

# **Macclesfield College**

## **Report and Financial Statements for the year ended 31 July 2020**

**College Mission:  
“Empowerment through learning”**

## TABLE OF CONTENTS

<b>Reference and Administrative Details.....</b>	<b>3</b>
<b>Strategic Report.....</b>	<b>4</b>
<b>Governance Statement.....</b>	<b>15</b>
<b>Statement on the College's Regularity, Propriety and Compliance .....</b>	<b>22</b>
<b>Statement of Responsibilities of the Members of the Corporation .....</b>	<b>23</b>
<b>Consolidated and College Statements of Comprehensive Income .....</b>	<b>27</b>
<b>Consolidated and College Balance Sheets as at 31 July 2020 .....</b>	<b>28</b>
<b>Consolidated and College Statement of Changes in Reserves .....</b>	<b>29</b>
<b>Consolidated Statement of Cash Flows.....</b>	<b>30</b>
<b>Notes to the Accounts.....</b>	<b>31</b>

## Reference and Administrative Details

### Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2019-20.

Mrs Rachel Kay, Principal and CEO; Accounting Officer

Mrs Lynn French, Vice Principal: Finance & Resources

Dr Lucy Reed, Vice Principal: Curriculum and Quality (Appointed 02/09/19)

### Board of Governors

A full list of Governors is given on pages 16 and 17 of these financial statements.

Mrs R Clare acted as Director of Governance throughout the period.

### Professional advisers

#### Financial statements auditors and reporting accountants

RSM UK Audit LLP

Bluebell House

Brian Johnson Way

Preston PR2 5PE

#### Internal auditors:

BDO LLP

3 Hardman Street

Spinningfields

Manchester M3 3HF

#### Bankers:

Royal Bank of Scotland

51 Park Green

Macclesfield

Cheshire SK11 7NH

#### Solicitors:

Eversheds

Eversheds House

70 Great Bridgewater Street

Manchester M1 5ES

## **Strategic Report**

### **NATURE, OBJECTIVES AND STRATEGIES:**

The governing body present their annual report together with the audited financial statements for the year ended 31 July 2020.

#### **Legal Status**

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

The Corporation was incorporated as Macclesfield College of Further Education. On 1 September 1994, the Secretary of State granted consent to the Corporation to change the College's name to Macclesfield College. The Corporation believes that the name represents the broader activities of the College.

#### **Mission**

Following the appointment of the Principal in August 2015, the mission statement was changed to:

'Empowerment through Learning'

#### **Public Benefit**

Macclesfield College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 16 and 17.

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

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

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

## Strategic Report (continued)

### Implementation of Strategic Plan

In December 2018 the College adopted a strategic plan for the period 1 August 2018 to 31 July 2023. This strategic plan includes property and financial plans. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's continuing strategic aims and objectives are to respond positively to the national priorities set out by the Secretary of State for the learning and skills sector.

### Strategic Objectives

- To be judged by Ofsted as Outstanding
- Achieving learner success and employability
- Driving continuous and sustained growth
- Shaping an innovative and enterprising culture
- Delivering leadership to the region that is unrivalled in the FE and HE Sector
- To be Financially Outstanding and sustainable with £2 Million cash balance by 2023
- Have fit for purpose College Estate and Resources that match the ambition of the Curriculum and ensure that learners have the access to excellent resources and technology

### Financial Objectives for 2019-20

A comparison between the objectives set and the actuals for 2019-20 is shown below:

	2019-20 Actual	2019-20 Forecast	2019-20 Original plan
Self-assessment of financial health	GOOD	GOOD	GOOD
Pay to income ratio	68.66%	67.08%	65.36%
Adjusted Current ratio	1.153	1.143	1.143
Cash days in hand	47 days	51 days	33 days
EBITDA	7.46%	5.4%	5.64%

### College Performance 2019-20

The College was inspected during the period 20-23 November 2017 against the new Ofsted Inspection Framework. The Lead Inspector, Anita Pyrkotsh-Jones, made the following comment about the College in the inspection feedback:

"...the biggest thank you is to the students, they have been an absolute delight and their behaviour has been exemplary."

The grading was as follows:

Effectiveness of leadership and management	Good
Quality of teaching, learning and assessment	Good
Personal development, behaviour and welfare	Good
Outcomes for learners	Good
16-19 study programmes	Good
Adult learning programmes	Requires improvement
Apprenticeships	Good

## Strategic Report (continued)

Key strengths identified during the inspection:

1. Highly effective implementation of standards in apprenticeships with employers
2. The College fosters a culture of high expectations and very high standards
3. Leaders and managers have strong stakeholder and employer links that have positively influenced the curriculum
4. Leaders and managers have addressed the areas for improvement from the last inspection
5. Exemplary support for learners so that learners remain on programme and achieve their qualifications

The following highlights some of the College's other achievements:

- The overall college achievement rate is 87.1% in 2019-20 compared to 88.8% in 2018-19
- The College has met ESFA funding conditions relating to English and Maths
- Attendance rate across the College continues to improve at 86.8%

## Performance Indicators

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 Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having "satisfactory" financial health grading.

## FINANCIAL POSITION

### Financial Results and Position

The Group and College generated a deficit before the other gains and losses in the year of £127,000 (2018-19 a surplus of £227,000), with total comprehensive income deficit of £1,414,000 (2018-19 deficit £1,652,000).

COVID 19 had an impact on College income during 2019-20 with apprenticeship income £350K lower than originally planned due to the college closure from March 2020 and the impact COVID 19 has had on some businesses.

The Group has unrestricted reserves before the pension liability of £2,496,000 (2018-19 £2,076,000) and cash and cash equivalent balances of £1,155,000 (31 July 2019 £800,000). The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible and intangible fixed asset additions in the year amounted to £260,000 (2018-19 £9,000), being equipment purchased.

The Group relies significantly on the education sector funding bodies for its principal funding source, largely recurrent grants. In 2019-20 the FE funding bodies provided 85% of the Group's total income (2018-19 83%).

The College has two subsidiary companies, Cheshire Solutions Limited and European Centre for Aerospace Training Limited. Both companies are dormant.

**Strategic Report (continued)**

**FUTURE PROSPECTS**

**Financial Plan**

The College Governors approved a three-year plan in July 2020, which sets objectives for the period to 2022.

**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 adopted an appropriate treasury management policy to maximise its return on any surplus liquidity whilst eliminating risk.

All borrowing facilities require the authorisation of the Corporation.

**Cash Flows and Liquidity**

Cash balances as at 31 July 2020 were £1,155,000 (31 July 2019 £800,000), an increase from the previous year of £355,000, mainly a result of:

- the net cash inflow from operating activities of £436,000
- Net cash flow from investing activities of £127,000
- payments in respect of financing activities of £208,000.

**Reserves Policy**

The College recognises that its income is not guaranteed. The Board needs to ensure there are sufficient reserves to support the College while other sources of income are secured, or to allow the College to wind up while meeting its obligations to staff and students.

The Board of Governors has agreed to keep a certain level of financial reserves to ensure that main operations can continue for a period of 90 days.

The main concerns of the Board of Governors are to ensure:

- that staff can continue working
- that there is time to secure new funding
- that students are supported to move on to other providers
- that it has sufficient resources to meet its liabilities.

Funding is determined annually and this could expose the sector and the College to quite significant falls in income.

Reserves will be built up from earned income and these reserves need to be £2m to continue running for 90 days. The financial out turn in 2019/20 and 2018/19 has meant that reserves have started to recover from 2017/18, the college's objective remains that the college needs to continue to build reserves from earned income going forward.

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

The Board of Governors will review this policy whenever there are significant changes in income or operating costs.

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

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

The College primarily meets its day to day working capital requirement through cash generated from its day to day operations. It also has a fixed loan facility with Allied Irish Bank which as at 31 July 2020 had a balance of £1.4 million, due for repayment over a remaining period of 9 years.

The College wishes to diversify its income, and the recently won European Social Fund contract is an important step towards achieving this strategy.

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 these risks.

The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that have been in place for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

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

### **Student Achievements**

Students continue to prosper at the College. The success rate was 87.1% in 2019-20 (88.8% for 2018-19).

### **Student Numbers**

In 2019-20 the College delivered activity that produced £7,638,000 in funding body main allocation (2018-19 £7,935,000).

### **The Macclesfield Academy**

Owing to the success of The Macclesfield Academy and the new direction being taken by Macclesfield College, in July 2016, Macclesfield College Corporation agreed to dissolve the sponsorship agreement it had through the trustees of The Macclesfield Academy and with the Department for Education. Resources and plans are in process to cease sponsorship arrangements.

### **Curriculum Developments**

The curriculum design has undergone significant review to ensure face-to-face delivery has been maximised following the COVID 19 pandemic. Class sizes have been carefully managed to ensure that room capacities are adhered to. A small percentage of the curriculum is delivered in a blended approach but for most this is through streaming. However, some adult provision has moved to fully online due to the success of the model during college closure. Study programme enrolments continue to be predominantly at level 3 although the College retains a small level 1 portfolio. The College introduced a number of academies in September 2019 and they are entering their second year. The football academies run in partnership with Macclesfield Town FC and Stockport FC have recruited well and the college is seeking a second partner for its Health Academy due to increased applications. A Level 1 provision has been introduced as a progression pathway into the White's Academy pre-apprenticeship programme. Maths and English delivery has been reduced from 3 sessions to 2 and tutorial provision is on a blended model of taught and online delivery. The College was validated as a partner to the



## **Macclesfield College**

University of Derby and is offering a Foundation Degree pathway and two teacher training qualifications, the Cert Ed and PGCE from this academic year.

### **Employer Engagement**

Increasing employer engagement is an essential element of the College's strategic plan to meet Government priorities and maximise funding opportunities.

The Business Development Unit (Maxim) has been proactive in developing relationships with new employers as well as existing ones. This has resulted in an increased public profile with more local press and radio coverage and an increased awareness of the College. The social media profile has also been elevated due to increased engagement on LinkedIn and Twitter.

### **Higher Education**

The identification and development of higher education opportunities remains a key strategic goal within the College's Strategic Plan. The focus is on developing and providing a flexible and affordable programme portfolio at level 4 and above that offers internal progression opportunities for learners on Level 3 programmes; a flexible offering for employers, and to align with higher apprenticeship standards. The College seeks to offer programmes across a range of modes of study.

The Higher Education landscape has changed significantly over the past few years; radical policy changes, the introduction of the Teaching Excellence Framework (TEF) and the revised approach to quality assurance with the Office for Students, have all resulted in significantly increased competition in the marketplace. As a consequence, FE-based providers of HE have needed to refocus their Higher Education Strategy and refine their offer. The College has subsequently reviewed its higher education provision to attract students who need local, affordable, flexible, industry-focused and employment-ready qualifications and employers who require workforce upskilling. This landscape has been further impacted by the move of much HE provision online in response to COVID 19. Numbers of students deferring have increased as have increases in the number of unconditional offers for places in HEIs.

A number of HNC and HND courses were offered in 2019-20 and included Engineering, Computing, Applied Biology, Business Management and Policing. The Diploma in Education and Training was taught out during this year. In the short-term, the College will introduce a range of pathways which dovetail into our existing full and part-time level three provision. They will be set to provide exit points at different FHEQ levels; Level 4 HNC and Level 5 HND/FD, although a focus will be in growing the Level 4 provision. The College will continue to prioritise employability in its HE portfolio, concentrating on part-time flexible programmes that meet local and regional needs.

The College has sought to expand its partners and has been validated as a partner with the University of Derby. The College has sought approval to deliver a Foundation Degree as well as a Certificate in Education and a Postgraduate Certificate in Education which further consolidates the College's experience in delivering high quality teacher training programmes. Initial work is being undertaken to expand the validated provision with an initial focus on the sports curriculum area. The flexibility of offer, along with the price will allow the residents of Macclesfield to access high quality, higher level provision.

### **VLE Developments**

Investment in the development of the Virtual Learning Environment (VLE) as part of an e-learning strategy with software called "itslearning" has continued to be successful, with over 150,000 student hours of activity recorded.

### **Payment Performance**

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

**Strategic Report (continued)**

**RESOURCES**

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

Tangible resources include the main college site, a building with a net book value of £15,408,000 (2018-19 £16,201,000).

*Financial*

The College presently has £2,496,000 of net assets, before allowing for £5,443,000 of pension liability.

*People*

The College employs 219 people (2018-19: 218), of whom 83 are teaching staff, excluding assessors and teachers in management posts.

*Students*

The College enrolled approximately 3,349 students. The College's student population includes 1,030 16-18 students, 642 Apprentices, 78 Higher Education students and 1,599 Adult students (of which 654 are full cost).

*Reputation*

The College has a good reputation locally and nationally. The most recent Ofsted inspection, in November 2017, awarded the College a Grade 2 (Good).

**PRINCIPAL RISKS AND UNCERTAINTIES**

The College continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

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

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

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

**1. Government funding**

The College has considerable reliance on continued government funding through the further education funding sector bodies and The Office for Students. In 2019-20, 85% (2018-19 83%) of the College's revenue was ultimately public 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.

## Strategic report (continued)

The College is aware of several issues which may impact on future funding:

- The Government's Spending Review
- Changes in Government
- Future changes in funding rates
- Short notice changes to funding
- Changes in funding policies
- Apprenticeship reforms, including the apprenticeship levy
- Covid19

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements; every effort is made to maximise any supplementary funding from time to time
- Striving towards 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 the local funding bodies.

### 2. Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Macclesfield 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 deficit recovery plan with the Local Government Pension Scheme.

### 4. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as Good (Good for 2018-19) as described above. The continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience, whilst also taking account of the likely impacts of COVID 19 including reduction in some income streams and additional costs related to COVID 19. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis, considering likely scenarios for varying income achievement and cost implications of COVID 19
- Regular in year budget monitoring and forecast reviews
- Robust financial controls
- Exploring ongoing procurement efficiencies

**Strategic Report (continued)**

**STAKEHOLDER RELATIONSHIPS**

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

- Students
- Education sector funding bodies
- Staff
- FE Commissioner
- Local employers (with specific links)
- Local Authorities
- The local community
- Other FE institutions
- Trade unions
- Professional bodies.

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

**Equal opportunities and employment of disabled persons**

Macclesfield College aims to positively encourage and promote a culture in which all individuals are treated fairly, and with respect, and which values diversity.

The College has in the performance of its corporate responsibilities due regard to eliminate unlawful discrimination, harassment and victimisation and any other such conduct prohibited by the Equality Act 2010. In advancing equality of opportunity and fostering good relations the College seeks to ensure that equality of opportunity is kept relevant and appropriate in all activities. The embedding of the College's commitment to equality of opportunity commences at Induction with explanation to staff of the College's equality of opportunity strategic/learner approach. This is reinforced through the College Equality Policies and all new staff undertaking a certificated equality course.

The College's Equality and Diversity Policy, is published on the College's Web-site.

The 'Learner Equality Opportunity Wheel' is embedded as a complementary 'thread' to the strategic plan which runs throughout all curriculum activities and seeks to remove for the learner any barriers to access, participation, progression and achievement.

To demonstrate compliance with the Equality Act 2010 Public Sector Duty the College publishes annually its report to evidence its compliance with the three aims of the duty and to report on the progression of its equality objectives.

An Equality Analysis of existing or new policies and procedures is undertaken as appropriate to ensure the College has 'due regard' to the potential and/or actual effect of equality issues with regard to each 'protected characteristic' namely: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, marriage and civil partnership. Results of the completed analysis are corporately reviewed and published.

## Strategic Report (continued)

### Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 places a statutory requirement on the College to publish annually information on 'Facility Time' undertaken for trade union activity.

Using a reporting timeline of 12 months beginning with 1 April 2019 – 31 March 2020, a review in accordance with statutory provision was undertaken. This evidenced that due to the 'culture of employee relations' within the College during the reporting period, no 'Facility Time' had been undertaken. This is reflected in the table below.

#### Relevant Union Officials

Number of employees who were relevant union officials during the relevant period	FTE employee number
2	0.9

#### Percentage of time spent on facility time

Percentage of time	Number of employees
0%	0
1-50%	2
51%-99%	0
100%	0

#### Percentage of pay bill spent on facility time

Total cost of facility time	£2,188
Total pay bill	£6,269,000
Percentage of the total bill spent on facility time	0.04

#### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	0.8
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## **Strategic Report (continued)**

### **Disability Statement**

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

- a) The College is an accredited 'Disability Confident' employer and pro-actively promotes, both internally and externally, its commitment to providing opportunities for individuals seeking employment with the College, arranging for subsequent appropriate supportive adjustments to assist staff with either their new duties or in their personal development, or to reply to a change in health.
- b) The College communicates its support and promotion of the 'Disability Confident' standards on its website, and in all College marketing and recruitment media.
- c) The College's site enhancement programme proactively improves the facilities of the College to ensure its amenities are accessible to all and seeks to ensure compliance with statutory legislation and best practice standards. This includes provision of tactile crossings for visually impaired persons, disabled parking facilities, office/classrooms with automatic access for users and provision of other assistive facilities.
- d) The College has available a list of specialist equipment for use by learners and a range of assistive technology to support learners within its Learning Resource Centre
- e) The College applies a continuing programme of staff development to ensure provision of a high and consistent quality of appropriate support is delivered at all times to learners.
- f) The College holds 'Open days' throughout the year to notify and promote to the local community the facilities of the College and the types of activity and employment offered. Furthermore, it liaises with local charities and keeps in contact with organisations to be kept informed of new developments and associated needs.
- g) Counselling and welfare services are actively promoted in the College Student Guide. This is issued to students during their induction and the services advertised throughout the academic year.
- h) Supportive measures for staff are promoted at induction and arranged as appropriate via the College's Occupational Health provider.

### **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 2020 and signed on its behalf by**



**Mark Sharples**  
Chair of Corporation

## Governance Statement

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 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("The Code"); and

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with The 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 or exceeds all the provisions of The Code, and it has complied throughout the year ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 1 August 2015.

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.

**Governance Statement (continued)**

**The Corporation**

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

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance (Corporation meetings)
Mrs R Kay	17 Aug 2015	Ex officio		Member	Remuneration, Search and Governance	100%
Mrs G Bell	01 Aug 2016	4 Years	01 Aug 2020	Staff Member		75%
Mr G White	08 Dec 2020	4 Years				
Miss B Furness	04 Dec 2018	Period concurrent with term of office as President of Students' Union	01 Aug 2020	Student		
Miss H Broomhead	04 Dec 2018	Period concurrent with term of office as Vice President of Students' Union	01 Aug 2020	Student		
Miss E Ferns	08 Dec 2020					
Mr J Gomez	08 Dec 2020					
Mrs M Grant	25 Mar 2014, Re-appointed 25 Mar 2018	4 years		Member	Audit, Remuneration	100%
Mrs S Horseman Nee Hughes	19 Jan 2015 Re-appointed 19 Jan 2019	4 years		Co-Opted Member	Audit Committee only as a Co-Opted Member	Not required to attend



**Governance Statement (continued)**

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees served	Attendance (Corporation meetings)
Mr P Newell	12 Dec 2017	4 years		10 Oct 2017 Co-Opted Member became a full Member on 12 Dec 2017	Audit	75%
Councillor N Mannion	07 October 2019	4 years				75%
Mr M Bansal	02 April 2019	4 years			Remuneration	50%
Ms S Musgrave	01 Aug 2014, Re-appointed 01 Aug 2018	4 years		Staff Member		75%
Mr N Schofield	09 Jul 2013, Re-appointed 09 Jul 2017	4 years		Member		100%
Mr M Sharples	08 Jul 2014, Re-appointed 08 Jul 2018	4 years		Member	Remuneration, Search and Governance	100%
Professor A Sutcliffe	01 Sep 2014, 01 Sep 2018	4 years		Member	Search and Governance	100%
Mrs C Trasler	07 Oct 2014 Re-appointed 07 Oct 2018	4 years		Member	Search and Governance	100%
Mrs J Walters	12 Dec 2017	4 years		Member	Remuneration	100%
Dr K Williams	07 Oct 2014 Reappointed 07 Oct 2018	4 years		Member	Search and Governance	100%
Mr M Wright	09 Jul 2008, Re-appointed 09 Jul 2012 09 Jul 2016	4 years		Member	Audit, Remuneration, Search and Governance	100%
Mrs M Bowers	02 April 2019	4 years			Audit Committee only as a Co-Opted Member	Not required to attend
Mr D Owen	02 April 2019	4 years			Audit Committee only as a Co-Opted Member	Not required to attend
Mrs R Clare acts as Director of Governance.						

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

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

Macclesfield College

### **Governance Statement (continued)**

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 Audit, Remuneration, and Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Director of Governance at:

Macclesfield College  
Park Lane  
Macclesfield  
Cheshire  
SK11 8LF

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

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

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

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

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, consisting of six members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

### **Corporation Performance**

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2020 and graded itself as "Good" on the Ofsted scale.

### **Remuneration Committee**

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

Details of remuneration for the year ended 31 July 2020 are set out in note 8 to the financial statements.

## **Governance Statement (continued)**

### **Audit Committee**

In 2019-20 the Audit Committee comprised three members of the Corporation and three co-opted members. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

### **Internal control**

#### *Scope of responsibility*

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Macclesfield 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 on-going 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 Macclesfield College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

#### *Capacity to handle risk*

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

## **Governance Statement (continued)**

### *The risk and control framework*

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

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

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

### *Review of effectiveness*

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

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

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

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

**Governance Statement (continued)**

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

**Going concern**

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. Please refer to the going concern assessment within the Going Concern Policy on Page 31

**Approved by order of the members of the Corporation on 8 December 2020 and signed on its behalf by:**



**Mark Sharples**  
Chair



**Rachel Kay**  
Accounting Officer

### **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 college'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 contract with 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.



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**Mark Sharples**  
Chair of Governors



.....

**Rachel Kay**  
Accounting Officer

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the college's grant funding agreements and contracts with ESFA, the corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period.

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

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

The corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the college.

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

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

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

Approved by order of the members of the Corporation on 8 December 2020 and signed on its behalf by:



**Mark Sharples**  
Chair

## **INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF MACCLESFIELD COLLEGE**

### **Opinion**

We have audited the financial statements of Macclesfield College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2020 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **Other information**

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

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

We have nothing to report in this regard.



### **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 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

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 to the accounts, has been materially misstated.

### **Responsibilities of the Corporation of Macclesfield College**

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

In preparing the financial statements, the Corporation is responsible for assessing the 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 Corporation 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.

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.

Macclesfield College

### Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 28 October 2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

*Brian Johnson*

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

16 December 2020

**Consolidated and College Statements of Comprehensive Income**  
**For the year ended 31 July 2020**

		Notes			
		Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>INCOME</b>					
Funding body grants	3	8,149	8,149	8,433	8,433
Tuition fees and education contracts	4	1,123	1,123	1,251	1,251
Research grants and contracts	5	5	5	66	66
Other income	6	312	312	340	340
Investment income	7	2	2	2	2
<b>Total income</b>		<b>9,591</b>	<b>9,591</b>	<b>10,092</b>	<b>10,092</b>
<b>EXPENDITURE</b>					
Staff costs	8	6,262	6,262	5,722	5,722
Restructuring costs	8	7	7	114	114
Other operating expenses	9	2,663	2,663	3,146	3,146
Depreciation and amortisation	12	692	692	704	704
Interest and other finance costs	10	208	208	179	179
<b>Total expenditure</b>		<b>9,832</b>	<b>9,832</b>	<b>9,865</b>	<b>9,865</b>
<b>(Deficit) / Surplus before other gains and losses</b>		<b>(241)</b>	<b>(241)</b>	<b>227</b>	<b>227</b>
Profit on disposal of tangible fixed assets	12	114	114	-	-
<b>(Deficit) / Surplus before tax</b>		<b>(127)</b>	<b>(127)</b>	<b>227</b>	<b>227</b>
Taxation	11	-	-	-	-
<b>(Deficit) / Surplus for the year</b>		<b>(127)</b>	<b>(127)</b>	<b>227</b>	<b>227</b>
Remeasurement of net defined benefit pension liability	23	(1,287)	(1,287)	(1,879)	(1,879)
<b>Total Comprehensive Income for the year</b>		<b>(1,414)</b>	<b>(1,414)</b>	<b>(1,652)</b>	<b>(1,652)</b>

## Consolidated and College Balance Sheets as at 31 July 2020

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>Fixed assets</b>					
Tangible assets	12	15,691	15,691	16,365	16,365
Intangible fixed assets	12	20	20	26	26
Investments	13	-	-	-	-
		<b>15,711</b>	<b>15,711</b>	<b>16,391</b>	<b>16,391</b>
<b>Current assets</b>					
Stocks		10	10	14	14
Debtors	14	663	663	674	674
Investments		-	-	-	-
Cash at bank and in hand		1,155	1,155	800	800
<b>Total current assets</b>		<b>1,828</b>	<b>1,828</b>	<b>1,488</b>	<b>1,488</b>
<b>Current liabilities</b>					
Creditors – amounts falling due within one year	15	(1,908)	(1,908)	(2,098)	(2,098)
<b>Net current liabilities</b>		<b>(80)</b>	<b>(80)</b>	<b>(610)</b>	<b>(610)</b>
<b>Total assets less current liabilities</b>		<b>15,631</b>	<b>15,631</b>	<b>15,781</b>	<b>15,781</b>
Creditors – amounts falling due after more than one year	16	(12,963)	(12,963)	(13,512)	(13,512)
<b>Provisions for liabilities</b>					
Defined benefit pension schemes	23	(5,443)	(5,443)	(3,609)	(3,609)
Other provisions	18	(172)	(172)	(193)	(193)
<b>Total net (liabilities) / assets</b>		<b>(2,947)</b>	<b>(2,947)</b>	<b>(1,533)</b>	<b>(1,533)</b>
<b>Unrestricted reserves</b>					
Income and expenditure reserve		(3,966)	(3,966)	(2,552)	(2,552)
Revaluation reserve		1,019	1,019	1,019	1,019
<b>Total unrestricted reserves</b>		<b>(2,947)</b>	<b>(2,947)</b>	<b>(1,533)</b>	<b>(1,533)</b>

The financial statements on pages 27 to 51 were approved and authorised for issue by the Corporation on 8 December 2020 and were signed on its behalf on that date by:

  
Mark Sharples  
Chair

  
Rachel Kay  
Accounting Officer

**Consolidated and College Statement of Changes in Reserves**  
**For the year ended 31 July 2020**

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £,000
<b>Group</b>			
<b>Balance at 31 July 2018</b>	<b>(916)</b>	<b>1,035</b>	<b>119</b>
Surplus for the year	227	-	227
Other comprehensive income	(1,879)	-	(1,879)
Transfers between revaluation and income and expenditure reserves	16	(16)	-
	(1,636)	(16)	(1,652)
<b>Balance at 31 July 2019</b>	<b>(2,552)</b>	<b>1,019</b>	<b>(1,533)</b>
(Deficit) for the year	(127)	-	(127)
Other comprehensive income	(1,287)	-	(1,287)
Transfers between revaluation and income and expenditure reserves	-	-	-
<b>Total comprehensive income for the year</b>	<b>(1,414)</b>	<b>-</b>	<b>(1,414)</b>
<b>Balance at 31 July 2020</b>	<b>(3,966)</b>	<b>1,019</b>	<b>(2,947)</b>
<b>College</b>			
<b>Balance at 31 July 2018</b>	<b>(916)</b>	<b>1,035</b>	<b>119</b>
Surplus for the year	227	-	227
Other comprehensive income	(1,879)	-	(1,879)
Transfers between revaluation and income and expenditure reserves	16	(16)	-
	(1,636)	(16)	(1,652)
<b>Balance at 31 July 2019</b>	<b>(2,552)</b>	<b>1,019</b>	<b>(1,533)</b>
(Deficit) for the year	(127)	-	(127)
Other comprehensive income	(1,287)	-	(1,287)
Transfers between revaluation and income and expenditure reserves	-	-	-
<b>Total comprehensive income for the year</b>	<b>(1,414)</b>	<b>-</b>	<b>(1,414)</b>
<b>Balance at 31 July 2020</b>	<b>(3,966)</b>	<b>1,019</b>	<b>(2,947)</b>

**Consolidated Statement of Cash Flows**  
**For the year ended 31 July 2020**

	Notes	2020 £'000	2019 £'000
<b>Operating activities</b>			
Cash generated from operations	20	436	482
<b>Net cash from operating activities</b>		436	482
<b>Investing activities</b>			
Proceeds from the sale of fixed assets		385	-
Purchase of intangible fixed assets		-	(3)
Purchase of tangible fixed assets		(260)	(6)
Interest received		2	2
<b>Net cash flow from Investing activities</b>		127	(7)
<b>Financing activities</b>			
Interest paid		(123)	(132)
Repayments of borrowings		(85)	(134)
<b>Net cash flow from financing activities</b>		(208)	(266)
<b>Increase in cash and cash equivalents in the year</b>		<b>355</b>	<b>209</b>
Cash and cash equivalents at beginning of the year		800	591
Cash and cash equivalents at end of the year		<b>1,155</b>	<b>800</b>
Closing bank balance		1,155	800

## Macclesfield College

### Notes to the Accounts

#### 1. Accounting policies

##### General Information

Macclesfield College is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principal place of business is given on page 18. The nature of the College's operations is set out in the Report of the Governing Body.

##### Basis of accounting

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 2019 to 2020 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) under the historical cost convention. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The consolidated financial statements are presented in sterling, which is also the functional currency of the College.

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

##### Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, Cheshire Solutions Limited and European Centre for Aerospace Training 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. The results of subsidiaries acquired or sold are consolidated using the purchase method for the periods from or to the date that control passes. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2020.

All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

##### Going concern

The activities of the College, together with the factors likely to affect its future development and performance, are set out in the Members' Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements and accompanying Notes. The College has adequate cash resources for the next 12 months and beyond.

The College has been under a Financial Notice to Improve since the 2017-18 financial results. During 2018-19 the College has succeeded in achieving and exceeding its Financial Plan and has, as a result, returned to Good Financial Health, with the Financial Notice to Improve lifted in February 2020.

Going forward the College's Financial Plan for 2020/21 and 2021/22 continues to demonstrate Good Financial Health.

## Macclesfield College

Apprenticeship income has remained strong and is a significant income stream for the College going forwards, however, with the COVID 19 pandemic, this is identified as a key financial risk to the college given the impact of COVID 19 on businesses, which is closely monitored.

Teachers Pension Scheme income funded by the ESFA continues to April 2021, thereafter this funding will be met through College budgets.

16-18 funding is 'guaranteed' through the lagged funding system for 2020-21; for 2021-22, funding is assumed to continue on the same basis using the lagged system, and so numbers and funding at this point are not confirmed.

The College primarily meets its day to day working capital requirement through cash generated from its day to day operations. It also has a fixed loan facility with Allied Irish Bank which as at 31 July 2020 had a balance of £1.420 million, due for repayment over a remaining period of 9 years.

The College's Balance sheet has a net current liability position as at 31 July 2020 of £80K (2018-19 - £610K net liability) which includes cash balances of £1.15M in Assets and non cash liabilities of deferred capital grants of 459K.

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 these risks.

The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that have been in place for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

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

## Recognition of income

### Revenue Grant Funding

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year-end reconciliation process with the funding body following the year-end, and the results of any funding audits.

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

Levy-funded and ESFA funding for co-investment model apprenticeships income is measured in line with best estimates of the provision delivered in the year.

The recurrent grant from the Office for Students represents the funding allocation attributable to the current financial year and is recognised when received or receivable.

Grants from non-government sources, including grants relating to assets, are recognised in income when the performance-related conditions have been met and the grant will be received. Income received in advance of performance-related conditions being met is recognised as a liability.

### Capital Grant Funding

Government capital grants for assets are accounted for under the accrual model. The grant income received or receivable will be recognised over the expected useful life of the asset, with any amount of the asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.



## Macclesfield College

### Other Income

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Income from tuition fees, including employer funding for co-investment funded apprenticeships, is recognised over the period for which it is received. All income from short-term deposits is accrued in the period in which it is earned on a receivable basis.

### **Accounting for post-employment Benefits**

Post-employment benefits paid to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

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 the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

### **Short-term Employment Benefits**

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the Group. The cost of any unused holiday entitlement the Group expects to pay in future periods is recognised in the period the employees' services are rendered.

### **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 comprehensive 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.

### **Fixed Asset Investments**

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses in the separate financial statements of the college.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in comprehensive income.

### **Tangible Fixed Assets**

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses.

#### *Land and buildings*

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

#### *Equipment*

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

#### *Depreciation and residual values*

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight-line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

- Freehold buildings – over periods up to 40 years
- Building improvements – 10 years
- Technical equipment – 5 years
- Motor vehicles – 4 years
- Computer equipment - 3 years
- Furniture, fixtures and fittings - 5 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expense's as incurred.

### **Non-Current Assets – Intangible Assets**

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to the statement of comprehensive income on a straight-line basis over their useful lives, and for purchased computer software, this is six years.

#### *Impairments of fixed assets*

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

#### *Borrowing costs*

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

## **Macclesfield College**

### *Leased assets*

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

### **Stock**

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

### **Financial Instruments**

The Group has chosen to adopt Sections 11 and 12 of FRS102 in full in respect of financial instruments.

#### *Financial assets and liabilities*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable within one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **De-recognition of financial assets and liabilities**

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### **Taxation**

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% 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.

### **Provisions and contingent liabilities**

Provisions are recognised when the Group 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 the amount of the obligation can be reliably measured.

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 that reflects the risks specific to the liability. 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 reliably measured.

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

### **Agency arrangements**

The College acts as an agent in distributing Bursary support funds from the funding bodies. Payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the Group where the Group does not have control of the economic benefit related to the transaction.

### **Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical areas of judgement*

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

- Determine whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

#### *Critical accounting estimates and assumptions*

- Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives accounting for 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, maintenance programmes, economic utilisation and physical condition of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in Note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at

31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- Impairment of fixed assets

The Group considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flow and selection of appropriate discount rates in order to calculate the net present value of those cash flows.

**3 Funding body grants**

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
<b>Recurrent grants</b>				
Education & Skills Funding Agency: Adult	591	591	686	686
Education & Skills Funding Agency: 16-18	5,206	5,206	5,414	5,414
Education & Skills Funding Agency: Apprenticeships (funded)	1,841	1,841	1,835	1,835
Office for Students	70	70	76	76
<b>Specific Grants</b>				
Releases of government capital grants	268	268	307	307
Teacher Pension Scheme contribution grant	167	167	-	-
Strategic College Improvement Fund	4	4	113	113
HE Grant	2	2	2	2
<b>Total</b>	<b>8,149</b>	<b>8,149</b>	<b>8,433</b>	<b>8,433</b>

**4 Tuition fees and education contracts**

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Adult education fees	234	234	267	267
Apprenticeship fees and contracts	38	38	61	61
Fees for FE loan supported courses	212	212	292	292
Fees for HE loan supported courses	275	275	302	302
Total tuition fees	759	759	922	922
Education contracts	364	364	329	329
<b>Total</b>	<b>1,123</b>	<b>1,123</b>	<b>1,251</b>	<b>1,251</b>

The corporation did not receive a coronavirus job retention grant as no staff were furloughed during the year 31 July 2020.

**4A Total grant and fee income**

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Grant income from the OfS	70	70	76	76
Grant income from other bodies	8,079	8,079	8,357	8,357
<b>Total grant income</b>	<b>8,149</b>	<b>8,149</b>	<b>8,433</b>	<b>8,433</b>

**5 Research grants and contracts**

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
European Commission	-	-	46	46
Cheshire and Warrington LEP	5	5	20	20
<b>Total</b>	<b>5</b>	<b>5</b>	<b>66</b>	<b>66</b>

## 6 Other income

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Catering and residences	-	-	6	6
Other income generating activities	22	22	40	40
Other grant income	189	189	189	189
Miscellaneous income	101	101	105	105
<b>Total</b>	<b>312</b>	<b>312</b>	<b>340</b>	<b>340</b>

## 7 Investment income

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Other interest receivable	2	2	2	2

## 8 Staff costs and key management personnel remuneration – Group and College

The average number of persons (including key management personnel) employed by the College during the year, expressed as average head count, was:

	2020 No.	2019 No.
Teaching staff	91	83
Non-teaching staff	124	136
	<b>215</b>	<b>219</b>

### Staff costs for the above persons

	2020 £'000	2019 £'000
Wages and salaries	4,353	4,257
Social security costs	386	379
Other pension costs	1,417	1,079
<b>Payroll sub total</b>	<b>6,156</b>	<b>5,715</b>
Contracted out staffing services	106	7
	<b>6,262</b>	<b>5,722</b>
Fundamental restructuring costs - contractual	7	114
Fundamental restructuring costs – non-contractual	-	-
<b>Total staff costs</b>	<b>6,269</b>	<b>5,836</b>

### Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Leadership Team which comprises the Principal & Chief Executive, Vice Principal (Curriculum and Quality) and Vice Principal (Finance and Resources). Staff costs include compensation paid to key management personnel for loss of office.

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

	2020 No.	2019 No.
The number of key management personnel including the Accounting Officer was:	<u>4</u>	<u>3</u>

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

	<b>Key management personnel</b>		<b>Other staff</b>	
	2020 No.	2019 No.	2020 No.	2019 No.
£70,001 to £75,000	2	1	-	-
£80,001 to £85,000	1	1	-	-
£115,001 to £120,000	-	1	-	-
£125,001 to £130,000	1	-	-	-
	<u>4</u>	<u>3</u>	<u>-</u>	<u>-</u>

Key management personnel (including the Accounting Officer) total compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries – gross of salary sacrifice and waived emoluments	292	279
Benefits in kind	-	-
Employer's National Insurance (or Social Security contributions)	36	34
	<u>328</u>	<u>313</u>
Pension contributions	63	54
<b>Total key management personnel compensation</b>	<u>391</u>	<u>367</u>

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

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

	2020 £'000	2019 £'000
Salaries paid to Mrs R Kay	129	120
Benefits in kind	-	-
Employer's National Insurance	16	16
	<u>145</u>	<u>136</u>
Pension contributions	27	25
<b>Total</b>	<u>172</u>	<u>161</u>



## Macclesfield College

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

	2020 No	2019 No.
Basic salary as a multiple of median basic salary of staff	4.46	4.40
Total remuneration as a multiple of median total remuneration of staff	6.39	5.91

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Local Government Pension Scheme and are paid at the same rate as for other employees.

The governing body has adopted the Association of College's Senior Staff Remuneration Code in July 2019 and will assess and pay in line with its principles in future.

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

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

### Governors' Remuneration

The Accounting Officer and the staff member 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 two governors (2018/19 – four) with total expenses of £1,761 (2018/19 - £2,200) were paid to or on their behalf of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

### 9 Other operating expenses

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Teaching costs	1,253	1,253	1,172	1,172
Non-teaching costs	655	655	606	606
Premises costs	591	591	729	729
Subcontractor costs	164	164	639	639
<b>Total</b>	<b>2,663</b>	<b>2,663</b>	<b>3,146</b>	<b>3,146</b>

	2020 £'000	2019 £'000
<b>Surplus/(deficit) before taxation is stated after charging/(crediting):</b>		
Auditors' remuneration:		
- Financial statements audit	17	14
- Internal audit	16	16
Operating lease rentals	30	80
	<hr/>	<hr/>

#### 10 Interest payable and other finance costs – Group and College

	2020 £'000	2019 £'000
Interest on bank loans, overdrafts	123	132
Interest on other loans	-	-
	<hr/>	<hr/>
	123	132
Net interest on defined pension liability (Note 23)		
- LGPS	81	43
- Enhanced Pension	4	4
	<hr/>	<hr/>
<b>Total</b>	<b>208</b>	<b>179</b>
	<hr/>	<hr/>

#### 11 Taxation

The Group has no corporation tax liability in the current year, nor did it in the preceding year. This is in accordance with the College's tax status as outlined in the accounting policies on page 35 and with its legal status as outlined in page 4 of this document.

#### 12 Tangible and intangible fixed assets (Group and College)

<b>Intangible Fixed Assets</b>	<b>Computer Software £'000</b>	<b>Total £'000</b>
<b>Cost</b>		
At 1 August 2019	38	38
Additions	-	-
Transfers	-	-
Disposals	-	-
<b>At 31 July 2020</b>	<b>38</b>	<b>38</b>
	<hr/>	<hr/>
<b>Amortisation</b>		
At 1 August 2019	12	12
Charge for the year	6	6
Elimination in respect of disposals	-	-
	<hr/>	<hr/>
<b>At 31 July 2020</b>	<b>18</b>	<b>18</b>
	<hr/>	<hr/>
<b>Net book value at 31 July 2020</b>	<b>20</b>	<b>20</b>
	<hr/>	<hr/>
<b>Net book value at 31 July 2019</b>	<b>26</b>	<b>26</b>
	<hr/>	<hr/>

**12 Tangible and intangible fixed assets (Group and College) (continued)**

<b>Tangible fixed assets</b>	<b>Land &amp; Buildings</b>	<b>Equipment</b>	<b>Assets in the course of construction</b>	<b>Total</b>
	<b>Freehold £'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>				
At 1 August 2019	<b>22,564</b>	<b>2,833</b>	-	<b>25,397</b>
Additions	3	257	-	260
Transfers	-	-	-	-
Disposals	(279)	-	-	(279)
<b>At 31 July 2020</b>	<b>22,288</b>	<b>3,090</b>	-	<b>25,378</b>
<b>Amortisation</b>				
At 1 August 2019	<b>6,363</b>	<b>2,669</b>	-	<b>9,032</b>
Charge for the year	548	138	-	686
Transfers	-	-	-	-
Elimination in respect of disposals	(31)	-	-	(31)
<b>At 31 July 2020</b>	<b>6,880</b>	<b>2,807</b>	-	<b>9,687</b>
<b>Net book value at 31 July 2020</b>	<b>15,408</b>	<b>283</b>	-	<b>15,691</b>
<b>Net book value at 31 July 2019</b>	<b>16,201</b>	<b>164</b>	-	<b>16,365</b>

Land and the ECAT building were valued on 31 July 2006 by Dixon Webb, Chartered Surveyors, in accordance with the RICS Statements of Asset Valuation Practice at existing use value as specialised properties and were assessed on a depreciated cost basis. Included in the re-valued Land and Buildings is an amount of £800,000 relating to the land which is not depreciated.

**13 Fixed asset investments**

The College owns 100% of the issued ordinary £1 shares of Cheshire Solutions Limited and European Centre for Aerospace Training Limited. Both companies are incorporated in England and Wales. Cheshire Solutions ceased to trade on 31 October 2000. European Centre for Aerospace Training Limited has been dormant since its incorporation.

**14 Debtors**

	<b>2020 Group £'000</b>	<b>2020 College £'000</b>	<b>2019 Group £'000</b>	<b>2019 College £'000</b>
Amounts falling due within one year:				
Trade debtors	148	148	118	118
Prepayments and accrued income	236	236	277	277
Amounts owed by the ESFA	279	279	279	279
<b>Total</b>	<b>663</b>	<b>663</b>	<b>674</b>	<b>674</b>

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

	<b>2020 Group £'000</b>	<b>2020 College £'000</b>	<b>2019 Group £'000</b>	<b>2019 College £'000</b>
Bank loans and overdrafts	120	120	115	115
Trade creditors	591	591	377	377
Other taxation and social security	194	194	190	190
Accruals and deferred income	544	544	689	689
Government grants (capital)	459	459	459	459
Amounts owed to the ESFA	-	-	268	268
<b>Total</b>	<b>1,908</b>	<b>1,908</b>	<b>2,098</b>	<b>2,098</b>

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

	<b>2020 Group £'000</b>	<b>2020 College £'000</b>	<b>2019 Group £'000</b>	<b>2019 College £'000</b>
Bank loans	1,282	1,282	1,372	1,372
Government grants (capital)	11,681	11,681	12,140	12,140
<b>Total</b>	<b>12,963</b>	<b>12,963</b>	<b>13,512</b>	<b>13,512</b>

**17 Maturity of debt**

Bank loans and overdrafts are repayable as follows:

	<b>2020 Group £'000</b>	<b>2020 College £'000</b>	<b>2019 Group £'000</b>	<b>2019 College £'000</b>
In one year or less	120	120	115	115
Between one and two years	128	128	122	122
Between two and five years	434	434	415	415
In five years or more	720	720	835	835
<b>Total</b>	<b>1,402</b>	<b>1,402</b>	<b>1,487</b>	<b>1,487</b>

The bank loan at 8.4325% repayable by instalments falling due between 1 August 2015 and 1 May 2029 totalling £1,401,994 is secured on Macclesfield College Campus, Park Lane, Macclesfield, SK11 8LF.

# 18 Provisions for liabilities

	Defined Benefit Obligations (Note 23) £'000	Group and College Enhanced Pensions £'000	Total £'000
At 1 August 2019	3,609	193	3,802
Utilised in the year	(491)	(14)	(505)
Additional provision in the year	2,325	(7)	2,318
Reversed in the year	-	-	-
<b>At 31 July 2020</b>	<b>5,443</b>	<b>172</b>	<b>5,615</b>

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

The principal assumptions for this calculation are:

	2020	2019
Pension increase rate	2.1%	2.4%
Salary increase rate	2.8%	2.7%
Discount rate	1.4%	2.1%

# 19 Consolidated analysis of changes in net funds

	At 1 August 2019 £'000	Cash flow £'000	New finance leases £'000	Other non- cash changes £'000	Changes in market value and exchange £'000	At 31 July 2020 £'000
Cash in hand, and at bank	800	355	-	-	-	1,155
Bank overdrafts	-	-	-	-	-	-
Debt factoring	-	-	-	-	-	-
	800	355	-	-	-	1,155
Bank loans	(1487)	85	-	-	-	(1402)
Finance leases	-	-	-	-	-	-
Current asset investments	-	-	-	-	-	-
<b>Net debt</b>	<b>(687)</b>	<b>440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(247)</b>

## 20 Notes to the cash flow statement

### Reconciliation of surplus after tax to net cash (used in) / generated from operations

	2020 £'000	2019 £'000
Deficit / surplus after tax for the year	(127)	227
Adjustment for:		
Taxation	-	-
Depreciation	692	704
Investment income	(2)	(2)
Interest payable	208	179
Loss on sale of fixed assets	(137)	-
Decrease / increase in provisions	(21)	6
Pensions costs less contributions payable	463	272
Operating cash flow before movements in working capital	1,076	1386
Decrease / (increase) in stocks	4	(4)
Decrease / (increase) in trade and other debtors	11	(80)
Decrease in trade and other creditors	(655)	(820)
Cash generated from operations	<u>436</u>	<u>482</u>

## 21 Capital commitments

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

## 22 Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 £'000	2019 £'000
<b>Payments due</b>		
Not later than one year	26	28
Later than one year and not later than five years	3	29
Later than five years	-	-
<b>Total</b>	<u>29</u>	<u>57</u>

## 23 Retirement benefits

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

<b>Total pension cost for the year</b>	<b>2020 £'000</b>	<b>2019 £000</b>
Teachers' Pension Scheme: contributions paid	438	299
Local Government Pension Scheme:		
Contributions paid	469	475
FRS 102 (28) charge	489	299
Charge to the Statement of Comprehensive Income	958	774
Enhanced pension charge to the Statement of Comprehensive Income	21	6
<b>Total Pension Cost for Year within staff costs</b>	<b>1,417</b>	<b>1,079</b>

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

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year. Contributions amounting to £102,763 (2019 £86,000) were payable to the scheme at 31 July 2020 and are included within creditors.

### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer. The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on a defined benefit plan, so it is accounted for as a defined contribution plan.

### Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014, except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI

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.

## Macclesfield College

However, legal challenge to the 2015 public sector pension reforms could have a further impact on the scheme, which would have retrospective application.

The pension costs paid to TPS in the year amounted to £588,630 (2019: £452,000)

### Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Cheshire West and Chester Council. The total contribution made for the year ended 31 July 2020 was £610,619, of which employer's contributions totalled £469,241 and employees' contributions totalled £141,378. The agreed contribution rates for future years are 24.5% for employers and range from 5.5% to 12.5% for employees, depending on salary.

### Principal Actuarial Assumptions

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

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.8%	2.7%
Future pensions increases	2.1%	2.4%
Discount rate	1.4%	2.1%
Commutation of pensions to lump sums	50%	50%



## Macclesfield College

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	At 31 July 2020 Years	At 31 July 2019 Years
<i>Retiring today</i>		
Males	21.2	22.3
Females	23.6	24.5
<i>Retiring in 20 years</i>		
Males	21.9	23.9
Females	25.0	26.5

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

	Fair value at 31 July 2020 £'000	Fair value at 31 July 2019 £'000
Equity instruments	5,646	5,468
Debt instruments	5,515	5,468
Property	1,313	972
Cash	656	243
<b>Total fair value on plan assets</b>	<b>13,130</b>	<b>12,151</b>
<b>Actual return on plan assets</b>	<b>323</b>	<b>557</b>

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

	2020 £'000	2019 £'000
Current service cost	988	727
Past service cost	(41)	47
Net interest on the net defined benefit pension liability	81	43
<b>Total</b>	<b>1028</b>	<b>817</b>

Changes in the present value of defined benefit obligations

	2020 £'000	2019 £'000
<b>Defined benefit obligations at start of period</b>	<b>15,759</b>	<b>12,275</b>
Current service cost	988	727
Past service cost	(41)	47
Interest cost	341	353
Contributions by scheme participants	140	137
Experience gains and losses on defined benefit obligations	-	-
Benefits paid	(234)	(196)
Plan introductions, changes, curtailments and settlements, actuarial (gains) / losses	1,620	2,417
<b>Defined benefit obligations at end of period</b>	<b>18,573</b>	<b>15,760</b>

**Changes in fair value of plan assets**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Fair value of plan assets at start of period</b>	12,150	10,868
Interest income	260	310
Return on plan assets (excluding net interest on the net defined benefit liability)	323	557
Employer contributions	491	475
Contributions by scheme participants	140	137
Estimated benefits paid	(234)	(196)
<b>Fair value of plan assets at end of period</b>	<b>13,130</b>	<b>12,151</b>

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

LGPS pension scheme liabilities includes an assessment provided by the Actuary of the likely impact of the McCloud judgment on defined benefit obligations within the scheme. This follows the Government's reforms to public service pensions in 2015 and associated protection extended to members. In December 2018, the Court of Appeal ruled that transitional protection afforded to specific members amounted to unlawful discrimination, and the subsequent Government announcement in July 2019 confirmed that this should be extended to all main public service pensions.

A gain of £41,000 recognises the potential impact of the McCloud judgment, and is recognised within defined benefit obligations - past service costs.

## 24 Related party transactions

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

### Transactions with associates

#### The Macclesfield Academy

The College is the sponsor for the Macclesfield Academy, a company limited by guarantee and an exempt charity. The College charged The Macclesfield Academy £5,057 (2019: £5,057). This represents the cost of mobile phones, reprographics costs and postage charges.

The Macclesfield Academy charged the College £22,413 (2019: £25,378) for the College's share of the Sports Hall operating costs. The amount outstanding, included in the creditors at 31 July 2020 was £14,217 (2019: £nil).

#### Park Lane School

The College charged Park Lane School £39,797 (2019: £42,228). This represents the costs of the Estates Manager's salary, school meals, water charges and tuition fees. The amount outstanding, included within debtors at 31 July 2020 was £3,119 (2019: £6,535).

#### Ash Grove School

The College charged Ash Grove School £250 (2019: £725) for student tuition fees.

## Macclesfield College

### North Cheshire Chamber of Commerce

The College paid £4,615 (2019: £1,044) for Subscription and student sponsorship fees.

Key management compensation disclosure is given in Note 8.

#### **25 Amounts disbursed as agent**

<b>Learner Support funds</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Funding body grants – 16-19 bursary support	228	209
Other funding body grants	-	-
Interest earned	-	-
	<hr/> 228	<hr/> 209
Disbursed to students	(186)	(196)
Administration costs	(10)	(10)
	<hr/>	<hr/>
Balance unspent as at 31 July 2020, included in creditors	<b>32</b>	<b>3</b>

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.

**INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF MACCLESFIELD COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY**

**Conclusion**

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

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

**Basis for conclusion**

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

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

**Responsibilities of Corporation of Macclesfield College for regularity**

The Corporation of Macclesfield College is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of Macclesfield College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

**Reporting accountant's responsibilities for reporting on regularity**

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the ACoP.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework

## Macclesfield College

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 Macclesfield 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 Macclesfield 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 Macclesfield 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**  
Chartered Accountants  
Bluebell House  
Brian Johnson Way  
Preston  
PR2 5PE

16 December 2020