# LORETO COLLEGE

## Report and Financial Statements
## For the Year Ended 31 July 2020

## LORETO COLLEGE

### Key Management Personnel, Board of Governors and Professional advisers

**Key management personnel**
Key management personnel are defined as members of the college's Senior Leadership Team and were represented by the following in 2019/20:

Mr P McGhee, Executive Principal (in post until 31 May 2020)
Mr M Jaffrain, Principal (in post from 20th April 2020)
Mrs A Pritchard, Deputy Principal
Mrs T Livesey, Director of Finance, Resources & Estates
Mr M Deasy, Vice Principal - Curriculum & Quality

**Board of Governors**
A full list of Governors is given on page 16 of these financial statements.

During 2019/20 the Clerk to the Board of Governors role was carried out via Ms Alison Gould.

**Financial Statement and Regularity Auditors:**

RSM UK Audit LLP
9th Floor
3 Hardman Street
Manchester
M3 3HF

**Internal Auditors until 31/07/2020:**

RSM UK Risk Assurance Services LLP
9th Floor
3 Hardman Street
Manchester
M3 3HF

**Internal Auditors from 01/08/2020:**

Wylie and Bisset LLP
168 Bath Street
Glasgow
G2 4TP

**Bankers:**

Barclays Corporate Bank plc
3 Hardman Street
1st Floor
Manchester
M3 3HF

**Solicitors:**

Hill Dickinson LLP
No 1 St. Paul's Square
Liverpool
L3 9SJ

Weightmans LLP
Pall Mall Court
61- 67 King Street
Manchester
M2 4PD

Browne Jacobson LLP
18-22 Bridge Street
Manchester
M3 3BZ

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## LORETO COLLEGE

## Report of the Governing Body for the year ended 31 July 2020

The Board present their report and audited financial statements for Loreto College ("the College") for the year ended 31 July 2020.

### Legal Status

The Governing Body was established under The Further and Higher Education Act 1992 for the purpose of conducting Loreto College. The majority of the Governing Body is appointed by the Trustees of the College, the Institute of the Blessed Virgin Mary. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

### Mission

Governors reviewed the College's mission during 2017/18 at the meeting of the Board of Governors on 14 December 2017 and adopted this mission statement:

### Our Vision

Loreto College is centred in God, rooted in Christ and animated by the spirit of Mary Ward, the founder of the Institute of the Blessed Virgin Mary. Our vision is that it will be an educational community where each person has the experience of being loved and valued as a sacred individual created by a loving God; a community where students enjoy an enriching and liberating education that helps them grow into the fullness of life and empowers them to be men and women of courage who are alive to the needs of humanity and committed to making a better world.

### Statement of Purpose

Loreto College is part of the 3-19 continuum of Catholic education in Manchester and it exists to respond to the educational needs of young people from its partnership high schools and special schools in Manchester and surrounding areas. Its primary purpose is to guide these learners to success by challenging them to achieve academic and human excellence and by supporting them in the pursuit of this excellence. The college will work with other FE Providers to support students from its partnership high schools who wish to access the full range of vocational & occupational courses. In addition, it will be proactive in identifying and responding to the needs of other learners from the Catholic, local and wider communities where they are consonant with the college's core values.

### Context

Loreto College is part of an international network of Catholic colleges run by the Institute of the Blessed Virgin Mary, a religious order founded in the seventeenth century by the Englishwoman Mary Ward. It has provided education in Manchester since 1851 and was established as a sixth form college in 1977 as part of the re-organisation of Catholic secondary education in the city. Since April 1993 it has been a designated college under the 1992 Further and Higher Education Act.

### Aims

Loreto College aims to be an educational community which:

- recognises that God can be found in all things;
- is guided by the teaching of Christ and the Roman Catholic Church and in turn guides its Catholic young people in their faith journey and provides all its members with the opportunity of living, working and worshipping in a Christian community;
- gives expression to the core values of Mary Ward - freedom, justice, sincerity, truth, joy, excellence and internationality - and encourages "seekers of truth and doers of justice" who are able to challenge accepted notions and modes of society;
- values all its students as individuals and values all types of learning as it responds to the changing needs of individuals and society in the 21st century;

- has the highest expectations of personal and academic excellence;
- encourages active student involvement in their own learning and lifelong learning and fosters respect for intellectual questioning and debate in an atmosphere of freedom and respect for the dignity of each individual;
- works in partnership with parents and carers, recognising that they are the primary educators of our students;
- contributes to the educational, religious, cultural and economic well-being of Manchester and its environs.

**Public Benefit**

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

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

**Implementation of strategic plan**

In July 2018 the College adopted a strategic plan for the period 1 August 2018 to 31 July 2021. This strategic plan includes property and financial plans. The Governing Body monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's strategic objectives for 2019/20 were:

**Objective 1:** To sustain the College's vision to be an educational community where each person has the experience of being loved and valued as a sacred individual created by a loving God.

**Objective 2:** To maintain student recruitment in line with the College's Admissions Policy and retain the balance and mix of enrolments to ensure continued access for:

- 16 yr old learners from Partnership High Schools who achieve less than 5 GCSEs at grades 9 – 4
- Learners with learning difficulties and disabilities
- Learners from the local community

**Objective 3:** To sustain and improve standards and promote excellence throughout the curriculum at all levels of academic and vocational endeavour and to:

- Further embed a two year mindset for linear assessment
- Maintain high value-added performance for the College
- Maintain and further improve student pass rates, retention rates and attendance and punctuality rates, remaining above national benchmarks for sixth form colleges

**Objective 4:** To utilise the Enabling Departments of the College to ensure that we manage our staff, estate, resources and processes to enable the pursuit of our educational objectives effectively and efficiently.

**Objective 5:** To work collaboratively with the Loreto Education Trust, the Manchester Catholic Education Partnership (MANCEP), Teach Manchester Teaching School Alliance and other groups within the College's local and extended community in support of the College's goals.

**Objective 6:** To maintain the College's outstanding financial health in order to implement our College Development Plan and protect the future of the College.

The College is on target for achieving these objectives.

In 2019/20 the College faced additional challenges within the context of the coronavirus pandemic, but carried out its key activities to address these objectives:

- Due to the national lockdown the college campus closed in March 2020 for the remainder of the academic year, and switched immediately to remote teaching and learning and delivery of the curriculum.
- The College worked with suppliers to ensure continuity of service during the period of lockdown and prompt payment.
- The June 2020 examination series was cancelled and the College followed Ofqual guidance and awarded Centre Assessment Grades (CAGs) to all students who were due to complete qualifications in summer 2020. These were to have been moderated via an Ofqual algorithm to produce Calculated Grades, but flaws within the algorithm led to a reversal in policy and students were instead awarded their CAGs, or their Calculated Grade, whichever was the better of the two grades.
- Using the results awarded via CAGs/Calculated Grades, the College's overall pass rate for all 16-18 year olds on Level 3 was 99.8% which is 4.2% pts above the national figure;
- The College's ALPS (Advanced Level Performance System) three year value added T score* continues to be outstanding and for 2019/20 was a grade 4 which is described as very good. The single year T score is an outstanding grade 1.
- a significant number of Students with Learning Difficulties and Disabilities were enrolled with 100% pass rates on the NOCN Certificate in Using Employability Skills
- the Greater Manchester High Achievers Partnership programme offered a wide range of challenging events to high achieving pupils in local schools and continued until the campus closure in March 2020 due to the national lockdown;
- Internal teaching and learning ambassadors were actively helping with the dissemination of good practice and the transition to linear A levels and the development of remote teaching and learning;
- In its capacity as a teaching school, the college was involved in a number of projects, including helping a local High School with the teaching of GCSE Maths and a city-wide project on the teaching of maths in primary and secondary schools and the issues surrounding transition. This continued until the closure of the College campus in March.
- The College Financial Health Status for 2018/19 was rated Outstanding

*T Score is a measure of the overall quality of provision of an institution

A strategic plan for 1 August 2018 – 31 July 2021 was produced. The key issues which are addressed in the lifetime of this plan are:

- Impending funding review during the lifetime of the plan;
- The impact of changes to vocational qualifications such as Applied General qualifications and the introduction of T-levels;
- The effect of the new linear GCSEs and their impact on student subject choice post-16
- Changes to the Ofsted inspection protocol and the new Common Inspection Framework planned for September 2019;
- The introduction of the Diocesan Framework for Catholic Ethos;
- possible legislative changes surrounding academisation that would allow Catholic colleges to convert;
- the introduction of the government initiative to introduce 16-19 maths free schools, set up by selective maths universities in collaboration with partner organisations;
- changes in local sixth form provision such as the growth in school sixth forms such as those set up by the Laurus Trust, and the impact such changes may have;
- The embedding of linear A Levels;
- Ensuring accommodation meets curriculum requirements;
- Succession management;

**Financial objectives**

A series of performance indicators have been agreed to monitor these objectives and the Governors receive termly reports on the progress made in achieving the financial objectives set. Good progress has been made with all the objectives set, as evidenced by the college's solid surplus, good cash reserves and the maintenance to date of its financial health.

- Maintaining our "Outstanding financial" status is a prime financial objective for the college.

- The College will give careful consideration to the prudent use of its cash reserves with a view to maintaining:

  (i) a contingency fund sufficient to:
  - meet any shortfall in funding which results from the volatile market in which we operate;
  - meet any unforeseen operational costs;
  - implement planned projects in the event of failure to attract outside funding;
  - enable reductions in staffing and other costs to be implemented with the minimum of disruption.

  (ii) a capital reserve to ensure that essential capital developments can take place.

- The College also wishes to raise the awareness of college staff of the financial environment under which it operates.

- The College wishes to maintain the confidence of funders, bankers and auditors.

**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 achievement rates and learner destinations. 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 an "Outstanding" financial health grading.

| Performance Measure | 2019/20 | 2018/19 | 2017/18 |
|---|---|---|---|
| Surplus as % of income | 6% | 6% | 2% |
| Underlying staff costs as % of total income | 65% | 62% | 68% |
| Reliance on funding body income | 98% | 98% | 99% |
| Reliance on ESFA Funding (excl Local Authority High Needs funding) | 95% | 95% | 96.4% |

**FINANCIAL POSITION**

**Financial results**

The College generated a surplus of £1,011,000 (2018/19 £1,066,000) before inclusion of the actuarial gain/(loss) on the local government defined benefit pension scheme. Total comprehensive income for the year was £85,000 loss due to the actuarial loss on the Local Government Pension Scheme. (2018/19 £260,000 surplus). As at 31 July 2020, the College had positive reserves of £16,180,000 (2018/19 £16,265,000) with a cash balance of £9,501,000 (2018/19 £8,150,000).

Tangible fixed asset additions during the year amounted to £1,072,000. £211,000 was attributable to buildings, and £861,000 of this was attributable to equipment purchased.

The College has significant reliance on the education sector funding body for its principal funding source, largely from recurrent grants. In 2019/20 the funding bodies provided 98% of the College's total income.

Covid19: There has been little impact on the income earned by the college as 16-18 funding was received in full and the majority of residential trips had already taken place. Like all colleges we incurred some additional costs, including supporting the furloughed staff of our catering supplier and additional cleaning/safety supplies. For 2019/20, these costs were largely offset by rebates from the awarding bodies due to the cancellation of the summer exam series, and savings on energy costs during college closure.

**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. As at 31 July 2020 the college has a balance of £9,501,000 held in a flexible interest bearing current account with Barclays Bank. All borrowing requires the authorisation of the Governing Body.

**Cash flows and liquidity**
As shown on page 29, net cash inflows were £1,351,000 (2018/19: net cash inflows of £2,654,000), resulting from operating activities of £2,387,000 less capital expenditure of £1,072,000, net of returns on investment of £36,000.

Covid19: During the current pandemic the college is seeking to support its supply chain by paying invoices as quickly as possible. The cashflow was also impacted by bringing forward capital IT expenditure in order to secure supplies.

**Reserves Policy**
The College's reserves have been achieved through careful management of both pay and non-pay expenditure and through steady growth in student numbers to ensure funding increases through the lagged funding principle.

The rationale behind this was to protect the college against anticipated funding cuts and to ensure the College remained in a strong financial position when dealing with inflationary increases to pay and non-pay costs to provide resilience for the College during such periods of financial uncertainty. To ensure continuity of the day to day operation it has been agreed that the minimum level of reserves should not fall below two months' worth of the annual income for the College.

Reserves will be used to fund further capital developments to the site when the opportunities arise and to fund the maintenance of the accommodation in order to support students and ensure continued effective delivery of the curriculum.

Covid19: The approved building programme to extend the college refectory area was put on hold due to the lockdown in March 2020. As the available space was already extremely limited, the college has put in place some temporary accommodation to alleviate this problem until the building project can be resumed next spring. The cost of this over the next two years is shown in our leasing obligations in note 18. While the college has sought to build sufficient contingency into its operating budget for covid related costs for 2020/21, it must be recognised that the pandemic may have an impact on the reserves as it continues to affect the way in which the college operates.

## CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

**Financial Health**
The College has been graded by the ESFA as having outstanding financial health through to 2020/21 based on the College's financial plan, which was submitted, to the ESFA in July 2020. The College has healthy cash reserves to fund future capital developments. The bank loan was repaid during 2017/18, leaving the College debt free.

**Student numbers**
In 2019/20 the College has delivered activity that has produced £15,687,000 in funding body main allocation funding (2018/19 – £15,131,000). The College had 3,512 ESFA-funded students.

**Student Achievements**
Within the context of the Centre Assessment Grades awarded in Summer 2020, overall the Achievement rate for Level 3 courses was 87.7% (3.8% pts above the sixth form college benchmark); For Level 2 courses 95.1% (10.0% pts above the sixth form college benchmark) and for Level 1/Entry Level 74.5% (10.6% pts below the benchmark).

**Curriculum Developments**

Methods of teaching and learning are under continuous review and development to ensure that the needs of students are met. Additionally, the curriculum provision is being developed in relation to the College's aims to widen participation in further education. A team of Teaching and Learning Ambassadors develop and promote innovative teaching and learning strategies particularly in light of the current pandemic. Students were supported by College staff throughout the period of lockdown, with work being set on a weekly basis. Many students also had access to live taught sessions with best practice being developed by a team of staff who have been training other staff to deliver remote live sessions. Over the years, the college's outstanding contribution to raising achievement and aspiration has been recognised by various bodies: the prestigious AoC President's Gold Medal; the DFE's award for the provision of Level 3 courses and of course the Queen's Anniversary Prize. The College has developed good links with Oxbridge Colleges and has developed specialist provision to prepare students for entry to the Oxbridge Colleges: 24 students fulfilled their offers for Oxford or Cambridge, with 23 taking up their places in autumn 2020, and one student accepting a place at London School of Economics instead. The College also has specialist support for students applying for Medicine, Dentistry and Veterinary courses. Pleasingly there were 75 successful applicants for these courses in 2020.

The College gained Teaching School status in 2013/14 and is working on a number of collaborative projects as part of the Manchester Schools' Alliance including strategies to improve the teaching of Maths in the City.

**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 paid 74% of its invoices within 30 days.

**Future Developments**

The College is in a strong position financially and academically with both the Financial Health and the Ofsted grading being Outstanding. The approved recommendation is that Loreto should continue as a standalone sixth form college with the option to convert to academy status if legal problems are resolved between the DfE and the Catholic Education Service. We have no plans to expand our numbers over the next few years. We do not anticipate that the coronavirus pandemic will have a negative impact on student numbers, and the College achieved its enrolment target in September 2020.

**RESOURCES**

The College has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the accommodation and facilities which are maintained and updated to ensure student needs are met.

*Financial*

The College has £16.2 million of net assets including cash balances of £9.5 million.

*People*

The College employs 236 people (expressed as full time equivalents), of whom 160 are teaching staff.

*Reputation*

The College has an excellent reputation locally and nationally. Maintaining this reputation is essential for the College's success at attracting students and building external relationships.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

The Risk Management Group undertakes a comprehensive annual 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. 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. The Principal, who is the Accounting Officer, includes a detailed report on Risk Management in his termly report to the Governing Body.

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee, the Finance & General Purposes Committee and the Governing Body. 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 and higher level risks are clearly indicated on the register.
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.

- Failure to meet recruitment targets
- Enhanced competition from other colleges and academies

1. Government funding

The College has considerable reliance on continued government funding through the education sector funding bodies. In 2019/20, 98% of the College's revenue was government funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- The erosion of the value of the basic funding allocation as a result of inflation, pay rises and employer on-costs; recent announcements have increased the level of funding per student from 2020/21 but future funding is still a cause for concern
- The changes to the funding of high needs students
- Additional challenges to recruitment and retention of students presented by the ongoing coronavirus pandemic
- The demographic changes in the 16-18 population
- The widespread introduction of Academies with Sixth Forms of their own and the subsequent impact on student recruitment
- Future pay awards
- Significant increase in employer contributions to Teachers' Pension Scheme

These risks are mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training
- By ensuring that new opportunities for recruitment are explored
- Maintaining tight control of costs including staffing costs and staff utilisation

2. COVID-19 pandemic

There is considerable uncertainty surrounding the impact of the COVID-19 pandemic on the day to day running of the College and its long term strategic planning. The College recruited to target and reopened fully for face-to-face teaching for all students in September 2020, but there are many unknowns about the coming months including the possibility of further local and national lockdowns and the impact of the pandemic on the Summer 2021 exam series.

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.

4. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "outstanding" as described above. This is largely the consequence of careful financial planning and sound management of staffing costs. Notwithstanding that, 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. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

**STAKEHOLDER RELATIONSHIPS**

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

- Students;
- Education sector funding bodies;
- Sixth Form College Commissioner;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Local Enterprise Partnerships (LEPs);
- 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.

## Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, learning styles and ability. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis.

The College's Equality Policy is published on the College's Intranet site. The College conducts an annual self-assessment to ensure compliance with all relevant equality legislation including the Equality Act 2010.

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

### Disability statement

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

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit and the results of this were incorporated into all its capital projects and all buildings now allow total access to people with a disability.

b) There is extensive specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the study centre.

c) The admissions policy for all students is published on the college website.

d) The College has made a significant investment over the years to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

e) Details of the Specialist Pathways programme for students with moderate/severe learning difficulties are available in the college prospectus.

f) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

### Staff and Student Involvement

The College is committed to the involvement of all staff and students in the life of the College. The student body is represented on the Student Council and the Standards Committee. Staff are able to meet regularly with the Principal and air their views on matters of concern.

**Trade union facility time**

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

**Relevant union officials**

| Number of employees who were relevant union officials during the period | FTE employee number |
|---|---|
| 3 | 2.5 |

**Percentage of time spent on facility time**

| Percentage of time | Number of employees |
|---|---|
| 0% | 0 |
| 1-50% | 3 |
| 51-99% | 0 |
| 100% | 0 |

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

| | |
|---|---|
| Total cost of facility time | £1,165.25 |
| Total pay bill | £10,224,774.67 |
| Percentage of total bill spent on facility time | 0.01% |

**Paid trade union activities**

| | |
|---|---|
| Time spent on paid trade union activities as a percentage of total paid facility time | Not Applicable |

## Going Concern

After making appropriate enquiries, the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College no longer has any borrowing and there is a healthy cash reserve and staffing costs at 65% of income are tightly controlled. Although there is strong competition from other providers, especially academies, the College continues to make inroads into new markets: the summer exam results, based on Centre Assessment Grades for 2020 were strong and the strong academic performance is a major competitive advantage. The College has taken a prudent approach to the potential costs of the current pandemic and believes that it has built a reasonable contingency into the operating budget for 2020/21. For these reasons, the Board continues to adopt the going concern basis in preparing the financial statements.

## Events after the reporting period

As the building project for the extension of the Ball Refectory and refurbishment of the Ward Building was delayed by the onset of the pandemic in the spring, planning approval was also delayed. Planning consent has now been given and the capital grant funds allocated for this project have been formally accepted. Tender documents are currently being revisited due to the delays and it is anticipated that the project will resume early in 2021.
The initial cost proposals for the project were £1.42m, supported by a capital grant of £1.06m

## 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 the order of the members of the Board of Governors on 10 December 2020 and signed on its behalf by:



Ms M Heaney - Chair

## LORETO COLLEGE

### Statement of Corporate Governance and Internal Control

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

The college endeavours to conduct its business:

- In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the Code issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied. We have not adopted and therefore do not apply the Code however, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the Code we consider to be relevant to the further education sector and best practice.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The governors, who are also the Trustees for the purposes of the Charity 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.

**MEMBERS**

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

| Name | Date of appointment | Term of Office | End of Office | Status of appointment | Committees served | Attendance at meetings |
|---|---|---|---|---|---|---|
| Ms Mary Heaney | 01.09.15; reappointed 03.07.2019 | 4 years | | Foundation | Chair: Board of Governors<br>Chair: Finance & General Purposes (F&GP);<br>Advisory;<br>Standards<br>Chair: Remuneration | 100% |
| Mr John McNerney | 01.09.16 | 4 years | | Foundation | Vice-Chair: Board of Governors;<br>F&GP (to 31.07.20);<br>Standards;<br>Advisory;<br>Remuneration | 95% |
| Ms Alison Benson | 01.09.19 | 3 years | | Staff | Standards | 88% |
| Ms Shelly Bowers | 19.11.19 | 3 years | Resigned 07.07.20 | External Appointee | Audit | 100% |

| Name | Date of appointment | Term of Office | End of Office | Status of appointment | Committees served | Attendance at meetings |
|---|---|---|---|---|---|---|
| Ms Shelly Bowers | 04.07.20 | 3 years | | Co-opted | Audit | 100% |
| Mrs Amanda Corcoran | 14.12.17, reappointed 16.12.19 | 1 year | | Parent | n/a | 66% |
| Ms Victoria Dolan | 04.07.18 | 3 years | | Foundation | F&GP | 66% |
| Mr Stephen Gabriel | 14.12.17, reappointed 16.12.19 | 4 years | | Foundation | n/a | 83% |
| Mr Sean Gaughan | 19.10.20 | 3 years | | Co-opted | F&GP | n/a |
| Dr John Gibbons | 01.02.15 Reappointed 01.02.17 | 4 years | | Foundation | Standards | 100% |
| Mr John Gibbons | Reappointed 01.09.14 | 4 years | Resigned 06.10.19 | Foundation | Chair: Standards | 100% |
| Sister Patricia Goodstadt | Reappointed 03.07.19 | 4 years | | Foundation | Chair: Advisory | 100% |
| Mr Michael Jaffrain | 16.04.20 | | | Principal | F&GP; Standards; Advisory | 100% |
| Mr Peter McGhee | 01.09.18 | n/a | Resigned 15.04.20 | Principal | F&GP; Standards; Advisory | 100% |
| Dr Eula Miller | 30.03.17 | 3 years | Resigned 19.11.19 | Co-opted | n/a | 0% |
| Dr Janet Nevin | 26.03.19 | 4 years | | Foundation from 16.10.19 | Chair: Standards | 92% |
| Mrs Jill Roberts | 12.10.17 | 3 years | Resigned 31.12.20 | Co-opted | F&GP; Remuneration | 92% |
| Dr Julian Skyrme | Reappointed 13.12.19 | 3 years | | Co-opted | Audit | 100% |
| Sister Bernadette Turtle | 01.01.17 | 4 years | Resigned 19.10.20 | Foundation | n/a | 66% |
| Mrs Ann Wilkinson | 03.07.19 | 4 years | | Foundation | Standards | 100% |
| Mr Niall Wright | Reappointed 03.07.19 | 4 years | | Foundation | Chair: Audit | 100% |
| Mr Paschal Asobirionwu | 03.07.19 | 1 year | 02.07.20 | Student | Standards | 100% |
| Mr Thomas Walsh-Howarth | 16.12.19 | 2 years | 02.07.21 | Student | Standards | 100% |

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

The Governing Body 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 Governing Body meets at least on a termly basis and during 2019/20 it met on 6 occasions.

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

The Governing Body conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are Finance and General Purposes, Standards, Remuneration, Advisory and Audit. Full minutes of meetings, except those deemed to be confidential by the Governing Body, are available on the College's website (at www.loreto.ac.uk) or from the Clerk to the Governing Body at: Loreto College, Chichester Road South, Hulme, Manchester, M15 5PB. Due to the national lockdown as a result of the COVID-19 pandemic, the Governing Body conducted all its meetings remotely from April 2020.

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Governing Body, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Governing Body 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 Governing Body has a strong and independent non-executive element and no individual or group dominates its decision making process. The Governing Body considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

### Appointments to the Governing Body

The Trustees appoint all Foundation Governors and there is an Advisory committee which advises them on the skills needs of the Governing Body. The Governing Body is responsible for ensuring that appropriate training is provided as required.

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

### Governing Body performance

The Governing Body prepares a detailed Self-Assessment Report (SAR) which critically considers the effectiveness of key areas of Governance and highlights strengths and areas for development. The SAR is reviewed annually and presented to the Standards Committee and the full Governing Body. The SAR was approved in December 2020.

### Remuneration Committee

Throughout the year ending 31 July 2020, the College's remuneration committee comprised the Chair and three other members of the Governing Body. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal, the Deputy Principal and the Clerk.

Details of remuneration for the year ended 31 July 2020 are set out in note 6 and note 7 to the financial statements.

## Audit Committee

The Audit Committee comprises of three members of the Governing Body (excluding the Principal and Chair) plus an external member who is a finance specialist. The committee operates in accordance with the written terms of reference approved by the Governing Body. Its purpose is to advise the Governing Body on the adequacy and effectiveness of the college's systems of internal control and its arrangements for risk management control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement 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 EFSA as they affect the College's business.

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

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

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

## Internal Control

### *Scope of responsibility*

The Governing Body 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 Governing Body 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 he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between Loreto College and the funding bodies. The Principal is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of college policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Loreto 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 Governing Body 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 College developed a dynamic risk assessment in response to the COVID-19 pandemic which was reviewed by the Governing Body. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body.

***The risk and control framework***

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

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

Loreto 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 Governing Body 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. Due to the closure of the College campus during the national lockdown, one internal audit was postponed to the 2020/21 academic year. All other internal audit work was carried out remotely from April 2020.

***Review of effectiveness***

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

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

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

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

The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior leadership team and the Audit Committee also receive regular reports from internal audit 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 Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior leadership team and internal audit and taking into account events since 31 July 2020.

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

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



Ms M Heaney - Chair



Mr M Jaffrain – Principal and Accounting Officer

**LORETO COLLEGE**

**Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding**

The Governing Body has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with the terms and conditions of funding, under the college's Funding Agreement in place between the College and the Education Funding Agency. As part of our consideration we have had due regard to the requirements of the Funding Agreement and contracts with the ESFA.

We confirm, on behalf of the Governing Body, 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 Funding Agreement and contracts with the ESFA.

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

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

MEHeaney

Ms M Heaney – Chair

Mr M Jaffrain – Principal and Accounting Officer

## LORETO COLLEGE

### Statement of Responsibilities of the Members of the Board of Governors

The members of the Board of Governors 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 the ESFA, the Board of Governors, 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 of the College's surplus/deficit of income over expenditure for that period.

In preparing the financial statements, the Board of Governors 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 Board of Governors 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 Board of Governors 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 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 reasonable open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Members of the Board of Governors are responsible for ensuring 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 Board of Governors 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 Board of Governors 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 Board on 10 December 2020 and signed on its behalf by:



Ms M Heaney – Chair

## Independent Auditor's Report to the Governing Body of Loreto College

### Opinion

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

In our opinion the financial statements:

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

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independent Auditor's Report to the Governing Body of Loreto College (continued)

### Matters on which we are required to report by exception

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

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

### Responsibilities of the Governing Body of Loreto College

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

In preparing the financial statements, the Governing Body is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

This report is made solely to the Governing 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 Governing Body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body, for our audit work, for this report, or for the opinions we have formed.

**RSM UK AUDIT LLP**
Chartered Accountants
9th Floor
3 Hardman Street
Manchester
M3 3HF

Date 15 December 2020

**LORETO COLLEGE**

**Statement of Comprehensive Income**
**for the year ended 31 July 2020**

| | Note | £000s | Year ended 31 July 2020 £000s | £000s | Year ended 31 July 2019 £000s |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Funding body grants | 2 | | 17,256 | | 16,155 |
| Tuition fees and education contracts | 3 | | 2 | | 9 |
| Other income | 4 | | 301 | | 283 |
| Investment income | 5 | | 36 | | 40 |
| **Total income** | | | 17,595 | | 16,487 |
| **EXPENDITURE** | | | | | |
| Staff costs | 6 | | 11,490 | | 10,120 |
| Other operating expenses | 8 | | 3,522 | | 3,775 |
| Depreciation | 11 | | 1,494 | | 1,462 |
| Interest and other finance costs | 9 | | 78 | | 64 |
| **Total expenditure** | | | 16,584 | | 15,421 |
| **Surplus before other gains and losses and tax** | | | 1,011 | | 1,066 |
| Taxation | 10 | | - | | - |
| **Surplus for the year** | | | 1,011 | | 1,066 |
| Re-measurement of net defined benefit pension liability | 21 | | (1,096) | | (806) |
| **Other Comprehensive Income for the Year** | | | (1,096) | | (806) |
| **Total Comprehensive Income for the Year** | | | (85) | | 260 |

LORETO COLLEGE

## Balance Sheet
## as at 31 July 2020

| | Note | 2020 £000s | 2019 £000s |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets | 11 | 25,300 | 25,722 |
| **Current assets** | | | |
| Stock | | 15 | 6 |
| Debtors | 12 | 460 | 878 |
| Cash at bank and in hand | | 9,501 | 8,150 |
| | | 9,976 | 9,034 |
| **Current Liabilities** | | | |
| Less: Creditors – amounts falling due within one year | 13 | (2,146) | (2,514) |
| **Net current assets** | | 7,380 | 6,520 |
| **Total assets less current liabilities** | | 33,130 | 32,242 |
| Creditors – amounts falling due after more than one year | 14 | (11,950) | (12,462) |
| **Provisions for liabilities** | | | |
| Defined benefit pension scheme | 15 | (4,146) | (2,710) |
| Other provisions | 15 | (854) | (805) |
| **Total net assets** | | 16,180 | 16,265 |
| **Reserves** | | | |
| ***Restricted Reserves*** | | - | - |
| ***Unrestricted Reserves*** | | | |
| Income and expenditure account | | 16,180 | 16,265 |
| **Total reserves** | | 16,180 | 16,265 |

The financial statements on pages 26 to 51 were approved and authorised for issue by the Governing Body on 10 December 2020 and were signed on its behalf by:

Ms M Heaney – Chair

Mr M Jaffrain – Principal and Accounting Officer

## LORETO COLLEGE

### Statement of Changes in Reserves
### for the year ending 31 July 2020

| | Income and Expenditure Account £000s |
|---|---|
| **Balance as at 1 August 2018** | 16,005 |
| Surplus retained for year ending 31 July 2019 | 1,066 |
| Other Comprehensive Income | (806) |
| Total comprehensive income for the year | 260 |
| **Balance as at 31 July 2019** | 16,265 |
| **Balance as at 1 August 2019** | 16,265 |
| Surplus retained for year ending 31 July 2020 | 1,011 |
| Other Comprehensive Income | (1,096) |
| Total comprehensive income for the year | 16,180 |
| **Balance as at 31 July 2020** | 16,180 |

## LORETO COLLEGE

### Statement of Cash Flows
### for the year ended 31 July 2020

| | Note | Year ended 31 July 2020 £000s | Year ended 31 July 2019 £000s |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Surplus for the year | | 1,011 | 1,066 |
| **Adjustment for:** | | | |
| Depreciation (inc disposal) | 11 | 1,437 | 1,462 |
| Investment income | 5 | (36) | (40) |
| Interest payable | 9 | 78 | 47 |
| Increase in provisions | 15 | - | 59 |
| Pension cost less contributions payable | | 367 | 351 |
| Decrease/(increase) in debtors | 12 | 418 | (477) |
| (Increase)/decrease in stock | | (9) | 2 |
| (Decrease)/increase in creditors due within one year | 13 | (367) | 821 |
| Decrease in creditors due after one year | 14 | (512) | (249) |
| **Net cash flow from operating activities** | | 2,387 | 3,042 |
| **Cash flows from investing activities** | | | |
| Interest received | | 36 | 40 |
| Purchase of tangible fixed assets | 11 | (1,072) | (428) |
| | | (1,036) | (388) |
| **Increase in cash and cash equivalents in the year** | | 1,351 | 2,654 |
| Cash at the beginning of the year | | 8,150 | 5,496 |
| Cash at the end of the year | | 9,501 | 8,150 |

## 1. a) General Information

Loreto College is a corporation established under the Further and Higher Education Act 1992 as an English sixth form college. The address of the College's principal place of business is given on page 18. The nature of the College's operations are set out in the report to the Governing Body.

### b) Statement of Accounting Policies

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

**Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2019/2020 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

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

**Basis of accounting**

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

**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 cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has no outstanding bank loans.

After making appropriate enquiries, the Governing Body considers that the College has adequate resources to continue in operational existence for the foreseeable future. There is a healthy cash reserve and staffing costs at 65% of income are tightly controlled. The Financial Plan submitted to the EFSA in July 2019 forecasts surpluses for 2018/19, 2019/20 and 2020/21.

Although there is strong competition from other providers, especially academies, the college continues to make inroads into new markets: the exam results for 2019 are strong and the strong academic performance is a major competitive advantage. The College has taken a prudent approach to the potential costs of the current pandemic and believes that it has built a reasonable contingency into the operating budget for 2020/21. For these reasons, the Board continues to adopt the going concern basis in preparing the financial statements.

## Recognition of income

### *Revenue Grant Funding*

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grants from the funding bodies represent the funding allocations attributable to the current financial year and are credited direct to the income and expenditure account.

### *Capital Grant Funding*

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. The deferred income is allocated between creditors due within one year and those due after more than one year. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

### *Fee Income*

Income from contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

## Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

*Teachers Pension Scheme*

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

*Greater Manchester Pension Fund (LGPS) – change of accounting policy (see note 21)*
The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.
Re-measurement comprising actuarial gains and losses are recognised immediately in other comprehensive income.

**Short term Employment benefits**

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

**Enhanced Pensions**

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income and expenditure account 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 Assets – Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

***Land and buildings***
Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College over 10 - 40 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of 10 - 40 years.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts, are recognised as impairments. Impairment losses are recognised in the income and expenditure account.

***Assets under construction***

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2020. They are not depreciated until they are brought into use.

***Subsequent expenditure on existing fixed assets***

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

***Equipment***

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Equipment is depreciated over its useful economic life as follows:

- plant and machinery and motor vehicles – 5 years on a straight-line basis
- general equipment – 4 years on a straight-line basis
- computer equipment – 4 years on a straight-line basis
- science lab equipment – 10 years on a straight-line basis

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

**Borrowing Costs**

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets. They are recognised as expenditure in the period in which they are incurred.

**Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure.

**Cash and cash equivalents**

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

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

**Maintenance of premises**

Maintenance costs are charged to the Income and Expenditure Account as they are incurred.

**Financial Instruments**

The College 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 College 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 in 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.

**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 receives no similar exemption in respect of Value Added Tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Capital costs and non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

**Provisions and contingent liabilities**

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

**Agency Arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 23.

**c) Judgements in applying accounting policies and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and based on historical experience and other facts, 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 College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

***Critical accounting estimates and assumptions***

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, 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 2016 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.

## 2 Funding body grants

| | Year ended 31 July 2020 | Year ended 31 July 2019 |
|---|---|---|
| | £000s | £000s |
| **Recurrent grants** | | |
| Education and Skills Funding Agency – 16 – 18 | 15,687 | 15,131 |
| **Specific grants** | | |
| Teacher Pension Scheme contribution grant | 426 | - |
| Release of deferred capital grants – equipment and buildings (note 14) | 578 | 555 |
| ALS High Cost Learners (LA Funding) | 565 | 469 |
| | 17,256 | 16,155 |

## 3 Tuition fees and education contracts

| | Year ended 31 July 2020 | Year ended 31 July 2019 |
|---|---|---|
| | £000s | £000s |
| Tuition fees | 2 | 9 |

There were no tuition fees funded by bursaries.

## 4 Other income

| | Year ended 31 July 2020 | Year ended 31 July 2019 |
|---|---|---|
| | £000s | £000s |
| Catering and residence operations | - | 2 |
| Student trips and visits | 207 | 196 |
| Other income generating activities | 94 | 85 |
| | 301 | 283 |

## 5 Investment income

| | Year ended 31 July 2020 | Year ended 31 July 2019 |
|---|---|---|
| | £000s | £000s |
| Income from bank deposits | 36 | 40 |

## 6 Staff costs

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

| | 2020 Number | 2019 Number |
|---|---|---|
| Teaching Staff | 160 | 148 |
| Non-Teaching Staff | 76 | 75 |
| | 236 | 223 |

**Staff costs for the above persons:**

| | 2020 £000s | 2019 £000s |
|---|---|---|
| Wages and salaries | 8,407 | 7,448 |
| Social security costs | 787 | 718 |
| Other pension costs (note 21) | 2,072 | 1,604 |
| **Payroll subtotal** | 11,266 | 9,770 |
| Contracted out staffing agency costs | 224 | 350 |
| | 11,490 | 10,120 |
| Restructuring costs – Contractual | - | - |
| **Total staff costs** | 11,490 | 10,120 |

## 7 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, Deputy Principal, Director of Finance, Resources & Estates and Vice Principal – Curriculum and Quality.

| | 2020<br>No. | 2019<br>No. |
|---|---|---|
| The number of key management personnel including the Accounting Officer was: | 4 | 4 |

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

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

| | Key management personnel<br>2020<br>No. | Other<br>2020<br>No. | Key management personnel<br>2019<br>No. | Other<br>2019<br>No. |
|---|---|---|---|---|
| £60,001 to £65,000 p.a. | 1 | - | 1 | - |
| £70,001 to £75,000 p.a. | 1 | - | 1 | - |
| £90,001 to £95,000 p.a. | *2 | - | *2 | - |
| £125,001 to £130,000 p.a. | *1 | - | - | - |
| £175,001 to £180,000 p.a. | - | - | - | - |
| | **5** | **-** | **4** | **-** |

*The Executive Principal was employed on a 0.6 fte contract, this ended on 31 May 2020. The new Principal was appointed 20 April 2020, allowing a short handover.

Key management personnel emoluments are made up as follows:

| | 2020<br>£'000s | 2019<br>£'000s |
|---|---|---|
| Salaries – gross of salary sacrifice and waived emoluments | 347 | 323 |
| National Insurance | 43 | 40 |
| Pension contributions | 74 | 53 |
| **Total emoluments** | 464 | 416 |

## 7 Key management personnel (continued)

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

| | 2020 | 2019 |
|---|---|---|
| | £000s | £000s |
| Salaries | 114 | 94 |
| Pension contributions | 21 | 16 |
| **Total emoluments** | 135 | 110 |

The Remuneration Committee considered the AoC's Senior Staff Remuneration Code at their meeting in November 2019 and recommended to the Board that the college should operate within the spirit of the code, but not to formally adopt the code.

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 Governing Body, who undertakes an annual review of performance against the College's overall objectives using both qualitative and quantitative measures of performance.

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

| | 2020 | 2019 |
|---|---|---|
| Principal and CEO's full time equivalent basic salary as a multiple of the median of all staff | 4.6 | 5.6 |
| Principal and CEO's full time equivalent total remuneration as a multiple of the median of all staff | 4.6 | 6.0 |

The members of the Governing Body other than the Principal and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties, these are set out in note 22.

## 8 Other operating expenses

| | Year ended 31 July 2020 £'000s | Year ended 31 July 2019 £'000s |
|---|---|---|
| Teaching costs | 925 | 1,109 |
| Non-teaching costs | 1,308 | 1,404 |
| Premises costs | 852 | 835 |
| Contracted out premises costs | 437 | 427 |
| | 3,522 | 3,775 |

| Surplus before taxation is stated after charging: | 2020 £000s | 2019 £000s |
|---|---|---|
| Auditors' remuneration: | | |
| Financial statements audit | 24 | 20 |
| Internal audit | 7 | 8 |
| Hire of assets under operating leases | 79 | 65 |

## 9 Interest and other finance costs

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Net interest on defined benefit pension liability (note 15) | 62 | 47 |
| Enhanced Pension Provision Finance Costs (note 15) | 16 | 17 |
| | 78 | 64 |
| **Total** | | |
| | 78 | 64 |

## 10 Taxation

The Governors do not believe that the College was liable for any Corporation Tax arising out of its activities during this year.

## 11 Tangible fixed assets

| | Assets under construction | Long Leasehold Land and Buildings | Motor vehicles | Equipment | Total |
|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s |
| **Cost** | | | | | |
| At 1 August 2019 | - | 34,202 | 60 | 7,300 | 41,562 |
| Additions | 135 | 76 | - | 861 | 1,072 |
| Disposals | - | - | - | (58) | (58) |
| At 31 July 2020 | 135 | 34,278 | 60 | 8,103 | 42,576 |
| **Depreciation** | | | | | |
| At 1 August 2019 | - | 9,542 | 60 | 6,238 | 15,840 |
| Charge for year | - | 916 | - | 578 | 1,494 |
| Disposals | - | - | - | (58) | (58) |
| At 31 July 2020 | - | 10,458 | 60 | 6,758 | 17,276 |
| **Net book value at 31 July 2020** | **135** | **23,820** | - | **1,345** | **25,300** |
| Net book value at 31 July 2019 | - | 24,660 | - | 1,062 | 25,722 |

The College's land is owned by the Trustees of the College (the Institute of the Blessed Virgin Mary) and the College is considered to have the benefits of operating this asset. The land is not recognised as an asset in the College Financial Statements as it is not considered to be possible to place a reliable estimate on its value. No rent is charged for the use of the land.

## 12 Debtors

| | 2020 £000s | 2019 £000s |
|---|---|---|
| **Amounts falling due within one year** | | |
| Trade Debtors | 2 | 47 |
| Prepayments and accrued income | 386 | 246 |
| ESFA Debtor | 72 | 585 |
| | 460 | 878 |

## 13 Creditors: amounts falling due within one year

| | 2020 £000s | 2019 £000s |
|---|---|---|
| Trade payables | 201 | 325 |
| Payroll creditor | 389 | 795 |
| Accruals and deferred income | 959 | 816 |
| Deferred income – government capital grants | 478 | 478 |
| Deferred income – government revenue grants | 119 | 100 |
| | 2,146 | 2,514 |

## 14 Creditors: amounts falling due after more than one year

| | 2020 £000s | 2019 £000s |
|---|---|---|
| Deferred income – government capital grants | 11,950 | 12,462 |
| | 11,950 | 12,462 |

## 15 Provisions for liabilities

| | Defined Benefit Obligations (see note 21) £000s | Enhanced Pensions £000s | Total £000s |
|---|---|---|---|
| At 1 August 2019 | 2,710 | 805 | 3,515 |
| Expenditure in the period | (270) | (56) | (326) |
| Interest Cost (note 9) | 62 | 16 | 78 |
| Service cost | 637 | - | 637 |
| Actuarial losses | 1,007 | 89 | 1,096 |
| At 31 July 2020 | 4,146 | 854 | 5,000 |

The enhanced pension provision of £854,000 (2019: £805,000) relates to the cost of staff who have already left the College's employment 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 LGPS pension provision of £4,146,000 (2019: £2,710,000) relates to the colleges share of net liabilities of the Greater Manchester Pension Fund.

| Enhanced Pension Provision | 2020 | 2019 |
|---|---|---|
| **Financial Assumptions** | | |
| Price Inflation | 1.3% | 2.0% |
| Discount Rate | 2.2% | 2.3% |

## 16 Financial Instruments

The College has the following financial instruments:

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Financial Assets** | | |
| Debt instruments measured at amortised cost | 2 | 47 |
| | 2 | 47 |
| **Financial Liabilities** | | |
| Financial liabilities measured at amortised cost | 974 | 1,755 |
| | 974 | 1,755 |

## 17 Capital Commitments

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Commitments contracted for at 31 July | 96 | 240 |

## 18 Lease Obligations

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Future minimum lease payments due** | | |
| **Land and buildings** | | |
| Not later than one year | - | - |
| Later than one year and not later than five years | 432 | - |
| Later than five years | - | - |
| **Other** | | |
| Not later than one year | 41 | 25 |
| Later than one year and not later than five years | 109 | 37 |
| Later than five years | - | - |
| | 582 | 62 |

## 19 Contingent liabilities

There are no contingent liabilities.

## 20 Events after the reporting period

As the building project for the extension of the Ball Refectory and refurbishment of the Ward Building was delayed by the onset of the pandemic in the spring, planning approval was also delayed. Planning consent has now been given and the capital grant funds allocated for this project have been formally accepted. Tender documents are currently being revisited due to the delays and it is anticipated that the project will resume early in 2021.
The initial cost proposals for the project were £1.42m, supported by a capital grant of £1.06m

## 21 Defined benefit obligations

The College's employees belong to two principal pension schemes, the Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme England and Wales (TPS). Both schemes are multi-employer defined benefit plans.

| **Total pension cost for the year** | | **2019/20 £000** | | **2018/19 £000** |
|---|---|---|---|---|
| Teachers' Pension Scheme: contributions paid | | 1,407 | | 913 |
| Local Government Pension Scheme: | | | | |
| Contributions paid | 298 | | 244 | |
| FRS102 (28) charge | 367 | | 351 | |
| Charge to Statement of Comprehensive Income | | 665 | | 595 |
| Enhanced pension charge to Statement of Comprehensive Income | | - | | 96 |
| Holiday pay accrual movement | | - | | - |
| **Total Pension Cost for Year within staff costs (note 6)** | | **2,072** | | **1,604** |

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

As at 31 July 2020 there were unpaid employer contributions of £158k (£127k TPS, £31k LGPS) (2019: £73k TPS, £22k LGPS) as part of the payroll invoice due to Manchester City Council)

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

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

## 21 Defined benefit obligations (continued)

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

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

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

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

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

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

The pension costs paid to TPS in the year amounted to £1,407,000 (2018/19: £913,000)

**Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Tameside Local Authority. The total contributions made for the year ended 31 July 2020 as per the actuary report were £364,000, of which employer's contributions totalled £270,000 and employees' contributions totalled £94,000. The agreed contribution rate for April 2020 to March 2021 is 19.6% for employers (April 2019 to March 2020: 17%) and range from 5.5% to 12.5% for employees, depending on salary.

## 21 Defined benefit obligations (continued)

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

The McCloud / Sergeant judgement which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision has been included in the actuarial valuation and has led to a reduction of £59k in the 2019/20 valuation. The calculation of adjustment to past service costs arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

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

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

## 21 Defined benefit obligations (continued)

**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 Hymans Robertson LLP, qualified independent actuaries.

| | At 31 July 2020 | At 31 July 2019 |
|---|---|---|
| Pension Increase Rate | 2.1% | 2.4% |
| Salary Increase Rate | 2.9% | 3.2% |
| Discount rate | 1.4% | 2.1% |

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

| | At 31 July 2020 | At 31 July 2019 |
|---|---|---|
| *Retiring today:* | | |
| Males | 20.5 | 20.6 |
| Females | 23.1 | 23.1 |
| *Retiring in 20 years:* | | |
| Males | 22.0 | 22.0 |
| Females | 25.0 | 24.8 |

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

**Fair Value of Assets**

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Equity instruments | 3,839 | 3,818 |
| Debt instruments | 1,032 | 775 |
| Property | 401 | 442 |
| Cash | 458 | 498 |
| **Total fair value of plan assets** | 5,730 | 5,533 |
| **Actual return on plan assets** | (195) | 153 |

## 21 Defined benefit obligations (continued)

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Current service cost | 697 | 534 |
| Past service cost | (60) | 59 |
| Net interest on the net defined benefit pension liability | 62 | 47 |
| **Total** | 699 | 640 |

| **Changes in the present value of defined benefit obligations** | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Defined benefit obligations at start of period** | 8,243 | 6,494 |
| Current service cost | 697 | 534 |
| Past service cost | (60) | 59 |
| Interest cost | 181 | 190 |
| Contributions by scheme participants | 94 | 88 |
| Actuarial (gains)/losses | 812 | 959 |
| Benefits paid | (91) | (81) |
| **Defined benefit obligation at the end of the period** | 9,876 | 8,243 |
| **Changes in fair value of plan assets** | | |
| Fair Value of plan assets at start of period | 5,533 | 4,988 |
| Interest income | 119 | 143 |
| Return on plan assets (excluding net interest on the net defined benefit liability) | (195) | 153 |
| Employer contributions | 270 | 242 |
| Contributions by scheme participants | 94 | 88 |
| Benefits paid | (91) | (81) |
| **Fair value of plan assets at end of period** | 5,730 | 5,533 |

## 22 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £420; 2 governors (2019: £346; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and charity events in their official capacity.

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

Key management remuneration disclosure is given in note 7.

The following purchase transactions occurred between the college and organisations of which members of our Governing Body have declared an interest.

| | At 31 July 2020 £000s | At 31 July 2019 £000s |
|---|---|---|
| AA Projects | - | 32 |
| Loreto Education Trust | 3 | 9 |
| Loreto Grammar School | 1 | - |
| Manchester City Council | 18 | 24 |
| Manchester Schools Alliance | - | 5 |
| St John Rigby College | - | 53 |
| St Peter's High School | - | 1 |

The Creditors at year end were as follows

| | At 31 July 2020 £000s | At 31 July 2019 £000s |
|---|---|---|
| St Peter's High School | - | 1 |

The sales transactions at year end were as follows, with the same amount being shown as Debtors at year end

| | At 31 July 2020 £000s | At 31 July 2019 £000s |
|---|---|---|
| University of Manchester | 1 | - |

## 23 Amounts disbursed as agent

| | Year ended 31 July 2020 £000s | Year ended 31 July 2019 £000s |
|---|---|---|
| Brought forward balance | 8 | - |
| Funding body grants – bursary support | 782 | 743 |
| | 790 | 743 |
| Disbursed to students | (752) | (735) |
| Administration costs (max 5% of grants) | (38) | - |
| Underspend at 31 July | - | 8 |

Funding body grants are available solely for students. In all 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.

## LORETO COLLEGE

### Reporting Accountant's Assurance Report on Regularity

**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 funding agreement with the Education and Skills Funding Agency ("ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Loreto 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 Department for Education. 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 Education and Skills Funding Agency has other assurance arrangements in place.

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

**Responsibilities of Governing Body of Loreto College for regularity**

The Board of Governors of Loreto College is responsible, under the EFA funding agreement 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 Board of Governors of Loreto 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.

## Reporting Accountant's Assurance Report on Regularity (continued)

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the funding agreement with the Education Funding Agency 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 Board of Governors of Loreto 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 Board of Governors of Loreto 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 Board of Governors of Loreto College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

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