent perspectives (auditors, the FE Commissioner, the AoC, an in-depth review of governance by Ernst and Young in 2017, local stakeholders, the Teaching Excellence Framework for HE etc). Ofsted also inspected the College in October 2017 and has been graded "Good". An action plan to support ongoing high standards of governance is in place.

Remuneration Committee

The Corporation does not have a standing Remuneration Committee but is supported by a Remuneration and Succession Planning Working Group. This group has a fluid membership. Its main objectives are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders; to review the performance of senior post holders and to make recommendations to the Corporation around an effective succession planning strategy.

Details of remuneration for the year ended 31 July 2021 are set out in note 7 to the financial statements.

The Board has adopted the AoC's Remuneration Code for Senior Staff and has recognised the necessary amendment to the Code of Good Governance for English Colleges.

Audit Committee

The Audit Committee comprises at least three members of the Corporation (excluding the Principal (Accounting Officer) and Chair) and may also include up to two co-opted members. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

Finance Committee

The Finance Committee comprises of a minimum of three members of the Corporation and may also include up to two co-opted members. The Committee operates in accordance with written terms of reference approved by the Corporation.

The role of the Finance Committee is to advise the Board on financial health and solvency of the Group including scrutiny of management accounts, cash position, performance against budget and the financial strategy of the Group.

Performance and Quality Task and Finish Group

This Group works under the direction of the Board with annual objectives outlined at the first meeting of each academic year. All governors are invited to attend and there are two co-opted members. Quorum is three. The Group reports to the Board after each meeting. Managers from across the College are invited to the meetings depending on the agenda.

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 The City of Liverpool College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The City of Liverpool College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The City of Liverpool College Group purchases 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 a minimum, annually, the internal audit service provides the governing body with a report on internal audit activity in the Group. The report includes the internal audit service's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

The Committee was provided with regular reports on this assurance activity in the College which included:

- Additional learning support (ALS)
- Governance
- Cyber security
- Management Accounts, forecasting and financial reporting
- Higher Education: key controls and OfS Compliance
- Learner Records: Study Programmes
- Risk Management

Review of effectiveness

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

- the work of the internal audit service
- 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 and the reporting accountant auditors for regularity assurance in their management letters and other reports.

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

The Strategic Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Strategic Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Strategic Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the Strategic Leadership Team and internal audit, and taking account of events since 31 July 2021.

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"*.

With the above detailed finance facility and the continued support of the College's bankers, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. This is further detailed within the notes to the financial statements (page 36). For this reason the college continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 8 December 2021 and signed on its behalf by:

....	....
Antony Cobain	Elaine Bowker
Chair	Accounting Officer

Governing Body's statement on the College's Regularity, Propriety and Compliance

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

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.

Approved by order of the members of the Corporation on 8 December 2021 and signed on its behalf by:

....	....
Antony Cobain	Elaine Bowker
Chair	Accounting Officer

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.

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Report of the Governing Body for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the annual Accounts Direction issued by the Education and Skills Funding Agency, Accounts Direction issued by the Office for Students and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and of the College's surplus 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 accounting 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 Group and the College will continue in operation.

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. They are also responsible for ensuring funds from Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them.

Approved by order of the members of the Corporation on 8 December 2021 and signed on its behalf by:

....

Antony Cobain

Chair

Independent auditor's report to the Corporation of The City of Liverpool College

Opinion

We have audited the financial statements of The City of Liverpool College (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2021 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including 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 Group's and of the College's affairs as at 31 July 2021 and of the Group's and the College's surplus 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 group and college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students' Accounts Direction
In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2020 to 2021 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.

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note 3 to the accounts, has been materially misstated.
- The College's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Governing Body of The City of Liverpool College
As explained more fully in the Statement of the Governing Body's Responsibilities set out on page 25, the Governing Body 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 Governing Body 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 Governing Body is responsible for assessing the Group's and 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 Governing Body either intend to liquidate the Group or 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the group and College operates in and how the group and college are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency, Regulatory Advice 9: Accounts Direction published by the Office for Students'. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and data protection legislation. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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 Governing Body, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 2 December 2021. Our audit work has been undertaken so that we might state to the Governing Body, 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 Governing Body, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP RSM UK Audit LLP
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
PR2 5 PE

10 December 2021

Independent Reporting Accountant's report on regularity to the Corporation of The City of Liverpool College and the Secretary for Education acting through The Education and Skills Funding Agency

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 2 December 2021 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency ("ESFA"), or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by The City of Liverpool College during the period 1 august 2020 to 31 July 2021 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 2020 to 31 July 2021 have 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 "Code") issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which ESFA has other assurance arrangements in place.

We are independent of The City of Liverpool 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 governing body of The City of Liverpool College for regularity

The Governing Body of The City of Liverpool 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 are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The Governing body of The City of Liverpool 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 Code.

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 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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 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 The City of Liverpool 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 The City of Liverpool 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 The City of Liverpool 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.

RSM UK Audit LLP

RSM UK Audit LLP
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
PR2 5 PE

10 December 2021

The City of Liverpool College
Consolidated and College Statement of Comprehensive Income

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	32,376	32,376	29,864	29,864
Tuition fees and education contracts	3	5,482	5,482	6,143	6,143
Other grants and contracts	4	65	65	277	277
Other income	5	692	674	1,181	1,155
Investment income	6	3	3	11	11
Total Income		**38,618**	**38,600**	**37,476**	**37,450**
EXPENDITURE					
Staff costs	7	24,198	20,325	22,281	18,535
Fundamental restructuing costs	7	206	206	2	2
Other operating expenses	8	9,978	13,295	9,206	12,481
Depreciation	11	3,041	3,041	2,740	2,740
Interest and other finance costs	9	1,049	922	1,225	1,057
Actuarial (gain)/loss in respect of enhanced pensions	17	34	34	22	22
Impairment of subsidiary undertaking	8	-	-	-	-
Total expenditure		**38,506**	**37,823**	**35,476**	**34,837**
Surplus/(Defecit) before other gains and losses		112	777	2,000	2,613
Surplus/(Defecit) before tax		112	777	2,000	2,613
Taxation	10	288	-	104	-
Surplus/(Deficit) for the year		400	777	2,104	2,613
Actuarial gain/(loss) in respect of pensions scheme	22	6,680	5,460	388	10
Movement in deferred tax provision	10	(231)	-	(64)	-
Total Comprehensive Income for the year		**6,849**	**6,237**	**2,428**	**2,623**

The below table does not form part of the Financial Statements

Memorandum -	Group	College	Group	College
	£'000	£'000	£'000	£'000
Surplus for the year	400	777	2,104	2,613
FRS102 Defined Benefit Obligations (note 9 and 22)	2,252	1,280	1,817	804
Adjusted operating surplus	**2,652**	**2,057**	**3,921**	**3,417**

The City of Liverpool College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total excluding Non controlling interest
	£'000	£'000	£'000
Group Balance at 1st August 2019	(3,039)	2,565	(474)
Surplus from the income and expenditure account	2,104	-	2,104
Other comprehensive income	324	-	324
Transfer between revaluation and income and expenditure reserves	79	(79)	-
	2,507	**(79)**	**2,428**
Balance at 31st July 2020	(532)	2,486	1,954
Surplus from the income and expenditure account	400	-	400
Other comprehensive income	6,449	-	6,449
Transfer between revaluation and income and expenditure reserves	79	(79)	-
Total comprehensive income for the year	6,928	(79)	6,849
Balance at 31st July 2021	**6,397**	**2,407**	**8,803**
College Balance at 1st August 2019	3,942	2,565	6,507
Surplus from the income and expenditure account	2,613	-	2,613
Other comprehensive income	10	-	10
Transfer between revaluation and income end expenditure reserves	79	(79)	-
	2,702	(79)	2,623
Balance at 31st July 2020	6,644	2,486	9,130
Surplus from the income and expenditure account	777	-	777
Other comprehensive income	5,460	-	5,460
Transfers between revaluation and income and expenditure reserves	79	(79)	-
Total comprehensive income for the year	6,316	(79)	6,237
Balance at 31st July 2021	**12,961**	**2,407**	**15,368**

The City of Liverpool College
Balance sheets as at 31 July 2021

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Non Current Assets					
Tangible fixed assets	11	61,627	61,627	59,873	59,873
Investments	12	-	-	-	-
		61,627	**61,627**	**59,873**	**59,873**
Current assets					
Trade and other receivables	13	725	1,107	642	1,054
Cash and cash equivalents	18	6,759	6,742	5,441	5,412
Deferred Taxation	17b	1,425	-	1,368	-
		8,909	**7,849**	**7,451**	**6,466**
Less: Creditors – amounts falling due within one year	14	(4,916)	(4,793)	(5,644)	(5,537)
Net current assets/(liabilities)		**3,993**	**3,055**	**1,807**	**929**
Total assets less current liabilities		**65,620**	**64,684**	**61,680**	**60,802**
Less: Creditors – amounts falling due after more than one year	15	(31,814)	(31,814)	(30,329)	(30,329)
Provisions					
Defined benefit obligations	22	(24,661)	(17,160)	(29,058)	(21,007)
Other provisions	17a	(342)	(342)	(337)	(337)
Total net assets/(liabilities)		**8,803**	**15,368**	**1,954**	**9,128**
Unrestricted reserves					
Income and expenditure account		6,397	12,961	(532)	6,642
Revaluation reserve		2,407	2,407	2,486	2,486
Total unrestricted reserves		**8,803**	**15,368**	**1,954**	**9,128**

The financial statements on pages 31 to 59 were approved and authorised for issue by the Corporation on 8th December 2021 and were signed on its behalf on that date by:

Antony Cobain
Chair

Elaine Bowker
Accounting Officer

The City of Liverpool College
Consolidated Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		400	2,103
Adjustment for non cash items:			
Depreciation	11	3,041	2,740
Deferred Capital grants released to income	2,5	(1,579)	(1,522)
(Increase)/decrease in debtors	13	(84)	461
(Decrease) in creditors due within one year		(924)	344
Increase/(decrease) in provisions		5	(4)
Deferred Taxation	10	(288)	(104)
Pensions costs less contributions payable	22	2,282	1,845
Adjustment for investing or financing activities:			
Investment income	6	(3)	(11)
Interest payable	9	611	652
Net cash flow from operating activities		**3,461**	**6,504**
Cash flows from investing activities			
Investment income	6	3	11
Grant funding received		3,454	1,188
Payments made to acquire fixed assets	11	(4,240)	(2,438)
		(783)	**(1,239)**
Cash flows from financing activities			
Interest paid	9	(611)	(652)
Repayments of amounts borrowed		(579)	(880)
Capital element of finance lease rental payments	16	(169)	-
		(1,360)	**(1,532)**
(Decrease)/increase in cash and cash equivalents in the year		**1,318**	**3,733**
Cash and cash equivalents at beginning of the year	18	5,441	1,707
Cash and cash equivalents at end of the year	18	6,759	5,441

1. Legal status and registered office

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting The City of Liverpool College. The Corporation was incorporated in England as The City of Liverpool Community College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Registered office

The Learning Exchange
Roscoe Street
Liverpool
L1 9DW

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE & HE SORP), the *College Accounts Direction for 2020 to 2021,* and Regulatory Advice 9: Accounts Direction issued by the Office for Students 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.

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been applied consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in £ sterling.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

The College has taken advantage of the exemptions provided in FRS 102 1.12 and the 2019 FE HE SORP 3.3, and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Shared Education Services Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All other financial statements are made up to 31 July 2021.

Going concern

The activities of the Group, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the Group, its cash flow, liquidity and borrowings are described in the financial statements and accompanying Notes.

The Group primarily meets its day to day working capital requirements through cash generated from its day to day activities. It also has one loan with Barclays Bank plc, which at 31 July 2021 had a total balance of £6,771k which is due for repayment over a period to July 2031.

The Group has cash balances of £6,759k at the 31 July 2021 (2019/20 - £5,441k) and net current assets position of £4.0m (2019/20 – net current assets of £1.8m). The Group's forecasts and financial projections indicate that the Group will not require the short term financing facility for £1.5m in 2021/22 (the facility was not utilised in 2019/20 or 2020/21). However, to provide additional resilience, subject to renewal conditions which remain to be concluded by the funder, the facility will be renewed for the 2021/22 financial year. We do not anticipate any issues in respect of the renewal conditions being met.

Having considered the uncertainties described above, but taking into account the actions taken by the Group and the availability of the short term financing facility, the members of the Corporation have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12-months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from the Office for Students 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.

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 and includes all fees payable by students or their sponsors.

Investment income

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

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds and for AGE grants and Additional Payments regarding apprenticeship funding for employers. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

Post-employment benefits to employees of the Group 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 Group in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Merseyside Pension Fund (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit 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 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 actuarial gains and losses 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 Group expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Freehold Buildings – 50 years
- Subsequent capital expenditure/refurbishments over £5,000 – between 10 and 25 years

Freehold land is not depreciated as it is considered to have an infinite useful life.

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

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

On adoption of FRS 102, the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996 but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

With the exception of computers and associated IT equipment, equipment costing less than £500 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- technical equipment 4 to 25 years
- computer equipment 4 years
- furniture, fixtures and fittings 4 to 25 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between 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

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 as determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Assets are depreciated over the shorter of the lease term and the estimated useful economic life of the asset and assessed for impairment losses in the same way as for owned assets.
Operating leases

All other leases are operating leases and annual rents are charged to comprehensive income on a straight-line basis over the lease term.

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

Investments

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

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 in Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that they are expected to be reversed in the foreseeable future. Deferred tax is calculated at the tax rates expected to be effective at the time the timing differences are expected to be reversed and is not discounted.

Provisions and contingent liabilities

Provisions are recognised when;

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

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

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

Identified provisions are included for the defined benefit pension scheme and enhanced pension obligations.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

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

- *Local Government Pension Scheme*
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Deferred Capital Grants*
  The value of deferred capital grants and the appropriate release to income is estimated based on the historical grant information available.

The City of Liverpool College
Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	10,793	10,793	10,124	10,124
Education and Skills Funding Agency - 16 - 18	16,920	16,920	15,029	15,029
Education and Skills Funding Agency - apprenticeships	1,757	1,757	2,177	2,177
Office for Students - HE	344	344	310	310
Specific Grants				
Education and Skills Funding Agency - High Needs	474	474	474	474
Bursary Administration	60	60	28	28
COVID-19 Testing income	96	96	-	-
Teacher Pension Scheme contribution grant contribution	678	678	644	644
Release of funding body capital grants	1,215	1,215	1,036	1,036
Release of HE capital grant	40	40	42	42
Total	32,376	32,376	29,864	29,864

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Tuition fees	5,307	5,307	5,980	5,980
Education contracts	175	175	163	163
Total	5,482	5,482	6,143	6,143

Total grant and fee income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Grant income from the OfS	344	344	310	310
Grant income from other bodies	32,032	32,032	29,554	29,554
Total grants	32,376	32,376	29,864	29,864
Fee income from non-qualifying courses (exclusive of VAT)	-	-	-	-
Total tuition fees and education contracts	5,482	5,482	6,143	6,143
Total grant and fee income	37,858	37,858	36,007	36,007

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	65	65	277	277

5 Other income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	38	38	92	91
Other income generating activities	225	225	444	444
Coronavirus Job Retention Scheme grant	82	64	102	77
Release of non funding body capital grants	324	324	444	444
Miscellaneous income	23	23	99	99
Total	**692**	**674**	**1,181**	**1,155**

The College furloughed staff relating to delivery of commercial courses and staff relating to other income generating activity (catering and salon staff) under the government's Coronavirus Job Retention Scheme. The funding received of £81,804 relates to staff costs which are included within the staff costs note below as appropriate.

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	3	3	11	11

7 Staff costs

The average number of persons (including key management personnel) employed by the Group during the year, expressed as average headcount and calculated on a monthly basis, was:

Headcount	2021 Group No.	2021 College No.	2020 Group No.	2020 College No.
Teaching staff	260	260	251	251
Non teaching staff	353	241	335	225
	613	501	586	476

Prior-year headcount has been re-stated to remove bank workers previously included.

Full Time Equivalent (FTE)	2021 Group No.	2021 College No.	2020 Group No.	2020 College No.
Teaching staff	231	231	223	223
Non teaching staff	311	206	295	191
	542	437	518	414

Staff costs for the above persons

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Wages and salaries	17,596	14,742	15,914	13,208
Social security costs	1,615	1,355	1,440	1,192
Other pension costs	4,546	3,787	4,351	3,559
Payroll sub total	23,757	19,884	21,705	17,959
Contracted out staffing services	441	441	576	576
	24,198	20,325	22,281	18,535
Fundamental restructuring costs - Contractual	206	206	2	2
Non-contractual	-	-	-	-
Total	24,404	20,531	22,283	18,537

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented for 2020/21 by; the College Executive Team which comprises the Principal, Deputy Chief Executive, Deputy Principal, Vice Principal Curriculum and Vice Principal Business Development. The 2019/20 comparative representation is the College Executive Team which comprises the Principal, Deputy Chief Executive, Vice Principal Curriculum and Vice Principal Business Development.

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

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	5	4

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

	Key management personnel		Other staff	
	2021 No.	2020 No.	2021 No.	2020 No.
£60,001 to £65,000	-	-	1	-
£65,001 to £70,000	-	-	4	5
£70,001 to £75,000	-	-	2	-
£75,001 to £80,000	-	-	1	1
£85,001 to £90,000	1	1	-	-
£95,001 to £100,000	2	1	-	-
£100,001 to £105,000	-	1	-	-
£105,001 to £110,000	1	-	-	-
£175,001 to £180,000	1	1	-	-
	5	4	8	6

The City of Liverpool College
Notes to the Accounts (continued)

7 Staff costs

Key management personnel compensation is made up as follows:

	2021	2020
	£'000	£'000
Salaries - gross of salary sacrifice and waived compensation	577	467
Benefits in kind	0	0
Employers national insurance contributions	73	63
	650	530
Pension contributions	87	53
Total compensation	737	583

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

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

	2021	2020
	£'000	£'000
Salaries	179	179
Benefits in kind	0	0
	179	179
Pension contributions	-	-

The overall remuneration of the accounting officer for 2019-20 was determined on 23rd January 2020 by the College's Remuneration & Succession Planning Committee. The accounting officer was not involved in setting their own remuneration which remained the same as the previous year. The factors taken into account by the Committee in determining the accounting officer's remuneration for the year to 31 July 2020 were: the baseline position; the lack of a pay award for the staff body over a number of years; the College's financial health; performance against personal objectives; performance of the organisation; sector data on pay of accounting officers and benchmarking; the need to retain consistent leadership during a period of improvement. Performance was considered in terms of educational, financial and stakeholder outcomes.

A similar approach was used to determine the remuneration of other key management personnel.

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.

	2021	2020
	£'000	£'000
Basic salary as a multiple of the median of all staff	5.9	6.1
Total remuneration as a multiple of the median of all staff	5.7	5.4

Salary and total remuneration are shown on an annualised, full time equivalent basis for all staff employed for any part of the financial year who are required to be included in real-time reporting to HMRC.

Compensation for loss of office paid to former key management personnel and higher paid staff

	2021	2020
	£'000	£'000
Compensation paid to Key Management Personnel		
Contractual compensation	206	-
Non-contractual compensation	-	-
Estimated value of other benefits, including provision for pension benefits	-	-
	206	-

The amount above relates to 5 people.

Governors' remuneration

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the college in respect of their roles as governors.

During the year no (2020 - 1) governor expenses (2020 - £454) were paid to or on their behalf in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	5,111	5,107	4,579	4,573
Non teaching costs	1,872	5,193	2,287	5,568
Premises costs	2,995	2,995	2,340	2,340
Total	9,978	13,295	9,206	12,481

Other operating expenses include :	2021	2020
	Group	Group
	£'000	£'000
Auditors' remuneration:		
Financial statements external audit*	61	51
Internal audit**	28	24
Hire of assets under operating leases	70	124

	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Impairment on dispoal of subsidiary undertaking	-	-	-	-

* includes £57,036 in respect of the College (2019/20 £46,920)
** Includes £28,200 in respect of the College (2019/20 £23,803)

Access and participation expenditure	2021	2020
	Group	Group
	£'000	£'000
Access investment	37	10
Financial support provided to students	76	13
Support for disabled students	11	15
Research and evaluation related to access and participation	5	-
Total access and participation expenditure	129	38

The access and participation plan is available on the college website :
www.liv-coll.ac.uk/wp-content/uploads/2020/01/The-City-of-Liverpool-College-APP-APPROVED.pdf

9 Interest payable

	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	611	611	652	652
On finance leases	-	-	-	-
Pension finance costs (note 22)	438	311	573	405
Total	1,049	922	1,225	1,057

10 Taxation - Group only

	2021	2020
	£'000	£'000
United Kingdom corporation tax at 19 per cent	-	-
Provision for defered tax in the accounts of the subsidiary company	(288)	(104)
Deferred Tax movement recognised in Other Comprehensive Income	231	64
Total	(57)	(40)

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year. The tax charge above relates to its trading subsidiary companies

11 Tangible fixed assets

Group and College	Land and buildings - Freehold	Computer Equipment	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2020	80,712	8,066	9,312	704	98,794
Additions	2,027	1,498	300	970	4,794
Transfers	1,551	1	2	(1,554)	-
Disposals	(100)	-	-	-	(100)
Disposal due to discontinued operations	-	-	-	-	-
At 31 July 2021	**84,190**	**9,565**	**9,614**	**120**	**103,489**
Depreciation					
At 1 August 2020	23,603	7,191	8,127	-	38,921
Charge for the year	1,983	672	386	-	3,041
Elimination in respect of disposals	(100)	-	-	-	(100)
At 31 July 2021	**25,486**	**7,863**	**8,513**	**-**	**41,862**
Net book value at 31 July 2021	**58,704**	**1,702**	**1,101**	**120**	**61,627**
Net book value at 31 July 2020	57,109	875	1,185	704	59,873

Tangible fixed assets includes a net book value of £439k (2020: £Nil) and depreciation charge for the year of £114k (2020: £Nil) in respect of assets held under hire purchase agreements.

Land and buildings were valued in July 1996 on the basis of open market value. Valuations on recently constructed buildings were based on depreciated replacement cost by a firm of independent chartered surveyors in accordance with the RICS Statement of Assets

If inherited land and buildings had not been revalued they would have been oncluded at the following historical costs amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	Nil

The City of Liverpool College
Notes to the Accounts (continued)

12 Non current Investments

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Investments in subsidiary companies	-	-	-	-
Total	-	-	-	-

Investment in subsidiary companies (College)

	2021 £'000	2020 £'000
Cost		
At 1 August	8,000	8,000
Additions	-	-
Disposals	-	-
	8,000	**8,000**
Impairment provision		
At 1 August	(8,000)	(8,000)
Impairment during the year	-	-
At 31 July	(8,000)	(8,000)
Net book value at 31 July	-	-

The College owns Shared Education Services Limited, a company limited by guarantee, incorporated in Great Britain and registered in England and Wales on 5 May 2015. The principal business of the company is the provision of back office administration and support services.

The City of Liverpool College
Notes to the Accounts (continued)

13 Trade and other receivables: amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade receivables	43	43	98	96
Amounts owed by group undertakings:				
Subsidiary undertakings	-	397	-	442
Prepayments and accrued income	369	354	270	242
Amounts owed by funding bodies	313	313	274	274
Total	725	1,107	642	1,054

14 Creditors : amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans and overdrafts	608	608	592	592
Trade Payables	948	914	1,084	1,066
Amounts owed to group undertakings :				
Other taxation and social security	925	811	694	599
Accruals and deferred income*	560	586	1,522	1,529
Deferred income - funding body capital grants	1,331	1,331	1,099	1,099
Deferred income - non funding body capital grants	117	117	324	324
Amounts owed to funding bodies	272	272	328	328
Obligations under finance leases	154	154	-	-
Total	4,916	4,793	5,644	5,537

*Accrual of NIL for holiday pay

15 Creditors : amounts falling due after one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans	6,162	6,162	6,758	6,758
Deferred income - funding body capital grants	21,588	21,588	19,620	19,620
Defferred income - non funding body capital grants	3,833	3,833	3,951	3,951
Obligations under finance leases	231	231	-	-
Total	31,814	31,814	30,329	30,329

16 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	608	608	592	592
Between one and two years	627	627	608	608
Between two and five years	2,001	2,001	1,938	1,938
In five years or more	3,535	3,535	4,211	4,211
Total	6,771	6,771	7,349	7,349

Bank loans and overdrafts repayble by instalments falling due between 1 August 2021 and 17 July 2031 totalling £6771k are secured by a legal charge on the freehold land and buildings of the Group. The loan is payable by quarterly instalments.

(b) Finance Leases

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	154	154	-	-
Between one and two years	154	154	-	-
Between two and five years	77	77	-	-
	385	385	-	-

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

17 Provisions

	Group and College
a) Enhanced Pensions	**Enhanced pensions**
	2021
	£'000
At 1 August	337
Expenditure in the period	(33)
Transferred from income and expenditure account	4
Actuarial (gain)/loss	34
At 31 July	342

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

The principal assumptions for this calculation are:	**2021**	**2020**
Price inflation	2.60%	2.20%
Discount rate	1.60%	1.30%

b) Deferred taxation	**2021**	**2020**
	£'000	**£'000**
Provision for deferred tax		
Accelerated capital allowances	-	-
Short term timing differences	-	-
On defined benefit scheme of subsidiary	(1,425)	(1,368)
Total deferred tax	(1,425)	(1,368)
Movement in provision		
Provision at the start of the year	(1,368)	(1,328)
Deferred tax (credited) to the income and expenditure account for the year	(288)	(104)
Deferred tax charged to other comprehensive income for the year	231	64
On disposal of subsidiary undertaking	-	-
Assets as at 31 July	(1,425)	(1,368)

18 Changes in net funds

Group	At 1 August 2020 £'000	Cash flow £'000	Other £'000	At 31 July 2021 £'000
Cash and cash equivalents	5,441	1,318	-	6,759
Bank Loans	(7,350)	579	-	(6,771)
Finance leases	-	169	(554)	(384)
Net debt	(1,909)	2,067	(554)	(396)

College	At 1 August 2020 £'000	Cash flow £'000	Other £'000	At 31 July 2021 £'000
Cash and cash equivalents	5,412	1,330	-	6,742
Bank Loans	(7,350)	579	-	(6,771)
Finance leases	-	169	(554)	(384)
Net debt	(1,938)	2,078	(554)	(413)

Major non-cash changes relate to new hire purchase agreement in the year of £554k.

19 Capital commitments

	Group and College	
	2021 £'000	2020 £'000
Commitments contracted for at 31 July	113	509

20 Lease Obligations

Future minimum lease payments due	2021 £'000	2020 £'000
Group		
Other		
Not later than one year	110	53
Later than one year and not later than five years	195	-
Later than five years	-	-
College		
Other		
Not later than one year	110	53
Later than one year and not later than five years	195	-
Later than five years	-	-

21 Contingent liabilties

There were no contingent liabilities at 31st July 2021 and 31st July 2020.

22 Defined benefit obligations

The Group 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 Merseyside Pension Fund (MPF). Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2021** **£'000**		**2020** **£'000**
Teachers Pension Scheme: contributions paid		2,041		1,883
Local Government Pension Scheme:				
Contributions paid	690		1,224	
FRS 102 (28) Charge	1,814		1,244	
Charge to the Statement of Comprehensive Income		2,504		2,468
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total Pension Cost for Year		**4,545**		**4,351**

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 £359,481 (2019 - £298,428) were payable to the scheme at 31 July and are included in creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

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

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

The pension costs paid to TPS in the year amounted to £2,041,360 (2020: £1,882,910).

FRS 102 (28)

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

Accordingly, the Group 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 Group has set out above the information available on the plan and the implications for the Group in terms of the anticipated contribution rates.

22 Defined benefit obligations (continued)

Local Government Pension Scheme

The Merseyside Pension Fund (MPF) is a funded defined-benefit plan, with the assets held in separate funds adminstered by Wirral Borough Council. The total contribution made for the year ended 31 July 2021 was £1,205,000, of which employer's contributions totalled £804,000 and employees' contributions totalled £401,000. The unconfirmed contribution rates for future years are 20.2% for the College and 22.3% for Shared Education Services Limited, for employers and range from 5.85% to 12% for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	4.10%	3.80%
Future pensions increases	2.70%	2.20%
Discount rate for scheme liabilities	1.60%	1.50%
Inflation assumption (CPI)	2.60%	2.30%

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

	At 31 July 2021	At 31 July 2020
Retiring today		
Males	21.0	20.9
Females	24.1	24.0
Retiring in 20 years		
Males	22.6	22.5
Females	26.0	25.9

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

	Group Fair Value at 31 July 2021 £'000	College Fair Value at 31 July 2021 £'000	Group Fair Value at 31 July 2020 £'000	College Fair Value at 31 July 2020 £'000
Equities	33,426	24,002	27,847	20,111
Government Bonds	2,207	1,585	2,519	1,819
Other Bonds	18,526	13,304	15,812	11,420
Property	6,149	4,416	5,177	3,739
Cash	2,917	2,095	6,157	4,447
Other	15,609	11,209	12,453	8,994
Total market value of assets	**78,834**	**56,611**	**69,965**	**50,530**

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Fair value of plan assets	78,834	56,611	69,965	50,530
Present value of plan liabilities	(103,495)	(73,771)	(99,023)	(71,537)
Present value of unfunded liabilities	-	-	-	-
Net pensions liability	**(24,661)**	**(17,160)**	**(29,058)**	**(21,007)**

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

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts included in staff costs				
Current service cost	2,617	1,886	2,197	1,490
Past service cost	1	-	388	329
Curtailments and settlements	-	-	-	-
Total	**2,618**	**1,886**	**2,585**	**1,819**
Amounts included in other operating expenses				
Administration expenses	31	22	28	19
Amounts included in interest payable				
Net interest cost	438	311	573	405
Amounts recognised in Other Comprehensive Income				
Return on pension plan assets	8,826	6,370	(3,129)	(2,254)
Experience gains arising on defined benefit obligations	1,654	1,315	6,767	4,512
Changes in assumptions underlying the present value of plan liabilities	(3,800)	(2,225)	(3,250)	(2,248)
Amount recognised in Other Comprehensive Income	**6,680**	**5,460**	**388**	**10**

The City of Liverpool College
Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Asset and Liability Reconciliation

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Changes in the present value of defined benefit obligations				
Defined benefit obligations at start of period	99,023	71,537	99,503	72,088
Current Service cost	2,617	1,886	2,197	1,490
Interest cost	1,499	1,061	2,099	1,497
Contributions by Scheme participants	401	282	363	242
Past service cost	1	-	388	329
Changes in financial assumptions	2,146	910	(3,517)	(2,264)
Estimated benefits paid	(2,192)	(1,905)	(2,010)	(1,845)
Curtailments and settlements	-	-	-	-
Defined benefit obligations at end of period	**103,495**	**73,771**	**99,023**	**71,537**
Reconciliation of Assets				
Fair value of plan assets at start of period	69,965	50,530	71,902	52,299
interest on plan assets	1,061	750	1,526	1,092
Return on plan assets	8,826	6,370	(3,129)	(2,254)
Employer contributions	804	606	1,341	1,015
Contributions by Scheme participants	401	282	363	242
Estimated benefits paid	(2,192)	(1,905)	(2,010)	(1,845)
Curtailments and settlements	-	-	-	-
Administration expenses	(31)	(22)	(28)	(19)
Fair value of plan assets at end of period	78,834	56,611	69,965	50,530

In December 2018, the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension scheme and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination.

The Government attempted to appeal the cases, but it was announced on 27 June 2019 that the appeal had been refused by the Supreme Court. Remedical action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required. There may well also be knock-on effects forthe other public service schemes, and the LGPS might therefore also be required to take some action.

At this stage it is uncertain whether or not there will be an issue for the LGPS and its employers, nor is it clear what the exact extent would be of any required changes.

The Actuary has carried out some costings of the potential effect of McCloud as at 31 July 2019, based on data for the 31 March 2016 valuation. The results calculate the cost of applying a 'final salary underpin' (on a member by member basis) to those active members who joined the Fund before 1 April 2012 and would not otherwise have benefited from the underpin.

An estimate of the effect of the judgement has been incldued within the Past Service Cost.

On 26 October 2018, the High Court ruled that trustees have a duty to equalise for the unequal effect of guaranteed minimum pensions (GMPs) accred between 17 May 1990 and 5 April 1997. This could have an effect on the College in respect of its defined benefit pension schemes and on the sector as a whole if contributions are increased to compensate for any estimated underfunding within scheme once evaluated. No provision has been made for this in the defined benefit obligation.

23 Related party transactions

The Group has taken advantage of the exemption from the requirements of FRS 102 Section 33 to disclose transactions with other wholly owned members of the group headed by The City of Liverpool College.

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

E Bowker is a member of SMT and also a board member of Tate Liverpool. In the 2020/21 financial year the College made no purchases from Tate Liverpool (2019/20 £12,000).

F McKenna is a member of the board and also the Chief Exec of Downtown in Business Ltd. In the 2020/21 financial year the College paid sponsorship amounting to £35,100 to Downtown in Business Ltd (2019/20 £27,000).

C Eld is a member of the SLT and also in a relationship with the Managing Director at Kenyons. In the 2020/21 financial year the College made purchases amounting to £60 from Kenyons (2019/20 £75,816). Appropriate controls have been put into place to ensure segregation of duties is in place regarding the placing of business with the organisation.

24 Amounts disbursed as agent

Learner support funds

	2021 £'000	2020 £'000
Funding body grants – bursary support	-	-
Funding body grants – discretionary learner support	1,770	1,343
Funding body grants – residential bursaries	-	-
Other Funding body grants	-	-
Interest earned	-	-
	1,770	1,343
Disbursed to students	(1,710)	(1,343)
Administration costs	(60)	-
Balance unspent as at 31 July, included in creditors	-	-

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.

25 Transfer between reserves

	2021 £'000	2020 £'000
In-year revaluation reserve release	(79)	(79)
Release of revaluation reserve balance relating to Bankfield site (disposed 1st August 2016)	-	-
	(79)	(79)