



**TEC Partnership**  
**(formerly known as Grimsby Institute of Further & Higher Education)**  
**Members' Report and Financial Statements**  
**For the year ended 31<sup>st</sup> July 2020**

## Members' Report and Financial Statements

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## TEC Partnership

### Reference and Administrative Details

#### Board of Governors

Erika Stoddart (Chair)  
Kai Adegbembo (Vice Chair)  
Robert Edwards  
Ryan Fowler (student)  
Becky Huxley-Binns  
Walter Leschenko  
Cain Matthews (staff)  
Liz Parry  
Wendy Spalding

Susan Bailey acted as Clerk to the Corporation throughout the period.

#### Executive Management Team

Gill Alton	CEO; Accounting Officer
Debra Gray	Principal and Deputy CEO
Ann Hardy	Principal Scarborough TEC
Tony Lawlor	Group Director of Finance
Adrian Clarke	Group Director of Corporate Services
Stephen Butler	Group Director of Human Resources and Payroll
Hugh Callaway	Group Director of Marketing & Commercial Business
Ricky Coxon	Group Executive Director Information Services & Planning (appointed to EMT 1st March 2020)

#### Professional Advisers

##### Financial Statement and Regularity auditors:

Mazars LLP, Park View House, 58 The Ropewalk, Nottingham NG1 5DW

**Internal auditors:** TIAA Ltd, Artillery House, Fort Fareham, Newgate Lane, Fareham, PO14 1AH

**Bankers:** Lloyds Bank, P O Box 72, Bailey Drive, Gillingham Business Park, Kent, ME8 0LS

Banco Santander S.A., 44 Merrion Street, Leeds, LS2 8JQ

**Solicitors:** Eversheds Sutherland LLP, Bridgewater Place, Water Lane, Leeds, LS11 5DR

Bates & Mountain, The Old Courthouse, 42, Brighowgate, Grimsby, DN32 0QW

**Tax advisers:** Forrester Boyd, 26 South Saint Mary's Gate, Grimsby, DN31 1LW

## Members' Report

### Strategic Report

#### Objectives and Strategies

The governing body present their annual report together with the audited consolidated financial statements and auditors' report for the TEC Partnership (formerly Grimsby Institute of Further & Higher Education [GIFHE]) for the year ended 31<sup>st</sup> July 2020.

#### Legal Status

TEC Partnership was established under the Further and Higher Education Act 1992 for the purpose of conducting its business. TEC Partnership is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 16. On 1<sup>st</sup> August 2020 Grimsby Institute of Further & Higher Education legally changed its name to the TEC Partnership.

In the delivery of its mission TEC Partnership uses brand names and trading styles in the public domain and includes, but not limited to: Grimsby Institute; Scarborough TEC; Skegness TEC; The Academy Grimsby, University Centre Grimsby, NET UK, Humber Maritime College, Transafe Training and Career 6. Policies, data protection registration and other documentation and legal requirements relating to or as part of the operation of brands are part of the TEC Partnership's legal status.

In setting and reviewing TEC Partnership's strategic objectives, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on 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 public benefit.

On 1<sup>st</sup> August 2020 Grimsby Institute of Further & Higher Education merged with East Riding College. The merged institution was then renamed The TEC Partnership.

#### Mission

Governors reviewed the mission statement during 2019/20 and adopted a revised mission statement as follows:

"We strive for excellence and innovation in all that we do. We will build on our 'outstanding' recognition and deliver an inspiring experience for learners, staff, employers and stakeholders"

#### TEC Partnership:

- TEC Partnership taught over 16,500 students on over 93,000 enrolments in 2019/20
- Has achievement rates in the top 2% of FE providers
- Is the 10<sup>th</sup> largest FE provider in England for Higher Education
- Has Foundation Degree Awarding powers
- 98% students with a known destination are positive
- Works with more than 700 businesses
- Makes a HE contribution to the local economies it serves (EMSI Economic Impact Study) of £235.7m

#### Implementation of the Strategic Plan

In July 2019, TEC Partnership adopted a revised Strategic Plan for the period August 2019 to July 2020. The Corporation actively monitors the implementation of the Strategic Plan using the agreed measures and evaluates its impact. The plans are reviewed and updated each year. TEC Partnership's continuing strategic objectives are to:

- Ensure outstanding learner success is our number one priority.
- Develop a high performing organisational culture which embraces accountability and ownership.
- Ensure TEC Partnership is financially strong and able to invest in enhancing TEC Partnership's Infrastructure and student resources.
- Ensure the offer meets the needs of the local and regional economy.

## Financial Objectives

Amongst TEC Partnership's primary financial objectives for the year were:

- Build cash balances by £1million prior to asset sale Actual in excess of £4m
- Modal to hit the 19/20 financial target including the recruitment of 24 cadets by September. Modal was on course to meet its financial targets at the time of the 1<sup>st</sup> lockdown and from April onwards, trading was impacted
- To ensure the sale of the two Scarborough sites by July 2020. Covid had an impact and delayed matters, the sale of Westwood was concluded in November 2020 and the sale of Lady Edith Drive will proceed once the current crisis ends and the economy gets back to normal

## Resources

TEC Partnership has various resources that it can deploy in pursuit of its strategic objectives.

TEC Partnership employs 911 people, of whom 249 are teaching staff. The split between actuals and FTE's is as follows:

Staff Group	By Headcount		By FTE	
Total Group	911		765.6	
Male	331	(36.33%)	309.93	(40.48%)
Female	580	(63.67%)	455.67	(59.52%)

Teaching	By Headcount		By FTE	
Total	249		216.72	
Male	123	(49.4%)	116.57	(53.79%)
Female	126	(50.6%)	100.15	(46.21%)

Support	By Headcount		By FTE	
Total	631		518.63	
Male	191	(30.26%)	176.56	(34.04%)
Female	440	(69.74%)	342.07	(65.96%)

Managers	By Headcount		By FTE	
Total	31		30.25	
Male	17	(54.84%)	16.8	(55.54%)
Female	14	(45.16%)	13.45	(44.46%)

Staff Groups	By Headcount	%	By FTE	%
Total	911		765.6	
Teaching	249	27.33%	216.72	28.31%
Managers	31	3.4%	30.25	3.95%
Support	631	69.30%	518.63	67.74%

TEC Partnership enrolled approximately 16,500 students. TEC Partnership's student population includes 3,152 16-18 year old students, 1,100 apprentices, 1,140 higher education students and 7,408 adult learners.

## Merger

Following an extensive due diligence process, the East Riding College Board and the TEC Partnership Board unanimously voted in support of the proposed merger of Grimsby Institute of Further & Higher Education and East Riding College in July 2020 and the Corporation formally approved the merger at their meeting on 9<sup>th</sup> July 2020. East Riding College formally dissolved on 31<sup>st</sup> July 2020 and became part of the newly re-named TEC Partnership on 1<sup>st</sup> August 2020.

TEC Partnership has £23.3 million of net assets (including a £23m pension liability) and bank loans of £10m. As part of the merger with East Riding College, an additional £5m of loans were drawn down on the 31<sup>st</sup> July. In Dec 2020, £2m of the new variable loan was repaid to Santander.

Following the merger, TEC Partnership has 3 surplus assets to dispose of with estimated sales proceeds of £7m.

TEC Partnership has a good reputation locally and nationally and some of our successes for the 12 months are listed below:

- Refrigeration apprentice Orlando Rawlings represented Team UK and won a medal of excellence at WorldSkills
- Lord Robert Winston opened our new Humber Healthcare Academy
- TEC Partnership won the Customer Spotlight Award at CanvasCon
- TEC Partnership received a Healthy Places Silver Award from North East Lincolnshire Council
- Hairdressing apprentice Ellie Mumby was selected for the WorldSkills UK squad
- Grimsby Institute and NET teams were shortlisted for six Educate North Awards
- Estates rounded up 6,000 gloves, 3,600 aprons and 14 pairs of goggles to donate to the care sector during the first lockdown
- TEC Partnership were awarded EdTech Demonstrator College status by the Department for Education
- TEC Partnership were commended in seven Beacon Award categories before being shortlisted in three and winning:
  - British Council International Award
  - Edge Award for Excellence in Real World Learning

### **Stakeholders**

In line with other colleges and with universities, TEC Partnership has many stakeholders. These include:

- Students
- Education Sector Funding Bodies
- Staff
- Local employers (with specific links)
- Local Authorities
- Government Offices/Local Enterprise Partnerships
- The local community
- Other FE institutions
- Trade unions
- Professional bodies

TEC Partnership recognises the importance of these relationships and engages in regular communication with them through the College internet site and by meetings.

## **FINANCIAL PERFORMANCE**

### **Financial Health**

The financial health grading remains outstanding. Despite taking on additional loans on 31<sup>st</sup> July as part of the merger, the healthy cash and surpluses generated ensured our finances remain robust.

### **Financial Results**

TEC Partnership incurred a profit before other gains and losses in the year of £2,542k (2018/19 – profit of £1,262k) with total comprehensive income deficit of £615k (2018/19 – deficit of £4,721k).

Modal Training Ltd produced a deficit in the year of £1,177k (2019- £816k deficit) and therefore did not achieve its budgeted level of performance. Included in the loss for the year was the impairment of assets with a new book value of £396k.

It should be noted that Modal was impacted on considerably from April onwards with the first national lockdown. Commercial and training income dried up and staff were furloughed.

There is an active Modal steering group and the Managing Director has a strong marketing background, therefore there is a major focus on finding Modal's positioning in the marketplace. TEC Partnership governors and senior managers have considered the ongoing financial viability of Modal and believe that the assets and investment are supported by future trading of this facility, therefore the company will be able to repay the investment.

Grimsby College Trading Limited generated a surplus of £132k and Support Staff Services Ltd produced a surplus of £418k.

### Developments

Tangible fixed asset additions for the group during the year amounted to £ 1,329k, this was split between buildings £77k, equipment £308k and assets under construction £944k.

### Name Change

The name change was formally approved by the DfE on 2<sup>nd</sup> July 2020.

### Group Companies

TEC Partnership has five subsidiary companies of which three are actively trading, with the remainder dormant and/or retained for name protection purposes.

NAME	SURPLUS/(DEFICIT) GENERATED	ACTIVITY
Grimsby College Trading Ltd	£132,658	Provision of transport facilities.
Support Staff Services Ltd	£418,244	Provision of support staff
Modal Training Ltd	(£1,177,459)	Provision of Logistics training.
Humber Construction Limited	Dormant	Dormant
Humber Seafood Limited	Dormant	Dormant

### Treasury Policies and Objectives

Treasury Management is the management of TEC Partnership'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.

### Cash flows and liquidity

Any requirement for short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the ESFA.

Net cash inflow from operating activities was £6,370k compared to £5,217k in 2018/19. Loan repayments in year totalled £300k and total cash in bank at 31<sup>st</sup> July 2020 increased from £2,887k to £7,243k with all of this being on an interest-earning, instant access account.

During 2009/10 TEC Partnership agreed to a 25-year loan of £7,500k to fund the University Centre and transfer the Yorkshire Coast College (YCC) loan and existing TEC Partnership loan at improved rates. The £7,500k Santander loan was taken up in 2011/12 and written agreement was received from Santander to use the £7,500k loan on other capital projects.

A condition and a necessity of the merger was to restructure the Bank Loans.

East Riding College held two long-term loan agreements with Barclays. One dating from 2008, providing a 25 year long-term facility of £4.5m which was used for the Bridlington campus rebuild project and an additional long term loan of £2m agreed in 2014 to assist with the Beverley campus relocation project.

Both loans were repaid on 31st July 2020 by way of a refinancing loan of £5m (including fees of £50k) provided to TEC Partnership by Santander Bank as part of the merger between East Riding College and TEC Partnership.

It should be noted because of the healthy cash balances post-merger, TEC Partnership were in a position to repay early £2m of the new variable loan on 1st December 2020.

Cash balances have been impacted by Covid-19 during 2019-20 to the positive. With the majority of buildings closed and staff remote working, there were savings in non-payroll spend from the period April-July.

The cash flow has been enhanced by the receipt of funds from the Job Retention Scheme. As part of the Government scheme 67 staff were furloughed from April to July and the college received £230k cash support to cover the cost of this.

Also, as part of the Government's Procurement Policy Notice (PPN 02/20), several suppliers were paid earlier than the standard terms of 30 days in order to support their cash flow.

Likewise, on the other side, debt collection became more of a challenge in the final few months of the year and this resulted in an increase in the Bad Debt Provision of £100k.

### Reserves

TEC Partnership has no formal Reserves Policy but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for TEC Partnership's core business. TEC Partnership currently holds no restricted reserves. As at the balance sheet date, the total unrestricted reserves account stands at £24,980k (2019: £25,595k). It is the Corporation's target to increase reserves over the life of the revised Strategic Plan and beyond, by the generation of annual operating surpluses.

## CURRENT AND FUTURE DEVELOPMENT

### Impact of Covid

With the majority of campus buildings closed for the final 4 months of the year and staff working from home, there was a marked drop off in non-payroll costs at the back end of the year.

In the period April-July, the Group did avail of the Corona Job Retention Scheme (as per the table below). All the conditions of the funding were met:

- the employee works in an area of business where services are temporarily not required and whose salary is not covered by public funding
- the employee would otherwise be made redundant or laid off
- the employee is not involved in delivering provision that has already been/is being funded

	£K	Staff No's
TEC Partnership	118	35
Support Staff Services	50	19
Grimsby Trading	30	7
Modal	30	6
	<b>230</b>	<b>67</b>

In light of Covid, this year saw exams changed significantly from the norm. The Summer exams series were in the majority cancelled so circa 10,000 grades had to be derived by teachers based on classroom performance pre-national lockdown. These grades had to be submitted to awarding organisations in a rapid turnaround using systems that weren't designed for this basis.

Some qualifications effectively grant the learner a "licence to practice" and so these exams and assessments were delayed or adapted and ran from August 2020 instead of April - June. As a result of these Summer/Autumn changes, the Group saved significant amounts on casual invigilator costs but then incurred additional costs from August when these adapted assessments and exams started up again – these required PPE, increased social distancing which increased room usage and additional invigilators costs.



TEC Partnership has been at the forefront of digital delivery in education in England for the last 5 years. As a result, we were able to flip to high quality online and remote learning within 48 hours in March 2020. We produced a 'Students Guide to Remote Learning' which uses instructional videos to cover: logging in, links to support and helplines, what to expect from an online lesson, submitting work, dress to learn guidance, communication with staff and attendance. An uplifting and motivational video to reassure learners accompanied this guide. This has been viewed several thousand times and ensured our attendance at online sessions was excellent at 92% (for our students at our Grimsby campus) which is significantly above the average for further education.

We also reinforce the critical aspects of safeguarding, cybersecurity awareness and student wellbeing and mental health support. Each student was contacted at least weekly, either by their teacher or by the student support team. We conducted socially distanced home visits for students who had not digitally engaged, and who were perceived as 'at-risk learners'. The use of digital technology such as Teams allowed us to maintain contact with the most vulnerable learners. This enabled us to identify, support and intervene in very challenging circumstances including child criminal exploitation, domestic violence incidents, suicide ideation and homelessness. Student retention is exceptional at 95% and we did not have a single student withdrawal during the first lockdown.

In addition to our standard online teaching, during the Covid-19 lockdown we used online learning technology to provide:

1. Viral videos as morale boosters created by staff to entertain and motivate students
2. Online student of the month in all areas
3. Creation of virtual gallery display spaces for arts and photography students to showcase their work visited by several hundred people
4. Online masterclasses for students with nationally based choreographers, dancers and hairdressers
5. Extensive guest speakers on Canvas conferencing, Teams and Zoom such as special effects artists, national charity leaders, environmental activists and politicians
6. Online animal care masterclasses from zoos worldwide and pet shops locally exploring care, handling and health concerns of domestic and exotic species.
7. Lambing live from a local farm
8. A community choir to support isolated adult learners
9. Remote Fitness sessions for all students
10. Nail art and self-care tutorials
11. Full IT technical and mental health/wellbeing support

The critical concern was the 25% of young students with no or limited access to the technology they needed to participate in online learning. Broadband is weak in many rural parts of the area and students were unable to afford to pay for data. At best many had to share limited access with other family members and at worst, didn't have a device or broadband at all. We issued over 400 laptops to our students, including driving to rural areas to deliver them direct to doors in a social distanced manner, supported by the purchase of dongles to provide internet access for those without WiFi. As a result, no young learner fell behind in their studies, the achievement rates for the year are predicted to be in the top 1% of the country.

Learning online throughout Covid19 has enabled our students not only to continue their studies, but it has also given opportunities to develop their use of digital tools and methods that heighten employability skills for a digital landscape.

During this challenging period, we won a number of awards:

- Learning Technology Award for Best UK Transformation in Response to Covid 19
- Learning Technology Award of Best Learning Technology Team
- Learning Technology Award for Overall Provider of the Year

## Staffing

Wellbeing Initiatives continue to grow and the 2019/20 action plan included the introduction of new support groups (Menopause, Insomnia), a new HWB site bringing together all benefits and information, the introduction of new policies (Menopause and Health and Wellbeing) and a regional benchmarking exercise with 4 local Colleges on comparison/progress of key wellbeing initiatives. As a result of its Health and Wellbeing initiatives and action plans, the Group received a Healthy Places Silver award in November 2019.

The annual statutory requirements regarding the reporting of statistics on paid trade union duties and activities and gender pay were completed in April 2020 this year.

In respect of gender pay, the mean difference between male and female pay was 12.89% (10.08% in 2019) with the median difference being 23.23% (19.47% in 2019).

Group gender figures by headcount are much more "evenly balanced" between the sexes in respect to teaching staff compared to AoC averages (Note this is 2017/18 data). For managers the AoC figures of 56% Male/44% female is reversed in the Group. The marked sector gender imbalance between support staff is also reflected in the Group with 69.74% Female/30.26% Male although FTE data (not reported by AoC) is 65.96% female and 34.04% male.

Sickness absence was 2.18% in 2019/20 with an average of 4.77 days absence per member of staff. This is a slight increase on the data for 2018/19 (2.16%) and continues a very favourable comparison with the sector averages. It must be noted that during lockdown the volume of absence reporting dropped considerably and it is likely that a number of episodes of absence were simply not reported by employees.

Stress/Anxiety/Depression accounted for 857.6 days in total or 19.7% of all absences. This is an increase from the previous year's 656 days in total or 15.3% of all absences. These days were attributed to 43 staff, 15 who left. The five biggest absence reasons by number of days lost in 2019/20 were: Stress/Anxiety/Depression 857.6 days 19.7%, Gastrointestinal 854.4 days 19.6%, Injury/Fractures 438.6 days 10.1%, Chest/Respiratory disorders 385.5 days 8.9% and Carcinoma 378.7 days 8.7%.

## Safeguarding

TEC Partnership recognises its statutory and moral duty towards safeguarding the welfare of children, young people and adults at risk from any form of abuse whilst attending its childcare facilities or receiving education and training in the college or any other premises where college activity is delivered. TEC Partnership expects all staff, volunteers and partners to endorse and practice this duty at all times.

As a result, TEC Partnership has a zero-tolerance approach to abuse and other harmful behaviour. Safeguarding and promoting the welfare of children is everyone's responsibility, everyone who comes into contact with children, their families and carers has a role to play in safeguarding.

TEC Partnership has developed procedures in line with, and taking account of, guidance issued by the Department for Education, the Association of Colleges (AoC) and other relevant bodies.

TEC Partnership operates in line with the requirements of the Lincolnshire and Yorkshire Safeguarding Children Partnership and the Lincolnshire and Yorkshire Safeguarding Adults Boards. Whilst overall responsibility for safeguarding children, young people and vulnerable adults is vested in the Principal and Chief Executive; the Group has named Designated Senior Person(s) (DSP) who are responsible for ensuring institutional compliance to this policy and its procedures. There is a member of the Governing Body with specific responsibility for safeguarding issues. There is also a specialist Intensive Support Team and a team of trained Safeguarding Officers whose role it is to follow up allegations about safeguarding matters.

## Learner Numbers

In 2019/20 TEC Partnership delivered activity that produced £24,896k in funding body main allocation. TEC Partnership had approximately 7,408 SFA funded learners, 3,152 EFA funded learners, 1,126 Community Learning funded learners, 939 ESF funded learners and 1,140 Higher Education students funded through the OFS. Our number of non-funded learners was 3,562.

### **Learner Achievements**

The 2019/20 Group Achievement rate is 94.8% which places us in the top decile nationally and maintains the standards held over the previous three years. The Group was inspected in May 2017 and was rated Outstanding.

### **Curriculum Developments**

The curriculum portfolio and methods of teaching, learning and assessment are under continuous review and development to ensure the offer meets the needs of employers, the community and learners. An annual review is also conducted using sector leading labour market intelligence to ensure that the curriculum meets future skills trends.

Curriculum planning for all components of TEC Partnership is robust with high levels of accountability and responsibility. New programmes are regularly developed and programmes which have seen their applicability to the labour market decline are retired.

We also regularly explore leading edge possibilities in emergent technology to ensure our students are prepared not just for the challenges of the moment, but the challenges in the next decade.

### **Brexit**

The only impact we can envisage on the Group of Brexit will be the replacement of 'Erasmus' programme with the 'Turing' scheme. As yet, full details of the £100m Turing scheme have not been announced but the new scheme will stretch beyond Europe and the expectation is that it will fund up to £35k student exchanges abroad in 2021/22. The scheme aims to boost social mobility for disadvantaged students while delivering greater value for money for taxpayers.

We are working with our partners and will be ready to participate in the scheme when it formally launches in Spring 2021.

As at 31<sup>st</sup> July, we were holding £162k in our Balance Sheets against planned Erasmus delivery which for obvious reasons has been delayed. We have applied for a 12-month extension as most colleges have done and an answer is pending.

### **Merger Opportunities**

The merger with East Riding College and renaming as the TEC Partnership as at 1<sup>st</sup> August 2020 will present a number of opportunities and efficiencies:

1. Opportunity Coast and Coastal Communities: a number of curriculum projects are in development across the partnership, eg wider TEC participation in the ERC Master of Education programme, collaboration in Construction, Engineering and Automotive, expansion of teacher provision along the opportunity coast and combined working on CIPD L7, Media Makeup L4/5 and top up L6 Fashion and Counselling
2. Bridlington: 14-16 Vocational Learning Centre for ERYC schools – Feeder School developments into Post 16: on hold due to the national pandemic, however ERC expanding 14-16 schools' links provision continues
3. HE Centre to include an expansion of the Professional Studies (AAT, CIPD, etc) curriculum across shared markets: see above
4. Driffeld/Goole: There will be the potential for a vocational learning delivery facility site(s) going forward (this is embryonic/speculative): maybe possibility of town deal working with ERYC
5. Joint Funding Bids and Income Diversification: lots of examples here, eg Constructing Future Growth, Engineering Future Growth (both Humber LEP)
6. Innovation and Development: Microsoft Learn for Educators Programme; Green Energy/Low Carbon Working Group; Yorkshire Energy Park.
7. Non-Payroll savings – target of £300k in first year

## PRINCIPAL RISKS AND UNCERTAINTIES

TEC Partnership has continued to work during the year to monitor and embed the systems of internal control, including financial, operational and risk management which is designed to protect TEC Partnership's assets and reputation.

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

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

This is supported by a risk management network across all curriculum and business support areas to identify, monitor and mitigate operational risks throughout TEC Partnership.

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

### 1. Covid19

Covid19 presents a number of risks, some of which are still developing and some of which we will not be able to mitigate against:

- Staff and student welfare: As lockdowns come and go, Covid19 can place a considerable burden on staff and students and as an organisation and as highlighted earlier, we have put in place many measures and will continue to do to help staff and students wherever possible
- Uncertainty of funding streams - HE, Apprenticeships, AEB, as the crisis develops and the Government introduces new measures and initiatives to support jobs
- Reduced commercial activity: many of our commercial outlets closed in April and at time of signing these accounts remain closed
- Potential for increased staffing costs to cover Covid19 related duties and agency for staff cover.
- Exams, more upheaval and uncertainty with exams

### 2. Maintain adequate funding of pension liabilities

The Hutton report on public sector pensions recommends increased contributions from both employers and particularly employees in order to reduce the growing deficit in public sector pension schemes. TEC Partnership must ensure that its future finances and profitability will be adequate to meet such requirements.

The Financial Statements report the share of the pension scheme deficit on the TEC Partnership's balance sheet in line with the requirements of FRS 102.

### 3. Failure to maintain the financial viability of TEC Partnership

TEC Partnership's current financial health grade is classified as 'Outstanding'. This is largely the consequence of the operating surplus and implementing and maintaining tight and robust control. Notwithstanding that, the continuing challenge of Covid19 to the economy in general will throw up several challenges.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Rigorous forecasting and active financial management of operations
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Identifying efficiencies following the merger with East Riding College on 1<sup>st</sup> August 2020

- Diversifying revenue streams

#### 4. Cyber Security

There has been a recent rise in the number of attacks on FE and HE organisations within the country and there are certain colleges that we are aware of which have been attacked by ransomware and have faced lengthy disruption. The aim of the attackers is mainly for financial gain; however, we have in the past seen attacks originate from within the network mainly from students who are wanting to test their skills or from those who are disgruntled.

At TEC Partnership, we have various measures in place to protect ourselves against such threats.

- JISC – We partner with JISC for our primary internet line and pay an annual subscription fee for this service. As part of this we are provided with basic DDoS mitigation services.
- PaloAlto firewall – Our high-end firewall helps us with web filtering, blocking malicious websites, VPN for secure remote access, Geo IP filtering (a technology that can block traffic from entire countries).
- Office365 – Within Office365 ecosystem, we have enabled policies such as data loss prevention policies, email filtering and attachment scanning, automated blocking of users suspected of malicious activities.
- Backup – all our data is currently backed up and stored at a separate location away from our server rooms. Only certain personnel within IT Services have access to backup devices.
- User training – We have recently invested in a cyber awareness training package with Purplephish to raise user awareness on how to spot phishing email and ransomware attacks and well as hosting informational training sessions with Governors.
- Other practices such as Bit locker encryption on end user devices, regular password changes, anti-virus help towards protecting our data and users.

TEC Partnership is also in the process of enabling MFA/2FA for staff. Where admins and staff have to access Remote Desktop Services, MFA authentication is in place already applying additional level of security.

We have recently undertaken a JISC review into our infrastructure and cyber security. Their initial assessment has shown that we are much better placed compared to some universities. TEC Partnership is both Cyber Essentials and Cyber Essentials Plus certified (Cyber Essentials is a Government-backed, industry-supported scheme to help organisations protect themselves against common online threats).

#### PUBLIC BENEFIT

TEC Partnership is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are also trustees of the charity, are disclosed on page 18. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

The College provides courses without charge to young people, to those who are unemployed and adults taking English and Maths courses. The College is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

#### Equality

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

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

TEC Partnership considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with TEC Partnership continues. TEC Partnership's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff. The College has gained 'Healthy Places' Silver Award which supports staff with all aspects of health and wellbeing.

#### Disability Statement

TEC Partnership seeks to achieve the objectives set down in the Equality Act 2010:

- TEC Partnership has Learner Services staff, who provide information, advice and arrange support where necessary for students with disabilities.
- TEC Partnership reviews access on a regular basis to ensure that all learners are catered for and are able to access all of the facilities equally and makes reasonable adjustments wherever necessary.
- There are significant resources such as the Study Skills Centre which supplies individual help for numeracy/literacy and computer skills. Additional support for course work and exams can also be arranged. The Dyslexia Unit, the Visually Impaired Unit, help for the hearing and physically impaired, zoom text, hearing induction loop systems, wheelchair accessible desks, large screens for PCs, information in alternative formats (as requested), and counselling services are amongst of the different types of support available
- TEC Partnership has an admissions policy and Learner Charter. Appeals against a decision not to offer a place are dealt with under the Complaints policy.
- TEC Partnership has made significant investment in the appointment of specialist lecturers and support staff to support students with learning difficulties and/or disabilities. There are a number of Learner Mentors and Learning Support Practitioners 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.
- Specialist programmes are described in TEC Partnership prospectuses and achievements and destinations are recorded and published in the standard TEC Partnership format.
- Counselling and welfare services are described in the TEC Partnership Learner Charter, which is issued to students together with the Complaints/Praise and Disciplinary Procedure information at induction.

#### Trade Union facility time

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

Numbers of employees who were relevant period	FTE employee number
5	4.5

Percentage of time	Number of employees
0%	0
1-50%	5
51-99%	0
100%	0

Total cost of facility time	£2,270
The total pay bill of the Group *excluding casual hours/overtime	£25,874k
Percentage of total bill spent on facility time	0.01%

Time spent on paid trade union activities as a percentage of total paid facility time	36.13%
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### **Going Concern**

The Covid19 pandemic has developed rapidly in 2020, with a significant number of cases both locally and nationally.

Measures taken by the Government to contain the virus have affected economic activity.

We have taken a number of measures to monitor and mitigate the effects of Covid19, such as safety and health measures for our staff and learners (such as social distancing and working from home) and securing the resources that are essential to our financial viability.

At this stage, the impact on our Group and results has not been significant and based on our experience to date we expect this to remain the case.

As we operate in Education sector, demand has varied across our range with some positive and negatives. HE recruitment is 91 learners (circa 9%) less than expected, commercial income is down and concerns remain around apprenticeships but enrolment is strong across all other funding streams.

Our cash reserves remain strong and this will continue to be the case throughout 2020/21 and beyond. We do not expect to be in a position where we breach any bank covenants or have requirements for an overdraft or revolving loan facility. We have 3 surplus properties that we are in the process of disposing of, 2 of which we have exchanged contracts on and expect to complete on by December 2020 (Sale Proceeds £1.1m and Sale of Lady Edith Drive likely in 2021/22 for circa £6m).

As part of the merger, TEC Partnership took on an additional £5m in loans as at 30<sup>th</sup> July, because of our strong balances, we repaid £2m of this variable loan on 1<sup>st</sup> December 2020 with plans to pay off another £1m in Spring 2021.

The Executive with the Governors support and scrutiny are well placed to ensure the Corporation weather the crisis.

We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our staff and learners.

Taking all the above in consideration, the Corporation considers that TEC Partnership has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In coming to this conclusion, the Corporation have taken account of its strong cash balances, the merger with East Riding College and the future opportunities this will offer.

### **Payment Performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1<sup>st</sup> 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 (actual 96%). TEC Partnership incurred no interest charges in respect of late payment for this period.

### **Responsiveness and Professional Development**

TEC Partnership continues to recognize the importance of the professional development of staff in delivering high quality provision to learners and has again invested significantly in development activities and Continuing Professional Development (CPD). TEC Partnership have created a full suite of CPD spaces called 'Innovate' which develops professional practice, technology enhanced learning and has leading edge technology including one of only six Microsoft Hubs in the country.

### **Reputation**

TEC Partnership has a good reputation locally and nationally. Maintaining a quality brand is essential for the TEC Partnership's success at attracting students and external relationships. The Institute was inspected by Ofsted in May 2017 and was rated as 'Outstanding'.

### **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 TEC Partnership'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 TEC Partnership's auditors are aware of that information.

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



**Mrs. E Stoddart**  
**Chair of the Corporation**



## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

TEC Partnership endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to the colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
- iii. having due regard to the UK Corporate Governance Code 2016 ("the Code") insofar as it is applicable to the further education sector.

TEC Partnership is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which TEC Partnership has applied the principles set out in The English Colleges' Foundation Code of Governance issued by the Association of Colleges. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Corporation, TEC Partnership complies with/exceeds all the provisions of the Code in so far as they apply to the FE Sector, and it has complied throughout the year ended 31<sup>st</sup> July 2020 and up to the date of signature of this report.

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

TEC Partnership received approval from the Secretary of State to change its name to TEC Partnership on 3<sup>rd</sup> July 2020 with effect from 1<sup>st</sup> August 2020. The purpose of the legal name change which coincided with the successful merger with East Riding College which also took place on 1<sup>st</sup> August 2020 was to ensure inclusive identify for all TEC Partnership's learning sites/'partners'.

## The Corporation

The members who served the Corporation during the year 2019-20

Name	Date Appointed	Term of office	End of term of office/ resignation	Status of Appointment	Committees served	Meeting Attendance %
<b>Mr T Bramley</b>	<b>09.07.13</b>	<b>4 yrs</b>	<b>31.12.20</b>	<b>Business</b>	<b>GIFHE, HEOC Remuneration</b>	100
<b>Mrs E Stoddart</b>	<b>01.01.15</b>	<b>4 yrs</b>	<b>31.12.22</b>	<b>Business</b>	<b>MAC, HEOC Remuneration</b>	100
<b>Mrs E Parry</b>	<b>30.09.14</b>	<b>4 yrs</b>	<b>01.11.21</b>	<b>Business</b>	<b>MAC, Remuneration</b>	100
<b>Mr K Adegbembo</b>	<b>30.09.14</b>	<b>4 yrs</b>	<b>29.09.22</b>	<b>Business</b>	<b>STEC, HEOC</b>	100
<b>Ms G Alton</b>	<b>21.03.16</b>	<b>N A</b>	<b>N A</b>	<b>CEO</b>	<b>MAC</b>	100
<b>Ms W Spalding</b>	<b>10.07.18</b>	<b>4 yrs</b>	<b>10.07.22</b>	<b>Business</b>	<b>none</b>	89
<b>Prof B Huxley-Binns</b>	<b>09.04.18</b>	<b>4 yrs</b>	<b>09.04.23</b>	<b>Business</b>	<b>HEOC</b>	73
<b>Mr R Fowler</b>	<b>10.12.19</b>	<b>1 yr</b>	<b>31.05.20</b>	<b>HE Student</b>	<b>HEOC</b>	33
<b>Mr R Edwards</b>	<b>01.01.14</b>	<b>4 yrs</b>	<b>01.11.21</b>	<b>Business</b>	<b>Audit, GIFHE Remuneration</b>	79
<b>Mr C Matthews</b>	<b>10.12.19</b>	<b>4 yrs</b>	<b>10.12.23</b>	<b>Staff</b>	<b>Corporation only</b>	83
Mr J White	12.07.17	4 yrs	12.07.21	Co-opted	Audit	100
<b>Mr W Leschenko</b>	<b>29.10.19</b>	<b>4 yrs</b>	<b>29.10.23</b>	<b>Business</b>	<b>Audit</b>	75
Mr M Stopper	11.12.18	4 yrs	11.12.22	Co-opted	Audit	50
Mr K Pearson	09.07.19	4 yrs	09.07.23	Co-opted	Audit	75
Mr R Cannon	22.05.12	4 yrs	19.11.19	Co-opted	STEC	n/a
Ms J Deacon	10.07.18	4 yrs	07.11.19	Co-opted	STEC	n/a
Ms S Burnett	01.01.17	4 yrs	31.12.20	Co-opted	STEC	50
Cllr T Fox	01.01.17	4 yrs	31.12.20	Co-opted	STEC	50
Ms T Gyte	01.12.17	4 yrs	01.12.21	Staff co-opted	STEC	100
Mr E Asquith	09.04.18	4 yrs	09.04.23	Co-opted	STEC	100
Ms T Blundell	09.04.18	4 yrs	21.11.19	Co-opted	STEC	n/a
Mrs J Bowman	01.01.14	4 yrs	01.11.21	Co-opted	GIFHE	100
Mr R Walsh	30.09.12	1 yr	31.8.21	Co-opted	GIFHE	50
Ms M Laylor	20.03.18	4 yrs	12.11.19	Co-opted	GIFHE	n/a
Ms J Wilson	20.03.18	4 yrs	20.03.22	Co-opted	GIFHE	25
Mr J Wright	10.12.19	1 yr	10.12.20	Co-opted Student	GIFHE	100
Ms S Butt	11.12.19	4 yrs	11.12.23	Co-opted Staff	GIFHE	75
Mr N Gammon	11.12.18	4 yrs	11.12.22	Co-opted	GIFHE	100
Mr J Lovelle	01.08.18	1 yr	31.07.21	Co-opted	MAC	100
Mr N Carrington	29.10.19	4 yrs	29.10.23	Co-opted	MAC	100
Mr H Callaway	21.11.17	N A	N A	EXEC Co-opted	MAC	100
Ms D Gray	01.01.17	N A	N A	EXEC Co-opted	GIFHE	100
Ms A Hardy	01.01.17	N A	N A	EXEC Co-opted	STEC	100
Ms S Bailey acts as Clerk to the Corporation						

### Corporation members in bold

STEC Scarborough TEC  
GIFHE Grimsby Institute of Further & Higher Education  
MAC Modal Advisory Committee  
HEOC Higher Education Oversight Committee

The following persons also acted as Directors of TEC Partnership's wholly owned subsidiaries during this year: Ms G Alton, Mr Hugh Callaway and Mr Robert Edwards.

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

The meeting attendance is based upon Corporation and Committee meetings and does not include other formal meetings such as Task and Finish Groups, Chair/Vice Chair Meetings, attendance at events and awards ceremonies. The total average attendance at Corporation and Committee meetings during 2019-20 was 86%.

The Corporation is provided with regular and timely information on the overall financial performance of TEC Partnership together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets on at least five occasions during the year.

The Corporation restructured its governance arrangements during 2016-17 and moved to the operation of a 'Carver' style model of governance to support the implementation of the Group Strategic Plan and to rationalise reporting to governors. The Corporation conducts its business through a number of committees and Local Advisory Boards. Each Committee and Local Advisory Board has terms of reference, which have been approved by the Corporation. These committees are the Remuneration Committee, the Audit Committee, the Modal Advisory Committee, the HE Oversight Committee, GIFHE Local Advisory Board, East Riding College Local Advisory Board and Scarborough TEC Local Advisory Board. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available either on the Institution's website at [www.grimsby.ac.uk](http://www.grimsby.ac.uk) or from the Clerk to the Corporation at:

TEC Partnership  
Nuns Corner  
Grimsby  
DN34 5BQ

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

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

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

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

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

In June 2020, a review of the Corporation's Governance and Risk Management was carried out by our Internal Auditor TIAA and the outcome was a report of significant assurance with no recommendations.

### **Appointments to the Corporation**

The Corporation is responsible for the selection and appointment of any new member to the Corporation and Local Boards and for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office not exceeding 4 years. The Corporation abides by a governor selection policy which is available to view on the TEC Partnership website at [www.grimsby.ac.uk](http://www.grimsby.ac.uk) or from the Clerk to the Corporation.

### **Corporation Performance**

The Corporation undertakes an assessment of its' own performance annually, the results of which are included within the Groups' Annual Self-Assessment Report. For 2019/20 the Corporation self-assessed its' performance as 'Outstanding' which continues to reflect the Ofsted Inspection Grade awarded for the Groups' effectiveness of Leadership and Management including governance in May 2017.

### **Remuneration Committee**

During the year ended 31<sup>st</sup> July 2020 TEC Partnership's Remuneration Committee comprised five members. The Committee's responsibility is to consider and determine on behalf of the Corporation the remuneration and other terms and conditions of senior post holders (including the Accounting Officer). The Corporation at its meeting on 23<sup>rd</sup> January 2019 agreed to adopt the AoC Senior Staff Remuneration code (published December 2019) and provision of an Annual Statement of the Remuneration Committee. The Corporation approved the recommendations of the Remuneration Committee as set out in the Annual Statement the Remuneration Committee at the Corporation meeting held on 24<sup>th</sup> March 2020.

Details of remuneration for the year ended 31<sup>st</sup> July 2020 are set out in note 7 to the financial statements.

### **Audit Committee**

The Audit Committee comprised five members as at 31<sup>st</sup> July 2020 one member of the Corporation (excluding the Accounting Officer) and three co-opted members. The committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the TEC Partnership's system of internal control and its arrangements for risk management, control and governance processes.

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

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

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

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

### **Internal Control**

#### **Scope of responsibility**

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

The Corporation has delegated the day to day responsibility to the CEO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievements of TEC Partnership's policies, aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum/Financial Agreement between TEC Partnership and the ESFA. She is also responsible for reporting to the Corporation any material weakness or breakdown 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 TEC Partnership 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 TEC Partnership for the year ended 31<sup>st</sup> July 2020 and up to the date of the approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The Corporation has reviewed the key risks to which TEC Partnership is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the TEC Partnership's significant risks that has been in place for the year ended 31<sup>st</sup> July 2020 and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Corporation.

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

The Executive Management Team (EMT) receive 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 EMT and Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes regular items for consideration of risk and control and receives reports thereon from the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the Corporation considered the Annual Report of the Audit Committee and this includes the Committee's advice on the effectiveness of TEC Partnership's risk management, control and governance processes, together with significant matters arising from the work of the auditors.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that TEC Partnership 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 TEC Partnership and the safeguarding of their assets".

### **The Risk and Control Framework**

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation.
- Regular reviews by the Corporation 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.

TEC Partnership has an internal audit service, which operates in accordance with requirements of the funding bodies' Audit Code of Practice. The work of the internal audit service is informed by an analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

As a minimum, the Head of Internal Audit (HIA) annually provides the Corporation with a report of internal audit activity in TEC Partnership. The report includes the HIA's independent opinion on the adequacy and effectiveness of TEC Partnership's system of risk management, controls and governance process.

#### **Review of Effectiveness**

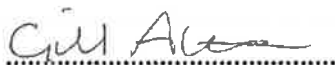
As Accounting Officer, the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. The Chief Executive Officer's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors.
- The work of the executive managers within TEC Partnership who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the TEC Partnership's financial statement auditors, the regularity auditors in their management letters and other reports.

Approved by order of the members of the Corporation on 19<sup>th</sup> January 2021 and signed on its behalf by:



**Mrs. E Stoddart**  
Chair of the Corporation



**Mrs. G Alton**  
Accounting Officer

### Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with the funding bodies' terms and conditions of funding, under the financial memorandum in place between TEC Partnership and the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by TEC Partnership, or material irregular or improper use of funds by TEC Partnership, or material non-compliance with the funding bodies' terms and conditions of funding under TEC Partnership's financial memorandum.

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.



**Mrs. E. Stoddart**  
Chair of the Corporation



**Mrs. G Alton**  
Accounting Officer

## Statement of the Responsibilities of the Members of the Corporation

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

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.

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

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

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

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

Approved by order of the members of the corporation on 19<sup>th</sup> January 2021 and signed on its behalf by:



Mrs. E. Stoddart  
Chair of the Corporation



## **Independent auditor's report to the members of TEC Partnership**

### **Opinion**

We have audited the financial statements of TEC Partnership (the 'College') and its subsidiaries (the 'Group') for the year ended 31<sup>st</sup> July 2020 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Cash Flow Statement 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 applicable law and 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) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

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

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

### **The impact of uncertainties due to Britain exiting the European Union**

The Corporation's view on the impact of Brexit is disclosed on page 9.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the College and the wider economy.

We considered the impact of Brexit on the College as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the College's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the College and this is particularly the case in relation to Brexit.

### **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 Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation 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 Corporation are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

misstatement in the financial statements or a material misstatement of the other information. 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.

#### **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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of the Corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 20, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to 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 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 [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Other required reporting**

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

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

We have nothing to report in respect of the following matters in relation to which the OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the financial statements, has been materially misstated.

**Use of the audit report**

This report is made solely to the Corporation as a body in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

*Mazars LLP*

Chartered Accountants and Statutory Auditor

Address

Date

*27/1/21*

## **Reporting Accountant's Assurance Report on Regularity**

### **To:**

**The Corporation of TEC Partnership and Secretary of State for Education acting through Education and Skills Funding Agency ("ESFA")**

In accordance with the terms of our engagement letter dated 6<sup>th</sup> October 2020 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by TEC Partnership during the period 1<sup>st</sup> August 2019 to 31<sup>st</sup> July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

### **Respective responsibilities of TEC Partnership and the reporting accountant**

The Corporation of TEC Partnership is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1<sup>st</sup> August 2019 to 31<sup>st</sup> 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.

### **Approach**

We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

### Conclusion

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<sup>st</sup> August 2019 to 31<sup>st</sup> July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed:



Mazars LLP

Date:

27/1/21

## Consolidated Statement of Comprehensive Income and Expenditure

	Note	Year Ended 31 <sup>st</sup> July 2020		Year Ended 31 <sup>st</sup> July 2019	
		Group £'000	GIFHE £'000	Group £'000	GIFHE £'000
<b>INCOME</b>					
Funding body grants	2	27,046	27,046	27,083	27,083
Tuition fees and education contracts	3	11,103	10,660	11,846	11,474
Other grants and contracts	4	162	162	79	79
Other income	5	4,640	4,407	4,663	4,546
Endowment and Investment income	6	16	16	21	21
<b>Total income</b>		<b>42,967</b>	<b>42,291</b>	<b>43,692</b>	<b>43,203</b>
<b>EXPENDITURE</b>					
Staff costs	7	25,874	20,781	27,172	23,476
Other operating expenses	8	9,935	14,529	11,150	15,777
Depreciation and Amortisation	11/12	3,300	2,890	3,487	3,133
Interest and other finance costs payable	9	754	754	645	645
<b>Total expenditure</b>		<b>39,863</b>	<b>38,954</b>	<b>42,454</b>	<b>43,031</b>
<b>Surplus before other gains and losses</b>		<b>3,104</b>	<b>3,337</b>	<b>1,238</b>	<b>172</b>
(Loss)/Gain on disposal of fixed assets	12	(562)	(166)	24	24
<b>Surplus before tax</b>		<b>2,542</b>	<b>3,171</b>	<b>1,262</b>	<b>196</b>
Taxation	10	-	-	-	-
<b>Surplus for the year</b>		<b>2,542</b>	<b>3,171</b>	<b>1,262</b>	<b>196</b>
Actuarial (loss) in respect of pensions scheme	24	(4,857)	(4,857)	(5,983)	(5,983)
<b>Total Comprehensive Income for the year</b>		<b>(2,315)</b>	<b>(1,686)</b>	<b>(4,721)</b>	<b>(5,787)</b>
<b>Represented by:</b>					
<b>Unrestricted comprehensive income</b>		<b>(2,315)</b>	<b>(1,686)</b>	<b>(4,721)</b>	<b>(5,787)</b>

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

The notes on pages 34 to 54 form part of these financial statements.

## Consolidated and GIFHE Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>Group</b>			
<b>Balance at 1<sup>st</sup> August 2018</b>	19,387	10,929	30,316
Surplus from the income and expenditure account	1,262		1,262
Other comprehensive income – Unrealised loss on revaluation			
Other comprehensive income – Restatement-revaluation			
Other comprehensive income- Pensions	(5,983)		(5,983)
Transfers between revaluation and income and expenditure reserves	195	(195)	-
<b>Balance at 31<sup>st</sup> July 2019</b>	<b>14,861</b>	<b>10,734</b>	<b>25,595</b>
Surplus from the income and expenditure account	2,542		2,542
Other comprehensive income – Pensions	(4,857)		(4,857)
Transfers between revaluation and income and expenditure reserves	195	(195)	-
<b>Balance at 31<sup>st</sup> July 2020</b>	<b>12,741</b>	<b>10,539</b>	<b>23,280</b>
	<b>Income and Expenditure account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Total £'000</b>
<b>GIFHE</b>			
<b>Balance at 1<sup>st</sup> August 2018</b>	22,572	10,929	33,501
Reserves Transferred from Intercompany			
Surplus from the income and expenditure account	196		196
Other comprehensive income – Unrealised loss on revaluation			
Other comprehensive income-restatement-revaluation			
Other comprehensive income – Pensions	(5,983)		(5,983)
Transfers between revaluation and income and expenditure reserves	195	(195)	-
<b>Balance at 31<sup>st</sup> July 2019</b>	<b>16,980</b>	<b>10,734</b>	<b>27,714</b>
Surplus from the income and expenditure account	3,171		3,171
Other comprehensive income – Pensions	(4,857)		(4,857)
Transfers between revaluation and income and expenditure reserves	195	(195)	-
<b>Balance at 31<sup>st</sup> July 2020</b>	<b>15,489</b>	<b>10,539</b>	<b>26,028</b>

The notes on pages 34 to 54 form part of these financial statements.

Balance sheet as at 31<sup>st</sup> July

	Notes	Group 2020 £'000	GIFHE 2020 £'000	Group 2019 £'000	GIFHE 2019 £'000
<b>Non-current assets</b>					
Intangible assets	11	55	54	98	96
Tangible fixed assets	12	61,966	57,299	64,202	59,186
Investments	13	301	301	301	301
		<b>62,322</b>	<b>57,654</b>	<b>64,601</b>	<b>59,583</b>
<b>Current assets</b>					
Stocks		53	53	45	45
Trade and other receivables	14	10,719	16,450	6,194	11,698
Cash and cash equivalents	19	7,243	7,049	2,887	2,877
		<b>18,015</b>	<b>23,552</b>	<b>9,126</b>	<b>14,620</b>
<b>Less: Creditors: Amounts falling due within one year</b>	15	<b>(4,949)</b>	<b>(5,197)</b>	<b>(5,267)</b>	<b>(5,249)</b>
<b>Net current assets</b>		<b>13,066</b>	<b>18,355</b>	<b>3,859</b>	<b>9,371</b>
<b>Total assets less current liabilities</b>		<b>75,388</b>	<b>76,009</b>	<b>68,460</b>	<b>68,954</b>
Creditors: Amounts falling due after more than one year	16	(27,408)	(25,281)	(22,094)	(20,470)
<b>Provisions</b>	18	<b>(1,556)</b>	<b>(1,556)</b>	<b>(1,526)</b>	<b>(1,526)</b>
Pension – Defined benefit obligations	18	(23,144)	(23,144)	(19,244)	(19,244)
<b>Total net assets</b>		<b>23,280</b>	<b>26,028</b>	<b>25,595</b>	<b>27,713</b>
Unrestricted Reserves					
Income and expenditure account		12,741	15,489	14,861	16,980
Revaluation reserve		10,539	10,539	10,734	10,734
<b>Total Unrestricted Reserves</b>		<b>23,280</b>	<b>26,028</b>	<b>25,595</b>	<b>27,713</b>

The financial statements on pages 30 to 54 were approved and authorised for issue by the Corporation on 19<sup>th</sup> January 2021 and were signed on its behalf by:



Mrs. E Stoddart  
Chair of the Corporation



Mrs. G. Alton  
Accounting Officer

The notes on pages 34 to 54 form part of these financial statements.



## Consolidated Statement of Cash Flows

	2020 £'000	2019 £'000
<b>Cash inflow from operating activities</b>		
Surplus for the year	2,542	1,262
<b>Adjustment for non-cash items</b>		
Depreciation and amortisation	3,725	3,487
Impairment		
(Increase)/decrease in stocks	(8)	2
Decrease / (increase) in debtors	425	(606)
(Decrease) in creditors due within 1 year	(620)	(542)
Increase in creditors due after 1 year	914	88
Increase in provisions	30	7
Pensions costs less contributions payable	(1,376)	919
Taxation		
<b>Adjustment for investing or financing activities</b>		
Investment income	(16)	(21)
Interest payable	754	645
Profit on sale of fixed assets	-	(24)
<b>Net cash flow from operating activities</b>	<u>6,370</u>	<u>5,217</u>
<b>Cash flows from investing activities</b>		
Disposal of fixed asset	-	164
Investment income	16	21
Payments made to acquire fixed assets	(1,445)	(4,237)
	<u>(1,429)</u>	<u>(4,052)</u>
<b>Cash flows from financing activities</b>		
Interest Paid	(335)	(296)
Loan repayable on merger	(4,950)	-
New loans	5,000	-
Repayments of amounts borrowed	(300)	(300)
Capital element of other loans	-	(2,052)
	<u>(585)</u>	<u>(2,648)</u>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>	<u><b>4,359</b></u>	<u><b>(1,483)</b></u>
Cash and cash equivalents at the beginning of the year	2019 2,887	4,370
Cash and cash equivalents at the end of the year	2020 7,243	2,887

## Notes to the Accounts

### 1. Statement of accounting policies and estimation techniques

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

#### Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard FRS102 – "The Financial Reporting Standard in the United Kingdom and Republic of Ireland" (FRS102). TEC Partnership is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The preparation of the financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying TEC Partnership's accounting policies.

#### Basis of Accounting

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

#### Basis of Consolidation

The consolidated financial statements include the financial statements of TEC Partnership and its subsidiaries controlled by TEC Partnership. Control is achieved where TEC Partnership has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated Statement of Comprehensive income from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS102, the activities of the Student Union have not been consolidated because TEC Partnership does not control these activities. All financial statements are made up to 31<sup>st</sup> July 2020.

#### Going Concern

The activities of TEC Partnership, together with the factors likely to affect its future development and performance are set out in the Members Report. The financial position of the TEC Partnership, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

TEC Partnership currently has £10.025m of loans with £0.6m of these loans repayable within one year.

There are covenants that apply to the Santander loan. At the balance sheet data, these related to net assets and the ratio of operating surplus to loan servicing costs. Projections indicate significant cover of the covenant requirements.

After making appropriate enquiries, the Corporation considers that TEC Partnership has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In coming to this conclusion, the Corporation have taken account of the detailed two-year financial plan, including capital investment and associated impacts on cash reserves.

#### Recognition of Income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is normally adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of

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

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

Grants (including research grants) from non-government sources and discrete funds received from funding bodies during the year are credited to the Statement of Comprehensive Income when TEC Partnership is entitled to the income and performance related measures have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance and released to income when the conditions have been met.

#### *Capital Grant Funding*

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS102. Other, non-governmental, capital grants are recognised in income when TEC Partnership is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

#### *Agency Arrangements*

TEC Partnership acts as an agent in the collection and payment of certain discretionary support funds. Where TEC Partnership receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that TEC Partnership does not have direct control over the future economic benefits derived from these funds. TEC Partnership has applied this policy to certain funds received during the year from the ESFA (see note 26).

#### *Fee Income*

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors.

#### *Investment Income*

All income from short-term deposits is credited to the Statement of Comprehensive Income and Expenditure account in the period in which it is earned.

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

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

#### *Teachers' Pension Scheme (TPS)*

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

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

#### *Local Government Pension Scheme (LGPS)*

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current

service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and Expenditure and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs. Actuarial gains and losses are recognised immediately in actuarial gains and losses. Further details of the pension schemes are given in note 24.

#### **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 TEC Partnership. Any unused benefits are accrued and measured as the additional amount TEC Partnership expects to pay as a result of the unused entitlement.

#### **Enhanced Pensions**

The actual cost of any enhanced ongoing pension to former members of staff is paid by TEC Partnership 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 TEC Partnership Income and Expenditure Account in the year that the member of staff retires. In subsequent years the charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the Funding Bodies.

#### **Non-current Assets – Tangible Fixed Assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2019 FE HE SORP, are measured on the basis of the deemed cost, being the revalued amount at the date of that valuation.

#### **Valuation of Land Assets**

Land assets are held at fair value. In accordance with FRS102 all land has been revalued by independent professional advisors as at 31<sup>st</sup> July 2017. Land was revalued on an alternative use basis resulting in an increase in value of £8,643k. The value of buildings was not changed. TEC Partnership has a policy of revaluing these assets every 4 years.

#### **Land and buildings**

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to TEC Partnership of 40 years.

Buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost.

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 capital grant account and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a 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(s) may not be recoverable.

On the adoption of FRS102, TEC Partnership followed the transitional provision to retain the book value of land and buildings which were revalued in 1992, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

#### **Assets under construction**

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31<sup>st</sup> 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 Statement of Comprehensive Income and Expenditure account in the period it is incurred, unless it increases the future benefits to TEC Partnership, in which case it is capitalised and depreciated on the relevant basis.

#### **Long Leasehold**

TEC Partnership has one building on leasehold land that had been amortised to the estimated market value of that building.

#### **Equipment**

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the North East Lincolnshire Council is included in the balance sheet at valuation. All other equipment is capitalised at cost.

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

Motor vehicles	-	5 years
Fixtures & Fittings	-	7 years
Computer equipment	-	6 years
Plant	-	5 years
Other equipment	-	5 – 20 years

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 Statement of Comprehensive Income and Expenditure over the expected useful economic life of the related equipment.

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

#### **Intangible Assets and Goodwill**

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Software costs	5-6 years
Goodwill	for small acquisitions the goodwill is written off fully in the year of purchase

#### **Borrowing Costs**

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

#### **Leased Assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term.

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

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

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

### **Investments**

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

The investment property is accounted for on a valuation basis and was revalued by professional advisors for the year end 31<sup>st</sup> July 2017 which resulted in a revaluation loss of £499k in 2016/17. The revaluation loss was recognised in Statement of Comprehensive Income and Expenditure.

### **Other Investment**

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

### **Inventories**

Inventories are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. It is determined on a First In First Out (FIFO) basis. Where necessary, provision is made for obsolete, slow moving and defective items.

### **Cash and cash equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice repayable 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 a maturity of three months or less from the date of acquisition.

### **Financial liabilities and equity**

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

All loans, investments and short term deposits held by TEC Partnership are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however TEC Partnership has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

### **Foreign currency translation**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the year in which they arise.

## **Taxation**

TEC Partnership is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, TEC Partnership 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.

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

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

## **Provisions and contingent liabilities**

Provisions are recognised when

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

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

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

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

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

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

- Determine whether leases entered into by TEC Partnership either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of TEC Partnership's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

### **Other key sources of estimation uncertainty**

#### **• Tangible fixed assets**

Tangible fixed assets, 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 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 24, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach

which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31<sup>st</sup> 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.

**Investment properties are assessed annually to determine the carrying value of the asset**

TEC Partnership changed the accounting policy for land and buildings in 2017 to account for these classes of assets separately. In accordance with FRS 102 all land has been revalued by independent professional advisors as at 31<sup>st</sup> July 2017. Land was revalued on an alternative use basis, the buildings were not changed. TEC Partnership has a policy of revaluing these assets every 4 years.

**Impairment Judgements**

The following judgements have been made in the year in relation to impairment

- Due to Covid19, Modal business has not performed in line with budget. The impairment of Modal assets has been considered and 2 simulators were impaired.



## 2. Funding body grants

	Year Ended 31 <sup>st</sup> July 2020		Year Ended 31 <sup>st</sup> July 2019	
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
<b>Recurrent Grants</b>				
Education and Skills Funding Agency – Adult	6,624	6,624	5,749	5,749
Education and Skills Funding Agency – 14-16	2,105	2,105	2,520	2,520
Education and Skills Funding Agency – 16 -18	13,625	13,625	14,377	14,377
Education and Skills Funding Agency – Apprenticeships	2,542	2,542	2,702	2,702
Higher Education Funding Agency	630	630	687	687
<b>Specific Grants</b>				
Skills Funding Agency	1,045	1,045	599	599
Releases of government capital grants	447	447	447	447
HE grant	28	28	2	2
<b>Total</b>	<b>27,046</b>	<b>27,046</b>	<b>27,083</b>	<b>27,083</b>

## 3. Tuition fees and education contracts

	Year Ended 31 <sup>st</sup> July 2020		Year Ended 31 <sup>st</sup> July 2019	
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Adult education fees	820	377	971	636
Apprenticeship fees and contracts	75	75	87	87
Fees for FE supported loans	866	866	803	803
Fees for HE supported loans	8,361	8,361	9,486	9,486
International student fees	-	-	37	-
<b>Total tuition fees</b>	<b>10,122</b>	<b>9,679</b>	<b>11,384</b>	<b>11,012</b>
Education contracts	981	981	462	462
<b>Total</b>	<b>11,103</b>	<b>10,660</b>	<b>11,846</b>	<b>11,474</b>

## 3. Tuition fees and education contracts (continued)

### Details of grant and fee income

	Year Ended 31 <sup>st</sup> July 2020		Year Ended 31 <sup>st</sup> July 2019	
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Grant income from the OfS	658	658	689	689
Grant Income from other bodies	26,388	26,388	26,394	26,394
Fee income for taught awards (exclusive of VAT)	8,361	8,361	9,486	9,486
Fee income for research awards (exclusive of VAT)	-	-	-	-
Fee income for non-qualifying courses (exclusive of VAT)	2,742	2,742	2,360	2,360
<b>Total grant and fee income</b>	<b>38,149</b>	<b>38,149</b>	<b>38,929</b>	<b>38,929</b>

## 4. Other grants and contracts

	Year Ended 31 <sup>st</sup> July 2020		Year Ended 31 <sup>st</sup> July 2019	
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Erasmus	162	162	68	68
UK-based charities	-	-	11	11
<b>Total</b>	<b>162</b>	<b>162</b>	<b>79</b>	<b>79</b>

## 5. Other income

	Year Ended 31 <sup>st</sup> July		Year Ended 31 <sup>st</sup> July	
	2020	2020	2019	2019
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	000
Catering and residences	1,020	1,020	1,298	1,298
Other income generating activities	691	691	1,045	1,045
Other grant income	1,772	1,570	912	912
Non-government capital grants	321	182	408	271
Miscellaneous income	836	944	1,000	1,020
	4,640	4,407	4,663	4,546

## 6. Investment income

	Year Ended 31 <sup>st</sup> July		Year Ended 31 <sup>st</sup> July	
	2020	2020	2019	2019
	Group	GIFHE	Group	GIFHE
	£'000	£'000	£'000	£'000
Other interest receivable	16	16	21	21
<b>Total</b>	16	16	21	21

## 7. Staff costs

The average number of persons (including key management personnel) employed by TEC Partnership during the year, expressed as actuals:

	Year Ended 31 <sup>st</sup> July		Year Ended 31 <sup>st</sup> July	
	2020	2020	2019	2019
	Group	GIFHE	Group	GIFHE
	Number	Number	Number	Number
Teaching staff	249	209	242	203
Non-teaching staff	631	535	617	523
Managers	31	26	28	23
	911	770	887	749

## Staff costs for the above persons:

	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Wages and Salaries	21,041	16,435	20,654	17,433
Social Security Costs	1,729	1,405	1,692	1,476
Other Pension Costs	2,266	2,105	3,938	3,844
<b>Payroll sub total</b>	25,036	19,945	26,284	22,753
Restructuring costs	29	29	30	30
Contracted out staffing services	809	807	858	692
<b>Total Staff Costs</b>	25,874	20,781	27,172	23,476

## Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of TEC Partnership and are represented by the Executive Management Team. A full list of the Executive Management is provided on Page 3.

Staff costs include compensation paid to key management personnel for loss of office.

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

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

	2020	2019
	No.	No.
The number of key management personnel including the Accounting Officer was:	8	7

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

	Key management personnel		Other Staff	
	2020 Number	2019 Number	2020 Number	2019 Number
£55,001 to £60,000 p.a.	-	-	4	3
£60,001 to £65,000 p.a.	-	-	-	2
£65,001 to £70,000 p.a.	2	2	2	2
£70,001 to £75,000 p.a.	-	2	-	-
£75,001 to £80,000 p.a.	3	-	-	-
£80,001 to £85,000 p.a.	1	1	-	-
£115,001 to £120,000 p.a.	2	2	-	-
	<b>8</b>	<b>7</b>	<b>6</b>	<b>7</b>

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Basic salary	679	609
Employers National Insurance	84	76
Pension contributions	141	88
Total key management personnel compensation	<b>904</b>	<b>773</b>

The above compensation includes amounts paid to the Chief Executive Officer who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2020 £'000	2019 £'000
Salaries	120	120
Employers National Insurance	15	15
Benefits in kind	-	-
Pension contributions	-	-
	<b>135</b>	<b>135</b>

The CEO salary of £120k (£150k FTE) is the only remuneration the CEO receives and the CEO has elected not to take a pay increase since 2016. The CEO is contracted to work, 4 days a week, receives no additional benefits and is no longer a member of an employer pension scheme. The remuneration package of key management staff, including the Chief Executive is subject to an annual review by the Remuneration Committee of the governing body who use benchmarking information to produce objective guidance. The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles.

As the TEC Partnership is deemed both outstanding financially and outstanding as per its last Ofsted inspection (2017), the salary of £120k is considered by all to be value for money. The Chief Executive reports to the Chair of Corporation, who undertakes an annual review of their performance against the College's overall objectives using both qualitative and quantitative measures of performance.

A report to the Corporation regarding cost of living pay increase and other changes to terms and conditions of employment was tabled to Corporation on 24<sup>th</sup> March 2020.

	2020 £'000	2019 £'000
Chief Executive's basic salary as a multiple of the median of all staff	6.5	6.6
Chief Executive's total remuneration as a multiple of the median of all staff	6.5	6.6

The CEO median is based on an FTE salary and if it the median was based on the actual contracted hours, it would be 5.2 (2019 5.2).

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

8. Other operating expenses	2020 Group £'000	2020 GIFHE £'000	2019 Group £'000	2019 GIFHE £'000
Teaching costs	2,766	2,700	5,406	5,287
Non-teaching costs	4,816	9,536	3,124	7,928
Premises costs	2,352	2,293	2,620	2,562
<b>Total</b>	<b>9,935</b>	<b>14,529</b>	<b>11,150</b>	<b>15,777</b>

**Other operating expenses include:**

	2020 £'000	2019 £'000
Auditors remuneration:		
Financial Statement audit – GIFHE	35	35
Financial Statement audit – Subsidiaries	6	6
Internal audit	10	13
Hire of assets under operating leases	117	108

**9. Interest payable and other finance costs – Group and GIFHE**

	2020 £'000	2019 £'000
On bank loans, overdrafts and other loans	335	296
	335	296
Pension finance costs (note 24)	419	349
	754	645

**10. Taxation**

The members do not believe TEC Partnership was liable for any corporation tax arising out of its activities during either year. Furthermore, the subsidiary companies did not generate any taxable profits in the year.

11. Intangible fixed assets Group	Software £'000	Goodwill £'000	Total £'000
Cost or valuation			
At 1 <sup>st</sup> August 2019	292	250	542
Additions	0	0	0
At 31 <sup>st</sup> July 2020	292	250	542
Accumulated amortisation			
At 1 <sup>st</sup> August 2019	194	250	444
Charge for year	43	0	43
At 31 <sup>st</sup> July 2020	237	250	487
Net book value			
At 31 <sup>st</sup> July 2020	55	0	55
At 31 <sup>st</sup> July 2019	98	0	98

## Intangible fixed assets GIFHE only

### Software £'000

Cost or valuation	
At 1 <sup>st</sup> August 2019	287
Additions	0
At 31 <sup>st</sup> July 2020	<u>287</u>
Accumulated amortisation	
At 1 <sup>st</sup> August 2019	191
Charge for year	43
At 31 <sup>st</sup> July 2020	<u>234</u>
Net book value	
At 31 <sup>st</sup> July 2020	<u>54</u>
At 31 <sup>st</sup> July 2019	<u>96</u>

## 12. Tangible fixed assets Group

	Freehold Land £'000	Freehold Buildings £'000	Assets Under Construction £'000	Long leasehold £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>						
At 1 <sup>st</sup> August 2019	<b>13,291</b>	<b>64,166</b>	<b>102</b>	<b>441</b>	<b>28,200</b>	<b>106,201</b>
Transfer	-	45	(58)	-	13	-
Additions		172	978	-	295	1,445
Disposals	(1,545)					(1,545)
<b>At 31<sup>st</sup> July 2020</b>	<b>11,746</b>	<b>64,383</b>	<b>1,022</b>	<b>441</b>	<b>28,508</b>	<b>106,101</b>
Accumulated depreciation						
<b>At 1<sup>st</sup> August 2019</b>	<b>1,545</b>	<b>19,284</b>	-	<b>366</b>	<b>20,803</b>	<b>41,998</b>
Charge for year	-	1,577	-	-	1,709	3,286
Elimination in respect of disposals	(1,545)					(1,545)
Impairment charge					396	396
<b>At 31<sup>st</sup> July 2020</b>	<b>-</b>	<b>20,861</b>	<b>-</b>	<b>366</b>	<b>22,908</b>	<b>44,135</b>
<b>Net book value at 31<sup>st</sup> July 2020</b>	<b>11,746</b>	<b>43,522</b>	<b>1,022</b>	<b>75</b>	<b>5,670</b>	<b>61,966</b>
At 31 <sup>st</sup> July 2019	<b>11,746</b>	<b>44,882</b>	<b>102</b>	<b>75</b>	<b>7,396</b>	<b>64,202</b>

**Tangible fixed assets GIFHE only**

	Freehold Land	Freehold Buildings	Assets Under Construction	Long leasehold	Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 <sup>st</sup> August 2019	12,991	61,512	66	441	24,449	99,459
Transfers	-	21	(34)		13	-
Additions	-	273	431	-	288	992
Disposals	(1,545)					(1,545)
<b>At 31<sup>st</sup> July 2020</b>	<b>11,446</b>	<b>61,699</b>	<b>463</b>	<b>441</b>	<b>24,750</b>	<b>98,906</b>
<b>Accumulated depreciation</b>						
At 1 <sup>st</sup> August 2019	1,545	18,653	-	366	19,711	40,274
Charge for year	-	1,489			1,388	2,877
Elimination in respect of disposals	(1,545)					(1,545)
<b>At 31<sup>st</sup> July 2020</b>	<b>-</b>	<b>20,142</b>	<b>-</b>	<b>366</b>	<b>21,099</b>	<b>41,607</b>
<b>Net book value</b>						
<b>At 31<sup>st</sup> July 2020</b>	<b>11,446</b>	<b>41,664</b>	<b>463</b>	<b>75</b>	<b>3,651</b>	<b>57,299</b>
<b>At 31<sup>st</sup> July 2019</b>	<b>11,446</b>	<b>42,859</b>	<b>66</b>	<b>75</b>	<b>4,738</b>	<b>59,184</b>

**Valuation**

Freehold land is now treated as a separate class of assets and is held at fair value. In 2017 land was revalued on an alternative use basis resulting in an increase in value of £8,642k. The College has a policy of revaluing land every 4 years.

**13. Non-Current Investments**

Total fixed asset investments comprise:

	GROUP		GIFHE	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Investment Property				
Balance at 1 <sup>st</sup> August	301	301	301	301
Revaluation	-	-	-	-
<b>Balance at 31<sup>st</sup> July</b>	<b>301</b>	<b>301</b>	<b>301</b>	<b>301</b>

In the opinion of the Members the value of the investment property has not moved materially from that disclosed in the prior year and carried out by Scotts Property LLP, external Chartered Surveyors, on 23<sup>rd</sup> November 2017. The basis of the valuation was market value with the assumption of vacant possession and that all restrictive covenants have been removed. In arriving at the valuation market evidence was provided of other similar type properties within the local area.

**Interests in subsidiaries**

TEC Partnership owns 100% of the issued ordinary share capital (unless otherwise stated) of the following unlisted companies, all of which are companies incorporated in the United Kingdom and registered in England and Wales.

Company	Principal Activity	Interest Acquired
Grimsby College Trading Limited	Provision of transport services	1995
Modal Training Ltd	Provision of logistics training	2001
Support Staff Services Ltd	Provision of support staff	2012
Humber Construction Limited	Dormant	1995
Humber Seafood Limited	Dormant	1996

The above subsidiaries are included in the consolidated financial statements.

#### 14. Trade and other receivables

	2020 Group £'000	2020 GIFHE £'000	2019 Group £'000	2019 GIFHE £'000
Amounts falling due within one year:				
Trade receivables	962	847	1,357	1,172
Amounts due from subsidiary undertakings	-	5,926	-	5,839
Prepayments and accrued income	1,448	1,368	1,478	1,328
Assets held for sale	3,359	3,359	3,359	3,359
Other debtors	4,950	4,950	-	-
<b>Totals</b>	<b>10,719</b>	<b>16,450</b>	<b>6,194</b>	<b>11,698</b>

Included within amounts due from subsidiary undertakings are amounts due after more than one year of £5,926k (2019: £5,839k). This is net of a specific bad debt provision of £1,700k (2019: £1,700k).

The other debtor relates to an amount due from East Riding College. This arose due to the TEC Partnership settling that College's bank loan on 31<sup>st</sup> July 2020. On merger, on 1<sup>st</sup> August 2020, this debtor was repaid.

#### 15. Creditors: Amounts falling due within one year

	2020 Group £'000	2020 GIFHE £'000	2019 Group £'000	2019 GIFHE £'000
Bank loans and overdrafts (See Note 17)	600	600	300	300
Payments received in advance	232	226	362	350
Trade creditors	762	727	973	914
Amounts owed to subsidiary undertakings	-	864	-	463
Other taxation and social security	1,008	957	842	834
Accruals and deferred income	1,377	1,008	1,882	1,619
Deferred income-government capital grants	851	695	798	659
Deferred income-government revenue grants	120	120	110	110
<b>Total</b>	<b>4,949</b>	<b>5,197</b>	<b>5,267</b>	<b>5,249</b>

#### 16. Creditors: Amounts falling due after more than one year

	2020 Group £'000	2020 GIFHE £'000	2019 Group £'000	2019 GIFHE £'000
Bank loans (See Note 17)	9,425	9,425	5,025	5,025
Deferred income-government capital grants	17,983	15,856	17,069	15,445
<b>Total</b>	<b>27,408</b>	<b>25,281</b>	<b>22,094</b>	<b>20,470</b>

#### 17. Maturity of debt

##### a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2020 Group £'000	2020 GIFHE £'000	2019 Group £'000	2019 GIFHE £'000
Within one year	600	600	300	300
Between one and two years	1,200	1,200	600	600
Between two and five years	1,800	1,800	900	900
In five years or more	6,425	6,425	3,525	3,525
<b>Total</b>	<b>10,025</b>	<b>10,025</b>	<b>5,325</b>	<b>5,325</b>

During 2009/10 TEC Partnership signed a £7.5m unsecured loan with Santander, being £6.5m for the University Centre and £1m to refinance existing loans. The loan at 5.44% was drawn in March 2012 and is repayable over 25 years. There will be security on this loan in the future but Covid stopped the bank's surveyors visit to campuses to prepare valuations.

On the 31<sup>st</sup> July and as part of the merger, TEC Partnership drew down a new (variable interest) loan with Santander for £4.95m. Prior to the signing of these accounts, the TEC Partnership repaid £2m in December 2020.

#### 18. Provisions for liabilities

Group and GIFHE	Defined Benefit obligations £'000	Enhanced Pension Provision £'000	Onerous Property Lease £'000	Total £000
At 1 <sup>st</sup> August 2019	19,244	1,144	382	20,770
Expenditure in year	-	-	-	-
Transferred (to)/from income and expenditure account	3,900	82	(52)	3,930
<b>At 31<sup>st</sup> July 2020</b>	<b>23,144</b>	<b>1,226</b>	<b>330</b>	<b>24,700</b>

The onerous property lease, in partnership with Boston College, relates to a property in Skegness. The lease is up in Sept 2021 and the £330k includes rental charges for final 14 months plus a provision for dilapidations.

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

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.2%	2.2%
Discount Rate	1.3%	2%

Defined benefit obligations relate to the liabilities under the College's membership of the local Government Pension Scheme. Further details are given in note 24.

#### 19. Cash and cash equivalents

	At 1 <sup>st</sup> August 2019 £'000	Cash Flows £'000	Other Changes £'000	At 31 <sup>st</sup> July 2020 £'000
Cash and cash equivalents	2,887	4,356	-	7,243
<b>Total</b>	<b>2,887</b>	<b>4,356</b>	<b>-</b>	<b>7,243</b>

#### 20. Capital and other commitments

	2020		2019	
	Group £'000	GIFHE £'000	Group £'000	GIFHE £'000
Commitments contracted for at 31 <sup>st</sup> July	236	74	16	16



## 21. Lease obligations

At 31<sup>st</sup> July the College had minimum lease payments under non-cancellable operating leases as follows:

Future minimum lease payments due	2020		2019	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	193	151	174	117
Expiring between two and five years inclusive	611	116	788	201
Expiring in over five years	123	-	217	-
<b>Total lease payments due</b>	<b>928</b>	<b>267</b>	<b>1,179</b>	<b>318</b>

## 22. Contingencies

### Pension Liability

During 2010/11 following extensive pension and legal advice it was agreed that TEC Partnership was not responsible for the LGPS deficit relating to those previous members (non-active and deferred members) of YCC pension scheme at the time of merger on 1<sup>st</sup> January 2010. This view still has not been confirmed by the actuary of the North Yorkshire LGPS to which the YCC members belong. However, TEC Partnership professional advisors still concur with their advice in 2010/11.

In 2019, TEC Partnership reached a consensus with YCC and a settlement of £2,738k was agreed and this receipt is reflected in the revised pension liability as at 31<sup>st</sup> July 2020.

### Restrictive Land Covenants

Land valuations have been based on the assumptions that restrictive covenants do not apply as TEC Partnership intends to use these assets for the foreseeable future. These covenants will only have an effect if TEC Partnership makes the decision to no longer use the associated land for educational purposes and therefore no provision has been recognised within the valuation of the land in respect of the covenants.

## 23. Events after the reporting period

The surplus asset known as Westwood was disposed in November 2020 for an amount of £400k.

A merger with East Riding College was concluded and GIFHE was renamed as TEC Partnership on 1<sup>st</sup> August 2020.

On the 3th Nov 2020, the surplus asset known as Lady Edith Drive was transferred to Support Staff Services Limited pending it going to market for sale. There is no impact on the consolidated financial statements.

## 24. Defined pension obligations

TEC Partnership's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The total pension cost for the year was £4,952k (2018/19: £3,868k). The £4,952k gross includes £2,686k, in relation to the pension liability for YCC.

TEC Partnership operate a NEST pension scheme for new members of staff through its subsidiaries. With the turnover of staff, the number of staff employed by TEC Partnership included in the LGPS will decrease each year.

Total Pension cost for the year	2019/20	2018/19
	£000	£000
Teachers' Pension Scheme: contributions	1,744	1,154
Local Government Pension Scheme:		
Contributions paid	4,302	1,636
FRS102(28) charge	(1,376)	881
Charge to Income and Expenditure Account	2,926	2,517
Enhanced pension charge to Income and Expenditure	173	139
Nest Pension	109	58

Pension liability for YCC	-2,686	-
<b>Total Pension Cost for Year within staff costs</b>	<b>2,266</b>	<b>3,868</b>

Contributions amounting to £457k (2019: £335k) were payable to the scheme at 31<sup>st</sup> July and are included within creditors.

### Teachers' Pension Scheme (TPS)

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

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

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

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

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

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

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

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

### Valuation of the TPS

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

Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion

- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4 % in excess of CPI.

As a result of the valuation, new employer contributions 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 and 2020-21 academic years.

### Scheme Changes

The pension costs paid to TPS in the year amounted to £1,744 k. (2019: £1,154k).

### FRS102 (28)

Under the definitions set out in FRS102 (28.11), the TPS is a multi-employer pension plan. TEC Partnership is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, TEC Partnership has taken advantage of the exemption on FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. TEC Partnership has set out above the information available on the plan and the implications for TEC Partnership in terms of the anticipated contribution rates.

### Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by East Riding of Yorkshire Local Authority. The total contributions made for the year ended 31 July 2020 were £4,703k of which employer's contributions totalled £4,302k and employees' contributions totalled £401k.

### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund as 31<sup>st</sup> March 2019 updated to 31<sup>st</sup> July 2020 by a qualified independent actuary.

	31 <sup>st</sup> July 2020	31 <sup>st</sup> July 2019
Inflation assumption (CPI)	2.2%	2.4%
Rate of increase in salaries	1.7%	2.0%
Future pension increases	1.9%	2.4%
Discount rate for scheme liabilities	1.4%	2.1%
Commutation of pensions to lump sums	80%	80%

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

	31 <sup>st</sup> July 2020	31 <sup>st</sup> July 2019
<i>Retiring today</i>		
Males	20.9	20.8
Females	23.3	24.2
<i>Retiring in 20 years</i>		
Males	21.8	22.0
Females	24.8	24.9

TEC Partnership's share of the assets in the plan at the balance sheet were:

	Value at 31 <sup>st</sup> July 2020	Value at 31 <sup>st</sup> July 2019
	£'000	£'000
Equity instruments	36,247	38,138
Debt instruments	9,480	7,416
Property	6,692	5,826
Cash	3,346	1,589
<b>Total fair value of plan assets</b>	<b>55,765</b>	<b>52,969</b>
<b>Actual return in plan assets</b>	<b>(919)</b>	<b>4</b>

The amount included in the balance sheet in respect of the defined pension plan (and enhanced pension benefits) is as follows:

	2020	2019
	£'000	£'000
Fair value of plan assets	55,765	52,969
Present value of plan liabilities	(78,909)	(72,213)
<b>Net pensions (liability)/asset (Note 18)</b>	<b>(23,144)</b>	<b>(19,244)</b>

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

	2020 £'000	2019 £'000
<b>Amounts included in staff costs</b>		
Current service costs	2,926	2,517
Past service cost		38
<b>Total</b>	<b>2,926</b>	<b>2,555</b>
<b>Amounts recognised in investment income</b>		
Net interest costs	(419)	(349)
	<b>(419)</b>	<b>(349)</b>
<b>Amount recognised in Other Comprehensive Income</b>		
Return on pension plan assets	(2,044)	1,383
Other experience	1,754	(3)
Changes in demographic assumptions	(743)	3,886
Changes in financial assumptions	(3,824)	(11,249)
<b>Amount recognised in Other Comprehensive Income</b>	<b>(4,857)</b>	<b>(5,983)</b>
<b>Movement in net defined (liability)/asset during year</b>		
	2020 £'000	2019 £'000
Net defined liability in scheme at 1 <sup>st</sup> August	(19,244)	(11,993)
Movement in year:		
Current service cost	(2,926)	(2,517)
Employer Contributions	4,302	1,636
Past service cost		(38)
Net interest on the defined (liability)	(419)	(349)
Actuarial gain or loss	(4,857)	(5,983)
<b>Net defined (liability)/asset at 31<sup>st</sup> July</b>	<b>(23,144)</b>	<b>(19,244)</b>
<b>Asset and Liability Reconciliation</b>		
	2020 £'000	2019 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	72,213	60,956
Current service cost	2,926	2,517
Interest cost	1,544	1,736
Contributions by Scheme participants	398	424
Experience gains and losses on defined benefit obligations		
Changes in demographic assumptions	743	(3,886)
Other experience	(1,754)	3
Changes in financial assumptions	3,824	11,249
Estimated benefits paid	(985)	(824)
Past service cost		38
<b>Defined benefit obligations at end of period</b>	<b>78,909</b>	<b>60,956</b>

	2019 £'000	2018 £'000
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	<b>52,969</b>	<b>48,963</b>
Interest on plan assets	1,125	1,387
Return on plan assets	(2,004)	1,383
Employer contributions	4,297	1,636
Contributions by Scheme participants	398	424
Changes in financial assumptions		
Estimated benefits paid	(980)	(824)
<b>Fair value of plan assets at end of period</b>	<b>55,765</b>	<b>52,969</b>

#### Scheme Changes

The pension liability includes both a provision for both the GMP indexation and the McCloud Judgement.

#### 25. Related Party Transactions

Owing to the nature of TEC Partnership's operations and the composition of the Corporation (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the TEC Partnership's financial regulations and normal procurement procedures. There were no provisions for bad debts or any bad debts written off for related parties during the year.

The total expenses paid to or on behalf of the Governors during the year was £ 471; 4 Governors (2019 £ 421; 4 Governors). This represents travel and subsistence 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 TEC Partnership or its subsidiary companies during the year (2019: None).

Mr J Lovelle, who is a member of the MODAL Advisory Committee, is Partner of Lovelle Bacons LLP. Professor Huxley-Binns, who is a member of the Corporation, is Pro Vice Chancellor of the University of Hull. Mr R. Walsh who is a member of the Corporation, is Chief Executive of NELC.

**Specific Related Parties Transactions between TEC Partnership for the year to 31<sup>st</sup> July 2020 are as stated below:**

	Income Transactions £'000	Purchase Transactions £'000
Lovelle Bacons LLP	-	-
University of Hull	120	-

**Related Parties Debtors and Creditors in TEC Partnership Financial Statements as at 31<sup>st</sup> July 2020**

	Debtors £'000	Creditors £'000
Lovelle Bacons LLP	-	-
University of Hull	-	1

## 26. Amounts Disbursed as Agent

Learner support funds	2020 £'000	2019 £'000
Balance brought forward	163	64
Funding body grants	814	867
Funding body grants claw-back	-	(41)
Disbursed to students	(777)	(721)
Administration fees	(37)	(6)
Balance unspent at 31 July	163	163

Funding body grants are available solely for students; TEC Partnership acts as paying agent. The grants and related disbursements have therefore been excluded from the income and expenditure account.

## 27. Access to Participation

	£'000
a) Access Investment	101
b) Financial Support	170
c) Disabled Students	84
d) Research	-
	<b>£355</b>

- a) Access investment. This includes all expenditure in the financial year on activities and measures that support the ambitions set out in an access and participation plan, where they relate to access to higher education.
- b) In line with our agreed Access and Participation Plan 2019/20. We committed to spending £93,000 on activities related to Access to Higher Education.
- c) Financial support provided to students in the financial year (such as bursaries, scholarships, etc.). This should only include expenditure on financial support directed at underrepresented and disadvantaged groups.
- d) Support for disabled students in the financial year, which can include, but is not limited to, the disabled students' premium. This excludes expenditure included in the two categories above.
- e) Research and evaluation related to access and participation activities in the financial year.