LTE group

Learning | Training | Employment

FINANCIAL STATEMENTS

31 JULY 2020

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

In 2019/20, following a review of the Group Operations function, the Group's executive and leadership team reduced in size, from eight to seven permanent members, with the key dates outlined below:

John Thornhill
CEO/Accounting Officer

Lisa O'Loughlin
Principal, The Manchester College and UCEN Manchester. Executive Lead for Total People/MOL (from 1 January 2020)

Angela Hunter
MD Group Operations (from 3 February 2020)

Paul Taylor
Chief Operating Officer (up to 3 February 2020)

Peter Cox
Managing Director Novus / Group Lead for Bids and Tenders, LTE Group

Rob Cressey
Chief Finance Officer

Linda Dean
Managing Director Total People Limited / Exec Lead MOL (resigned 31 December 2019)

Gary Hughes
Group Marketing and External Relations Director (up to 3 February 2020)

Melanie Nicholson
Managing Director Total People Limited / Exec Lead MOL (from 10 August 2020)

Jennifer Foote
MBE, Company Secretary & General Counsel

Board of Governors

A full list of Governors is given on pages 48 and 49 of these financial statements.

During 2019/20, the Board of Governors was supported by a cohort of Co-optees, who were appointed to enhance the Board's knowledge, expertise and range of skills on key projects. A full list of Co-optees is given on page 50 of these financial statements.

Mrs Jennifer Foote MBE acted as Company Secretary to the Board of Governors throughout the year.

Registered office:

Openshaw Campus & Administration Centre, Ashton Old Road, Manchester, M11 2WH

PROFESSIONAL ADVISERS

External auditors:

Pricewaterhouse Coopers LLP
1 Hardman Square
Manchester
M3 3EB

Internal auditors:

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

Solicitors:

Mills & Reeve LLP
1 New York Street
Manchester
M1 4AD

Addleshaw Goddard
1 St Peter's Square
Manchester
M2 3DE

DAC Beachcroft
3 Hardman Street
Manchester
M3 3HF

Bankers:

National Westminster Bank
Manchester City Centre Branch
11 Spring Gardens
Manchester
M2 1FB

Santander UK PLC
4 St. Paul's Square,
Liverpool
L3 9SJ

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STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal status

LTE Group is a statutory corporation established under the Further and Higher Education Act 1992 (statutory instrument 2008 No. 1418). LTE Group is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The operating divisions of the Group are Novus (delivering learning and skills in custodial settings), The Manchester College (further education delivery), UCEN Manchester (higher education delivery), Total People (Work Based Learning), MOL (blended distance learning) and LTE Group Operations.

LTE Group includes Total People Holdings Limited ("Total People"), an independent training provider, which was acquired on 31 July 2015, Novus Cambria, a joint venture with Coleg Cambria, which was established on 29 September 2016 and LTE Professional Services Limited ("LTE Professional Services"), a provider of information and communications technology services and equipment, which was incorporated on 30 July 2019.

For the purposes of these financial statements, the results of the parent undertaking – i.e. excluding subsidiaries Total People and Novus Cambria – are referred to as the "Corporation". Reference to "the Group" in this document means LTE Group, while the further education (FE) and higher education (HE) businesses will be referred to as The Manchester College and UCEN Manchester where appropriate.

Public Benefit

LTE Group is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016, is regulated by the Secretary of State for Education. The members of the Board of Governors, who are trustees of the charity, are disclosed on pages 48 and 49.

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

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

- High-quality teaching and provision of apprenticeships
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Implementation of the Manchester and Greater Manchester Skills Strategy
- Links with Local Enterprise Partnerships (LEPs), especially in Lancashire, Cheshire and Merseyside
- Reducing re-offending and increasing rehabilitation of offenders
- Strong ongoing Gross Value Add (GVA) impact and support for inclusive growth
- Investment in educational facilities for mandatory public education in Manchester

STAKEHOLDER RELATIONSHIPS

In line with other large education and skills groups, LTE Group has many stakeholders.

These include:

- Students, apprentices, and working professionals
- Customers including government departments, national employers, SMEs, and fee paying individuals
- Education sector funding bodies and standards agencies e.g. Ofsted, Office for Students (OfS), Quality Assurance Agency (QAA)
- Staff and trade unions
- Local authorities, devolved government, metro mayors and elected members of parliament
- Local Enterprise Partnerships (LEPs) and Chambers of Commerce
- The local communities and community groups
- Collaborative partnerships; FE working groups; national bodies e.g. Association of Colleges (AoC), Association of Employers and Learning Providers (AELP), Collab Group
- External funding partners
- Strategic partnerships e.g. joint ventures

LTE Group recognises the importance of these relationships and engages in regular communication with them through the Group's digital channels, meetings and regular collaboration on projects and initiatives. The Group, as part of a commitment to wider good governance, regularly submits itself and its operations to external scrutiny and review by elected members.

Mission

The Strategic Vision for the Group:

"To improve lives and economic success through learning and skills"

INTEGRITY
honest, open and trustworthy

ONE TEAM
we collaborate, respect each other and contribute to team goals

'CAN DO'
positive, inclusive, flexible and proactive

ALWAYS IMPROVING
forward thinking, innovating and taking ownership

SUSTAINABLE
we take a long term view, environmentally, financially and socially

Implementation of strategic plan

In March 2020, the Board approved the Group's latest strategic plan, Vision 2025. This medium-term plan continues to outline the Group's strategic intent, with the details, themes and key aspirations set out below.

However, during spring and early summer 2020, as the Group progressed through COVID-19 planning, a different view of our baseline emerged for the first year of the 2025 plan. This view was developed through a series of strategic workshops in May, June and July. This plan takes a "Resilience" based approach to 2020/2021, for operating in a COVID-19 environment.

The "Resilience" plan provides for a greater level of central contingency than in previous years. Through restructuring, it also addresses known COVID-19 related impacts on income or demand, to alter the cost base in key units. It also enables key elements of future strategy to progress, such as the estates infrastructure programme.

The Resilience plan also acknowledges that some strategic opportunities are affected by COVID-19, and key customers or commissioners are changing their own strategy. For example, HM Government planning to now insource probation work rather than outsourcing.

The Vision 2025 plan covers the period 2019/20–2024/25 across two phases (2019/2022 and 2022/25) with a first year now being based on the COVID-19 Resilience plan, and builds on the achievements of the previous 2016 vision and plan, which blended the combined strengths and assets of the Group in a single vision. Vision 2025 is the next evolution of this strategy – refreshed to take the Group and its core businesses forward under common strategic themes and direction. This will be informed by further clarity and iterations of regional and national policy e.g. local industrial strategies and a post-Brexit view.

Each of the Group's six Business Units has developed a strategic plan to support and inform the development of the Group's strategic plan. The Group has also developed enabling strategies linked to the Strategic Plan in respect of the 'Group Estates Strategy' and, the 'People Strategy'.

Our strategic aim is to be a nationally recognised leader in education and skills by 2025, and continuing to deliver on our mission to improve lives and economic success through learning and skills. We will focus on delivering our group-wide KPIs and a range of key strategic projects and initiatives to our learners, students, customers and employers.

As we look forward to 2025, a number of strategic themes are emerging, all of which we are responding to in the development of this strategy:

- **Quality Focus -** Quality in all forms of delivery is a primary consideration for the Group. Since 2016, a number of quality agendas have emerged – what is clear for our strategic development, is that we need to connect these agendas across the Group.
- **Gross Value Add -** Improving the lives and economic success of learners through education and skills creates a wide range of value, added through a number of areas. The economic value is substantial; the uplift in skills levels and access to better wages will contribute £1.2bn of economic benefit over the period of our plan.
- **Financially Sustainable -** Maintaining financial sustainability over the past 8 years is a cornerstone of our strategy – with it comes the confidence to commit to the biggest plans for estates development in the sector.
- **Environmental Sustainability -** We are acutely aware of our responsibility in this strategic area; through our business areas and their impact on their environment, both direct and indirect. We are building an overall group approach to sustainability covering energy usage, carbon footprint, Building Research Establishment Environmental Assessment Method (BREEAM) standards in our new facilities, recycling of waste and ensuring that the tens of thousands of young people and adults each year who learn with us are advocates of this. We will develop a group-wide approach to sustainability enabling our colleagues and students to contribute to the issues that affect us all.

Like thousands of organisations up and down the country, in early 2020, we faced the most challenging period in the Group's history as the COVID-19 outbreak rapidly evolved into a complex, global issue. The Group's priorities throughout this challenging period have been to support and protect students, colleagues and the communities in which we operate, whilst protecting the long-term value of the Group. Our focus remains on strong and sensible cash management, EBITDA and on creating new and different contingencies to support the Group going forward.

The Group's Board and the executive and leadership team responded swiftly to the emerging risk of COVID-19, testing five different scenarios (three modelled in detail), to assess the potential impact of the developing situation on the Group's ability to deliver the strategic plan. The overall recommendation was an approach to "Optimise Resilience".

This means that, despite the continuing challenges of COVID-19, going forward the Board remains committed to progressing some, but not all, of our key strategic ambitions.

The Group's strategic objectives to 2025 are to:

- To successfully deliver our national prison education contracts to 2025, to remain the Ministry of Justice (MoJ) partner of choice for this activity in the UK.
- To successfully deliver a step change investment in digital learning technology to more than half of the prison estate.
- To grow and develop our partnership and joint venture arrangements in the Justice Sector to support rehabilitation and reduced reoffending.
- To further develop our internal and external digital offer from embedding more digital delivery in teaching, learning and assessment, to enabling more flexible working for colleagues through the use of technology.
- To extend the remit and impact of our central group operations function to enable continuous improvement, organisational learning and ongoing efficiency.
- To complete the largest investment in FE infrastructure for many years through the creation, build and extension of leading edge facilities and centres of excellence for The Manchester College.
- To enable sufficient capacity, for delivery of quality at scale at The Manchester College to support a 26% growth in population over the period of the strategic plan.
- To embed further developments on Technical & Professional education across the Group with T levels, growing work experience, degree level apprenticeships, and extending work experience to levels 4, 5 and 6.
- To maintain good to outstanding quality in all units across the Group with strong and sustainable financial performance.
- To grow our direct delivery in Total People and reduce subcontracting, to respond to the funding constraints for SMEs through promoting greater "levy gifting" and, where practical, to grow our work with levy-based employers.
- To further extend our offer in MOL to new industry sectors and to grow our proportion of digital only delivery.
- To build on our work since 2013, and further respond to changing stakeholder and customer demand, through innovative new offers in adjacent sectors.
- To adequately balance risk and opportunities though periods of political change and structural change driven by external factors e.g. evolving pension landscape.

Despite the continuing challenges of COVID-19, the Group is on target for delivering these objectives.

NOVUS
FOUNDATIONS FOR CHANGE ®

Novus is a leading provider of education, training and employment services in prisons across England and Wales.

Following the introduction of the Education Inspection Framework (EIF) in England Novus no longer receives a provider inspection grade as prisons are judged on overall effectiveness. Contracts have mechanisms within them to measure quality and in Year 1 of the PEF contract Novus achieved 91% compliance.

Novus Cambria goes from strength-to-strength, with another strong year of financial performance. Its most recent Estyn inspection found education to be overall "Good" with Teaching and Learning, graded 'Excellent'.

Novus continues to bid for related work and contracts in other Justice sector-related areas, such as Probation E2E.

The Manchester College
be amazing

The Manchester College maintained its place as the No1 place for learners in Greater Manchester (GM) and in the top 10% nationally. In their strong 2019 Ofsted inspection, the College was officially rated "Good" in all areas.

For 2019/20 The Manchester College work experience placements are again c. 3,500 pa, establishing a leading position for employability and readiness for work. This number is maintained from the prior year despite the COVID-19 lockdown, which resulted in some placements being cancelled or cut short. This number includes the Industry Placements required as part of the Capacity and Development Fund project in preparation for T Levels. The College is one of the first in the country to roll out the new T level qualifications.

This year the college was nominated in several Beacon award categories and in the Times Educational awards categories.

UCEN
MANCHESTER
FIND YOUR FUTURE

UCEN has established itself as strong alternative offer in GM for higher education (HE).

Having achieved Teaching Excellence Framework (TEF) Silver relatively quickly and achieving National Student Survey (NSS) results comparable or better than many universities.

A number of the academic schools within UCEN are already developing national reputations, notably The Manchester Film School and The Arden Theatre School.

TOTAL PEOPLE
LEADERS IN LEARNING ®

There has been significant market change in Apprenticeships and work based learning.

Funding arrangements have changed significantly; the programmes that many employers and apprentices previously completed have been evolving over the past two years from frameworks to standards.

Total People has been able to maintain outcomes for employers, learners and fee paying customers through a period of significant change.

It is likely that a further period of investment, implementation of new programmes, and professional change management will be needed to complete the transition to new and different delivery models.

MOL LEARN ® DEVELOP EXCEL

MOL has successfully re-engineered its delivery and business model, which now includes significantly more online-only delivery.

MOL retains its pre-eminent position with national professional bodies such as CIPD. New offers and services have been added e.g. Estates Agency, and MOL have been selected as the premier partner nationally for the Civil Service.

New initiatives have outperformed initial expectations e.g. take up of new online only Level 7 programmes now extends to several hundred new learners around the world.

GROUP OPERATIONS

The set up and implementation of a central professional support organisation has been of benefit across the whole Group. The organisation has achieved many nationally recognised industry standards in IT and Health and Safety. Investments in new ways of working, professional business systems and processes across Finance, HR and Payroll, and digital based communication services, has enabled real competitive advantage and step changes in quality.

The Group has successfully evolved its governance structures with both group wide oversight at the Corporation level and subsidiary boards at the unit or strategic initiative level. An approach to recruit and modestly remunerate the best trustee and non-executives has also been of benefit. The Group is the first in our sector to formally agree this with the Charity Commission.

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

Key Performance Indicators

The Group is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as success rates. The Group is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Group is assessed by the ESFA as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome and maintains a seventh year of a good rating with the key funding agency.

Indicators include: Financial health measures/benchmarks; Contract performance; Learner success rates.

Financial health score:

RATIO		2018/19	2019/20	2019/20 budget
Adjusted current ratio		1.57	1.92	1.58
EBITDA as % to income – education specific		7.31%	7.22%	7.53%
Borrowing as % to income		21.67%	31.81%	26.86%
	Score	**Good**	**Good**	**Good**

Contract performance

The table below shows, for each of the Group's main funding body grants, the actual contract performance (per the final ILR – R14) compared to the contract allocation:

FUNDING STREAM	2019/20	
	Current actual -final ILR (R14)	Contract Allocation
ESFA programme funding (16- 18 and 19-24 students with an LDA or EHCP) – note 1	£24,437,670	£24,046,423
Adult Education Budget (Incl. ALS, DLSF) – note 2	£15,307,214	£15,659,504
PEF Contract (contract commenced 1 April 2019) – note 3	£60,288,295	£63,964,925
Other Prison Contracts – note 3	£18,358,659	£18,358,659
Total People – ESFA 11872 – note 4	£8,017,073	£5,895,363
Total People – ESFA 11365	£348,331	£639,679
Total People – ESFA 10720	£1,249,092	£1,557,098

1. The full contract for ESFA 16-19 grants is £30.4m. This comprises the programme funding as above and includes high needs, additional targeted grants (Teachers Pension Scheme and Capacity Development Fund) and learner support funding. 16-18 Classroom Learning – There was a 104% achievement of the ESFA learner number target and a 101.6% achievement of the programme-funding target.
2. The full contract for Adult recurrent grants is £18.5m; the contract performance includes 'Adult Discretionary Learner Support Funding and Additional Learning Support'. The majority is from the Greater Manchester Combined Authority, with a small value from ESFA for learners who are resident outside of a devolved area. Adult Education Budget (R14) – There was a 98.1% achievement of the Adult Education Budget (including Discretionary Learner Support) allocation. However, the GMCA contract over-achieved by 0.5% and the shortfall is in the non-devolved AEB from the ESFA, largely as a result of a substantial Jobcentre Plus (JCP) delivery plan impacted by COVID-19.
3. The contract period for the Prison Education Framework (PEF) is April to March, therefore the table above shows the final reconciled value for Year 1 of the PEF Contract i.e. the period 1st April 2019 to 31st March 2020 at 94.3% of the contract year allocation. For the period April 2020 to July 2020 PEF and all other contract income has been recognised in line with COVID-19 Relief guidance.
4. ESFA 11872 contract allocations for 2019/20 do not reflect non-procured Levy paying activity, as this is not delivered on a government contract basis.

Success rates table

Division / Subsidiary	Age	Level	Education and Training - Overall Achievement (Success) Rate			
			2017/18	2018/19	2019/20	2019/20 Potential maximum
The Manchester College – note 1	16-18	All Levels	86.5%	89.0%	90.0%	-
The Manchester College – note 1	19+	All Levels	92.5%	93.5%	92.5%	-
The Manchester College – note 1	All Ages	All Levels	90.1%	91.7%	91.4%	-
UCEN – note 2	All	All	72.2%	73.8%	73.8%	-
Novus (OLASS) – note 3	-	Prison Education	94.0%	95.0%	-	-
Novus (Youth) – note 3	14-18	Prison Education	-	-	93.0%	-
Novus (PEF) – note 3	18+	Prison Education	-	-	89.0%	-
Total People – note 4	-	Apprenticeships	68.9%	65.2%	-	-

2017/18 and 2018/19 is National Achievement Rate Table Data.

The NARTs are summary indicators of performance in apprenticeships and education and training. Individual providers use the data to benchmark their own targets and actual performance. Due to COVID-19 the achievements for 2019/20 will not be published as advised by the ESFA. In addition, the ESFA confirmed that the data will not be used by others, such as Ofsted, local authorities or devolved authorities or within ESFA and DFE, to hold institutions to account. Further, they will not supply 2019 to 2020 QARs for institutions to use internally themselves.

1. 2019/20 rate unconfirmed – derived from ProAchieve. Approximately 500 outstanding results due to delayed assessment and issues related to COVID-19, that awarding bodies are trying to resolve. The confirmation of additional results could create a maximum additional 2% on overall achievement; 1% on 16-18, and 2% on Adult, achievement rates for 2019/20.
2. HE24 – HE Performance Indicators, final rate for 2019/20 not yet complete, however, anticipated to be in line with 2018/19. In 2019/20 UCEN has a National Student Survey (NSS) score of 83% (2018/19: 81%). This is a 2 percentage points increase on the strong performance seen in the prior year and equal to or above the GM universities.
3. 2018/19 data included the ending of the Offender Learning and Skills Service (OLASS) contracts and procurement of PEF, consequently a direct year on year comparison does not exist. For meaningful year-on-year analysis, for 2018/19, only sites retained are included within the data set.
4. Due to the impacts of COVID-19 on Apprenticeship provision in 2019/20, the ESFA will not be publishing Overall Achievement Rates at Provider level for this year.

The above table includes all classroom-based provision.

STUDENT NUMBERS

Novus

In 2019/20, Youth Custody Service (YCS) learners (aged 14 to 18) accessed 6,307 learning aims. For the same period, 36,595 PEF Adult learners (18 and above) accessed 104,141 enrolments on Accredited / non-accredited provision and in the Private Estate (18 and above) 2,009 learners accessed 4,678 learning aims. In addition, Novus provide English and maths assessments at the start of the prisoners' sentence.

The Manchester College and UCEN

The college enrolled approximately 13,300 students. The college's student population includes 5,200 16-to-18-year-old students, 1,100 higher education students, 3 international students and 7,000 adult learners (of which, 5,700 funded and 1,300 unfunded).

Total People

In 2019/20, Total People worked with approximately 5,100 learners. This included approximately 1,330 16-to-18-year-old apprentices, 2,440 19-year-old + apprentices, 255 16-to-18-year-old Study Programme learners, 1,000 adult learners and 70 Traineeships.

FINANCIAL POSITION

Financial results and objectives

The beginning of the new financial year has brought significant challenges for the entire education sector. The decisions and actions we have taken since have been guided by our commitment to maintain our reserves and carefully protect our cash balance. Our aim is to exit the COVID-19 period in a stable financial position and to be able to capitalise on any upturn opportunity that may arrive.

The Group generated a surplus in the year of £1,757k (2019: £2,022k), compared to budgeted surplus of £5,378k, which is a decrease on the prior year results. This is equivalent to an EBITDA (education specific, as per ESFA guidance) of £11,729k (7.22% of turnover) compared to a budget of £13,022k (7.53%).

The year end cash balance is £33.5m, which significantly exceeds the budgeted year end cash balance of £14.8m. The current ratio of 1.93 exceeds budget of 1.58. Finally, gearing (debt as a percentage of income) is at 31.77% (budget 26.86%).

As we exit 2019/20 and move into 2020/21, the Group has worked hard with its partners, and through other work such as property disposals, to create better value and to improve the cashflow and position. This is to further protect and provide contingency for the first year of our new strategic plan.

These results provide evidence and confirmation that the Group is meeting its financial objectives. These are:

- To diversify income streams, through a broad offer that responds to multiple areas of demand, rather than solely traditional FE.
- To protect it from unforeseen changes in policy and the impacts resulting from any future changes in funding or political upheaval.
- To generate operating cash flows that can fund future rationalisation of our estate to improve the learner experience and deliver efficiencies in teaching and support costs.

- To generate sufficient income to enable maintenance and improvement of its estate to improve the learner, employer and customer experience.

This also enables the Group to execute its strategic plan and expand its reach to learners and other stakeholders in support of national and regional devolved government policies, to grow provision and add value to the lives of an increasing number of learners. Finally, the Group wishes to maintain, or enhance the confidence of funders, suppliers, bankers and auditors.

The Group (excluding the minority interest share in Novus Cambria) has accumulated reserves of £32.1m (2019: £55.6m) including the pension deficit liability of £61.1m (2019: £30.9m) and cash balances of £33.5m (2019: £9.1m). The Group maintains reserves to ensure financial viability and to meet future liabilities, such as the repayment of loans, and pension fund deficits.

The Group has diversified its income streams and reduced reliance on the traditional education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20, the FE funding bodies provided 20.8% of the Group's total income (2018/19: 31.4%), with AEB income accounting for 10.1% (2018/29: 9.3%). The decrease in 2019/20 in reliance on the traditional education sector funding bodies is due the devolution of AEB income to The Great Manchester Combined Authority.

The LTE Group is the parent company of Novus Cambria which is a private company limited by guarantee without share capital with two members: LTE Group and Coleg Cambria. LTE Group controls 60% of the voting rights of the members while Coleg Cambria control 40%.

The LTE Group has four subsidiary companies, a group headed by Total People Holdings Limited. The principal activity of the Total People group of companies is to provide training in work based learning. Any profit generated can be gift aided to The LTE Group provided the company has sufficient distributable reserves. Further details of the subsidiary companies are stated in note 17.

The LTE Group is involved in a joint venture with Manchester City Council. The joint venture company, Manchester Education and Training Limited, is a property company located in East Manchester. The company is also a registered charity limited by guarantee. Details are disclosed in the notes to the financial statements under related party transactions (note 29).

The Local Government Pension Scheme (LGPS) valuation for 2020 resulted in an actuarial valuation loss of £25.0m (2019: loss £6.0m) see note 28.

Cash flows and liquidity

The Group generated a positive operating cash inflow of £15.3m in 2019/20 (2018/19: inflow £7.7m).

Treasury policies and objectives

Treasury management is the management of the Group's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The Group has a treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Chief Executive Officer. Such arrangements are restricted by limits in the Group's Financial Memorandum agreed with the ESFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

In 2019/20, the Group agreed new debt funding facilities with Santander, which replaced the debt formerly held with Royal Bank of Scotland (RBS) and Allied Irish Bank (AIB). In addition, during the year, the Group also entered into a further agreement with The Council of the City of Manchester (MCC) for a bridging loan, to underpin the estates strategy project until the realisation of disposal proceeds.

As at the 31 July 2020, borrowings in respect of Santander total £24.1m, and borrowings in respect of The Council of the City of Manchester (MCC) total £25.5m. As part of the new Santander facilities, from February 2020, the Group had available a £31.0m development revolving credit facility and a £3.0m revolving credit facility, but in 2019/20 there were no drawdowns on either facility.

Short-term cash requirements are monitored weekly, such that the Group minimises its borrowings and thereby interest charges and limits free funds for placing on the money markets where investment returns are poor. Going forward, the Group will be optimising the balance between its borrowings and money on deposit, which may result in lower end of month balances.

Reserves policy

The Group recognises that its major sources of income are government funded and as such not explicitly guaranteed for a set period of years. To this end the Group has been diversifying its income streams so that there will be multiple funding sources – Education and Skills Funding Agency, Ministry of Justice, Apprenticeship Levy, Youth Justice Board, European Structural and Investment Funds, Welsh Assembly, devolved mayoral authorities and commercial income. Where possible, the Group will continue to develop medium to long term income streams as part of its strategic plans.

In the past few years, the Group has invested in the reshaping of the business, in response to government funding cuts and allocation changes. This has been achieved without reducing reserves or the need to secure additional finance arrangements with ESFA/ Banks.

The Group (excluding the minority interest share in Novus Cambria) has £32.1m (2019: £55.6m) of unrestricted reserves as at 31 July 2020, which the Group feels is adequate to implement any further reshaping required, should there be any further government funding cuts or allocation changes. The decrease in reserves in the year of £23.5m is driven by the 2019/20 actuarial loss of £25.0m arising on the Greater Manchester Pension Fund (GMPF) pension scheme, offset by the surplus of £1.8m. The actuarial loss is due to a significantly lower net discount rate at 31 July 2020 (compared to 31 July 2019) mainly arising from a fall in AA corporate bond yields, which reflects the uncertainty seen in the financial markets at the end of financial year due to COVID-19.

The current forward forecasts ensure clearance of bank covenants and have been tested with sensitivities that take account of reductions in funding as described above.

The level of reserves will be monitored and reported on within the monthly management accounts and reviewed by the Board of Governors.

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

The LTE Group has set a reserves policy which requires:

- Reserves be maintained at a level which ensures that LTE Group's core activities could continue during a period of unforeseen difficulty.
- A proportion of unrestricted reserves be maintained in a readily realisable form.
- It has sufficient resources to meet its liabilities as they fall due.

The calculation of the required level of reserves is an integral part of the organisation's planning, budget and forecast cycle. Our strategic plans involve delivering a breakeven or better year-end position each year with an operating cash contribution each year. This, allied to our capital expenditure plans, is intended to deliver an increasing year-on-year reserves position.

It takes into account:

- Risks associated with each stream of income and expenditure being different from that budgeted.
- Planned level of activity.
- Organisation's future commitments.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

COVID-19 – Resilience during a time of crisis

As the Group moves into 2020/21, the COVID-19 crisis continues, resulting in additional costs arising from critical activities such as the deep cleaning of campuses, the screening-off of reception areas, altered access arrangements, the provision of new PPE and ongoing investment in remote learning. In addition, whilst social distancing measures remain in force, this will, by default, directly impact efficiency and productivity in most units of the Group. This is because group sizes will likely be smaller and ratios of learners to tutors or assessors much lower than normal.

Despite these ongoing challenges, the Group remains in a strong financial position, and has swiftly implemented a COVID-19 Resilience plan. With the ongoing risk of current and future lockdowns, the Group is actively planning for a greater level of contingency and has planned for increased costs arising from the need for COVID-19 safe working. Where COVID-19 impacts are now known, resulting in lower income or lower demand, the Group has moved swiftly to restructure the cost base, for example in Novus and Total People. In addition, the Group has created extra central contingency, to mitigate any future risks arising from future lockdowns or other unknown COVID-19 scenarios.

Financial health

LTE Group financial health grading with the ESFA is Good, and has been for the past 8 years. Group banking facilities in support of this grading show a positive cash balance of £33.5m (2019: £9.1m) at year end and total debt (including finance leases) owing of £51.7m (2019: £37.7m). There have been no significant events that have adversely affected financial health, for example notices of concern or recovery plans in place.

NOVUS

FOUNDATIONS FOR CHANGE ®

In 2019/20 the Group, via its brand Novus, remains the largest provider of offender learning and skills in England and Wales following its successful bid submissions in the Prison Education Framework (PEF) procurement. Novus continues to deliver in 7 PEF Lots across England from Tees & Wear to London, in addition Novus continues to deliver across the Young People estate and in Wales at HMP Berwyn through Novus Cambria.

Novus continues to build on its specialism in delivering programmes to offenders within secure environments and community settings. The delivery approach is through an integrated and partnership method, working with all appropriate organisations in order to provide best value with a focus on local needs and employment or further training on release. Therefore, Novus has developed significant capacity, unrivalled experience, expertise and technical knowledge supported by a dedicated local and national infrastructure that facilitates an ability to provide a responsive and innovative approach based on individuals needs aligned to the specification of the service.

As a result of the COVID-19 pandemic we have been working collaboratively with MoJ and Her Majesty's Prison and Probation Service (HMPPS) to implement interim operating models ensuring a safe delivery environment. For adult provision we have implemented a blended learning approach, for young people an adapted face to face delivery model has been developed to achieve continuity of learning.

Novus continues to actively bid for new work including activity let by the MoJ under the Prison Education Dynamic Procurement System (PEDPS) and is engaged in the new Probation Dynamic Framework procurement of education, training and employment (ETE). Strategic pipeline of projects includes Ministry of Justice programmes for Prison Estate Transformation Programme (PETP) and re-contracting of education provision in the Young People's estate.

The Manchester College®

be amazing

IIn 2019/20, the Manchester College maintained its place as the No1 place for learners in Greater Manchester (GM) and in the top 10% nationally.

An Ofsted inspection was carried out at The Manchester College in January 2019 with a 'Good' rating in all seven of the graded categories, and a 'Good' rating overall. This mirrors the College's self-assessment rating of 'Good'.

The College continues to offer a broad range of further and higher education curriculum, which both supports the local communities and compliments the Greater Manchester skills priorities; from Entry Level courses through to Higher Education degrees. Throughout 2019/20 curriculum teams have introduced new courses to accommodate employer demand and funding changes. There are now 23 employer-developed and sponsored programmes and more than 3,000 work experience placements with employers for students on a study programme.

Employer engagement and involvement in curriculum development continues to grow. In terms of developing capacity to deliver student placements, the capacity to deliver fund is now in its third year. Its success has been shared at many good practice events across the country. Work placements and sponsored programmes continue with a differentiated four strand approach. Further investment has been made in the employability hub in the form of a strengthened employer engagement team, which ensures that students on study programmes achieve opportunities to develop their employability skills within the workplace.

The college was successfully chosen as one of the Greater Manchester providers of T Levels for 2021. T Levels will be offered in Digital, Construction, Health and Care and Health Science, and the planning of the transition year ready for 2020 is well underway. Other activities that broaden the life experiences of students occur routinely, including a student conference, hosting and achieving at World Skills competitions, excellent feedback from employers and outstanding enrichment opportunities, which includes volunteering, Duke of Edinburgh and charity work.

In 2019/20 the College has delivered activity that has generated £40.7m (ESFA and GMCA Funding Contracts) in funding body main allocation funding (2018/19: £40.5m). The College delivered approximately 37,529 (2018/19: 40,023) funded qualifications and approximately 4,245 (2018/19: 6,970) non-funded qualifications.

Students continue to prosper at the College. Education and Training Success rates using ESFA methodology are expected to rise again in 2019/20 from 91.7% in 2018/19 to an estimated result above 92% (final results delayed due to COVID-19, circa 500 outstanding achievements).

In 2019/20, the College's GCSE students celebrated the achievement of the College's best ever pass rate in English and maths. Despite facing unprecedented challenges during their studies, students achieved an overall pass rate of 99.8 per cent in English and 99.2 per cent in maths. In English, 39.2 per cent of students achieved strong high grade (9-4, the equivalent of A*-C) which is up from 27.3 per cent in 2019. There was an even bigger increase in maths, where 38.2 per cent of students received a strong high grade, up from 21.8 per cent in 2019. The results further establish the College's position as one of the top 2% of Further Education colleges in the UK for functional English and maths qualifications.

During the year, the College was selected by the government to be an 'edtech demonstrator'. This is a programme which aims to help education providers who are "using technology effectively" to share their expertise. Amid the coronavirus pandemic, the programme was repurposed to enable the selected demonstrators to help other schools and colleges to use technology to support remote learning.

Evidence of the College's leading performance was also recognised through several nominations for National Beacon awards and Times Educational awards.

UCEN® MANCHESTER

FIND YOUR FUTURE

In January 2018, the Group launched a new and unique Higher Education offer - UCEN Manchester - which has continued to recruit strongly in an increasingly competitive market. UCEN Manchester have added more new programmes and recently completed a comprehensive portfolio review to inform future curriculum strategy. This will include involvement in the development of the new Higher Technical Qualifications (HTQs) recently proposed by government as a clear progression route from T Levels.

UCEN Manchester has relatively quickly achieved Teaching Excellence Framework (TEF) Silver status, and in 2019/20 has a National Student Survey (NSS) score of 83% (2018/19: 81%). This is a 2 percentage points increase on the strong performance seen in the prior year and equal to or above the GM universities.

The curriculum offer is subject to ongoing review and changes will continue to be implemented to meet all student requirements and needs, preparing students for careers rather than just courses and ensuring future employability. In 2019/20 the new 'Be HE' strategy was launched with staff to create a genuine HE culture and ethos within the organisation and work will continue on that this year.

In 2019/20 UCEN Manchester delivered 1,308 qualifications (2018/19: 1,345 qualifications).

Success rates for UCEN Manchester using duration analysis methodology rose to 73.8% in 2018/19 and, though not yet finalised, are predicted to be a similar figure in 2019/20.

HE fees and advanced learner loans are areas of anticipated growth as part of the estates strategy and new city centre site.

Planning for future periods for The Manchester College and UCEN Manchester is through an annual robust business planning process and aligns to the strategic plan and estates strategy. The annual planning includes the use of a curriculum planning tool, using knowledge of historic trends, local skills priorities, our strategy and demographic data when planning student recruitment. The curriculum plan is then used to determine the resources required to deliver the planned curriculum, identifying areas for cost saving or investment, and highlighting where efficiencies need to be made.

COVID-19 lockdown from March 2020 impacted delivery of courses in 2019/20, with the majority switching to online delivery, with a blended approach planned for 2020/21.

Tutors and students at the College and UCEN played their part in the fight against coronavirus by producing Personal Protective Equipment (PPE) for NHS colleagues. The items produced included protective visors and ear guards for face masks, and recipients included an infectious diseases doctor at a London hospital, a GP surgery in Bolton, a hospital in Bury and a hospital in Yorkshire.

TOTAL PEOPLE

LEADERS IN LEARNING®

Total People operates in a challenging and complex market. During the second half of 2019/20, these complex challenges were added to by the impacts of the COVID-19 pandemic on the apprenticeship sector. Impacts on training providers and access to learning and the profound impacts on employers has resulted in apprentices being made redundant, being furloughed or experiencing breaks in learning. Also, of those apprentices who have continued during lockdown, a significant cohort of have not achieved in line with plan, because of the limitations of remote learning and because assessments have been delayed.

As result of this, post year end, the company took steps to restructure the business and reduce staff headcount in line with revenue and learner volumes. This is to ensure that, going forward, we are building a sustainable model that continues to support the current learner capacity and future growth opportunities over the coming years. It is anticipated that the Group will need to support Total People through a period of lower demand, while the economy transitions post COVID-19.

Despite the recent challenges presented by COVID-19, there are expectations of continued demand for and recovery in our services in the training and apprenticeships market. These expectations are based on the country's extended period of recovery and the continued government focus on the skills agenda, as articulated by the Prime Minister and other Ministers over the past few months. We believe we are well-placed to benefit from these opportunities, because we are situated in economic growth areas, we offer a wide portfolio and hold a good reputation with strong links to local employers, whilst taking advantage of the employer incentive opportunities. During 2019/20, the market has experienced a small number of new market entrants but has also experienced contraction and closure of some competitors.

Throughout 2019/20, there have been many changes to rules and regulations, many of which have arisen as a result of the pandemic. In July 2020, framework starts were ended, and were fully replaced by standards. Total People is now fully aligned to standards and the delivery of these programmes. In 2019/20, there have been improvements in the timely submission, validation and processing of new learner starts with a right first-time approach. Additionally, this work and the lower attrition rate means more learners being able to progress to achievements. Another achievement in the year was that our M-futures construction programme was nominated for a TES award.

Going forward, we will continue to focus on supporting small and micro employers, through either levy gifting or the new digital service which was introduced in April 2020. This new service for all employers, now including non-levy paying employers, has released some of the pressure on the non-levy funding allocations and the restrictions on starts, and we have further bolstered this through levy gifting. We have a clear focus and sales strategy in line with sector recovery, which will focus on offering a full solution to both SME and large levy paying clients, whilst expanding our reach into curriculum priority sectors and local demand.

The levy market remains a significant opportunity, whilst also being a busy and competitive external market. The company will look at further embedding its geographical reach and becoming known as not just a provider for Cheshire but Manchester, Greater Manchester and the North West as well. In addition, the company will target further reduction in its reliance on supply chain delivery partners, directly deliver a larger proportion of the learning directly ourselves, which will give us greater control and a larger return.

The outlook is for a year of change and alignment to the new structures, delivery models and new OFTSED inspection framework with investment and development from 2021.

MOL LEARN ® DEVELOP EXCEL

MOL is an established learning and development provider with over 30 years' experience of designing and delivering professional qualifications.

MOL has seen significant price competition in its markets but has successfully improved its performance year-on-year, through new innovative online only programmes, developing new sectors and changing its delivery models.

A planned incorporation of MOL will better position the unit to offer Levy-based versions of new and existing products, which are now being demanded by employers.

MOL's customer satisfaction data is the highest amongst their competitors, with a Feefo score of five stars qualifying for a Gold Trusted Service Award, and a Trustpilot score of 4.8 – at or above the level of all main competitors. MOL also holds the highest accreditation with CiPD.

Group Operations

Within the sector, Group Operations is considered to be a leading edge support function. It has, and will, continue to develop several key themes to ensure it continues to support the Group with thought leadership and efficient support services. Key initiatives being supported include the estates strategy, a review of terms and conditions called Project Connect, ongoing GDPR compliance, and the roll out of a substantial re-fresh of IT infrastructure and equipment for the PEF contract.

In the past 12 months, Group Operations has updated its finance system, Business World, and HR system, iTrent, to Total People, as well as an upgrade to the latest version known as "Electric". We have also updated existing systems to support on-line learner enrolments and upgraded our on-line training system.

The whole of Group Operations has been instrumental in supporting the organisation's response to the COVID-19 global pandemic. Providing a central co-ordination role, based on identifying and managing risks, Group Operations has worked to help ensure a group-wide response which included technological support to enable a rapid move to working from home and provision of much increased on-line learning. Significant support has been provided to manage colleague health and safety and wellbeing and utilise the furlough scheme where appropriate.

As well as working to ensure we continue with our British Standards Institution (BSI) accreditations held by the IT team (ISO 27001, 9001 and 22301) we have obtained Cyber Essentials+ and are looking to make good progress to ISO45001 for health and safety which we now aim to obtain in 2021.

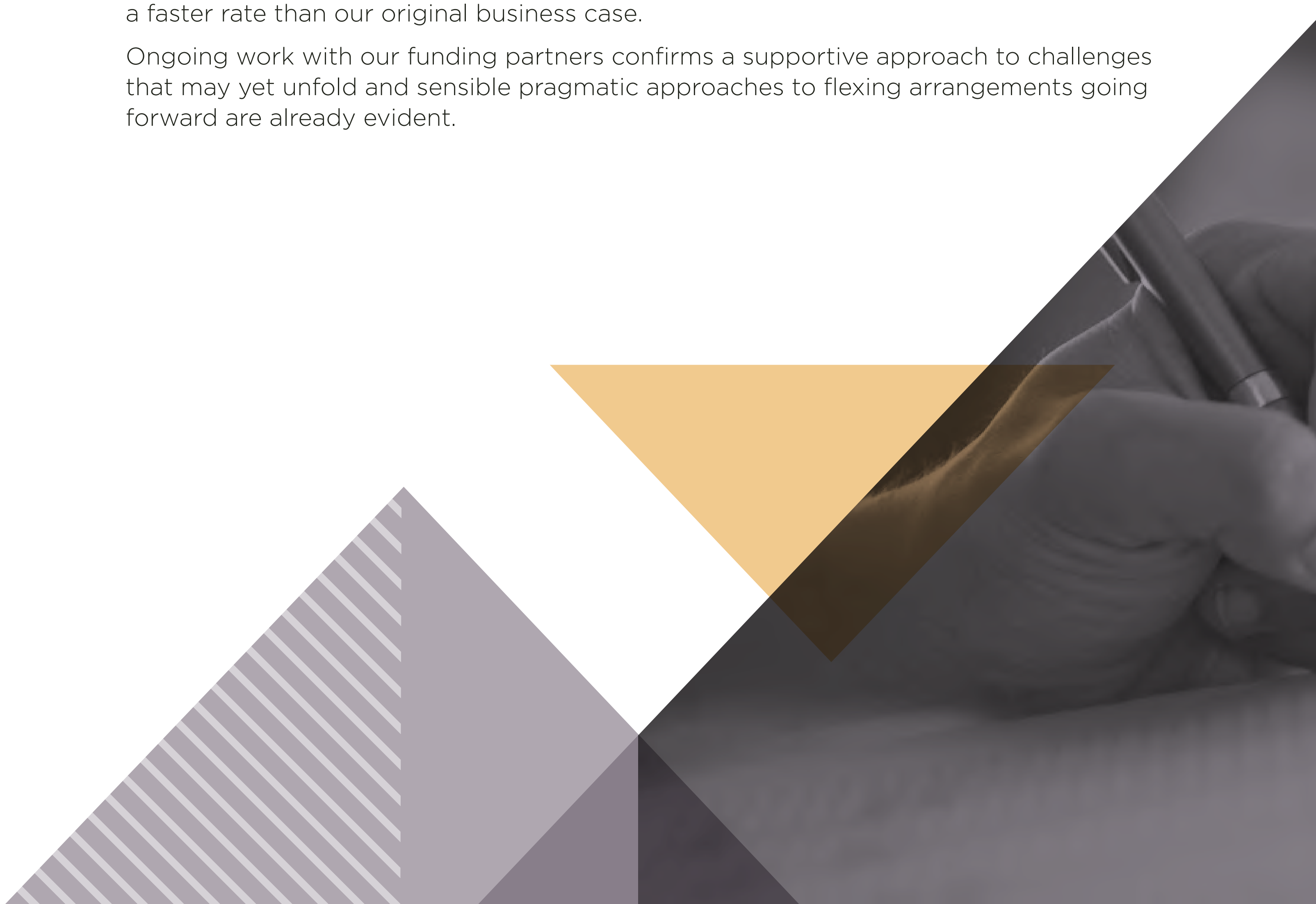
Estates strategy

Despite the challenges of COVID-19, the Group's investment strategy on estates remains unchanged and is fully supported in the revised Resilience plan. Fixed price contracts are now in place, construction and plans are on track, and overall project contingency, which is built into the £139m budget, is healthy at £5.2m. The forecast growth in students is also in line with plan, as the projected population growth expectations in the City of Manchester are now being exceeded. This adds further confidence to forward income projections.

Disposals so far have exceeded business case; the project is being managed holistically and forward views of net disposals are also positive.

Work to further positively improve cashflow to a position better than our business plan and help further manage future risk has also been successful. The project cashflow for the year ahead has been significantly improved due to an agreement to draw down grant funding at a faster rate than our original business case.

Ongoing work with our funding partners confirms a supportive approach to challenges that may yet unfold and sensible pragmatic approaches to flexing arrangements going forward are already evident.



Events after end of reporting period

External funding: Since year end, LTE has drawn down the majority of the remaining GMCA grant, so that 95% is now drawn. Also post year end, the Santander term loan rate has been fixed for three years from 26th August 2020 at a rate of 2.66%. Property disposals are progressing, with conditional and unconditional bids on the Northenden campus already received.

Estates programme: work is progressing on both of the two main sites, in line with budget and timetable.

Other: Since year end, the transfer of day-to-day banking to Santander has been completed. Reflecting the challenges in certain sectors due to COVID-19, the Group has seen some restructuring in two business units post year end.

RESOURCES:

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

Financial

The Group (excluding the minority interest share in Novus Cambria) has £32.1m (2018: £55.6m) of net assets. This includes £61.1m pension deficit liability (2019: £30.9m) and long-term debt (including finance leases) of £42.8m (2019: £35.3m). The decrease in net assets in the year of £23.5m is driven by the 2019/20 actuarial loss of £25.0m, offset by the surplus of £1.8m. The actuarial loss is due to a significantly lower net discount rate at 31 July 2020 (compared to 31 July 2019) mainly arising from a fall in AA corporate bond yields, which reflects the uncertainty seen in the financial markets at the end of financial year due to COVID-19.

People

At year end, the Group has 3,633 people in post, of whom 2,112 are teaching staff.

In addition, Note 10 to the financial statements discloses the average monthly number of persons employed by the Group and Corporation during the year, expressed as full-time equivalents.

Tangible Assets

Tangible resources include the eight main college campus sites, including £24m net book value for Wythenshawe and £17.8m net book value for Openshaw. Also included is £15.8m of buildings currently under construction as part of the estates strategy and the land for the city centre campus. Intangible assets include goodwill and the development of the website.

Senior Leaders' pay

Whilst the Board acknowledges the scale, scope and complexity of the Group, our position as the largest integrated provider in the UK and the ongoing pressure to act commercially but for public benefit.

The Board is also clear that as a charitable organisation and social enterprise we do not aspire to remunerate at the maximum level in the sector.

During 2019/20, the Board has been supportive of a reduction in the number of the executive and leadership team roles from eight to seven. In addition, reflecting on the challenges ahead, the executive and leadership team volunteered a reduction of 10% in available earnings, through the suspension of the performance related element of pay. The Board considered and were supportive of this approach for 2019/2020 and will review this in 2020/21.

During the year there have been no material changes to senior leaders pay, other than the suspension of the 10% element outlined above.

The LTE Group Board has adopted the Association of Colleges' (AoC's) Senior Staff Remuneration Code in April 2019 and will assess pay in line with its principles in future.

Our policies are:

- That all senior roles are benchmarked externally against recognised comparators and through nationally recognised methods such as Hay (which is used for all colleagues). Such comparators will include other large FE college groups, HE institutions, other third sector employers of similar size and scale and commercial organisations, including private training providers, who operate in the same or similar sectors.
- That senior leaders should, as a principle, have some of their reward at risk and linked to the impact and performance of the organisation. This has been suspended until 2020/21.
- That senior pay levels are monitored to ensure that sensible ratios between front line staff and the most senior employees are within the guideline 1:12 ratio (from lowest to highest paid individuals in the organisation).
- That regular reviews of gender-based pay are completed and that the Board's longstanding commitment to a living wage policy will be maintained.

The Board is also conscious of the need to attract and retain the right calibre of senior colleagues to ensure it can continue to deliver for all stakeholders.

As indicated above, the Committee assesses performance across a balanced scorecard of metrics. Each item has a level of threshold performance that needs to be met.

The range of factors used in the annual performance scorecard, which applies to all Senior Post Holders, includes measures on quality of delivery, financial performance, health and safety, people, learner and customer satisfaction and delivery of key strategic projects.

Having compared salaries externally, taken account of the performance of the organisation and that there were no changes in roles, the standard organisation-wide approach was applied to senior post holders, this being a non-consolidated increase of 1%, alongside the suspension of the 10% performance element. Overall, this resulted in 2019/20 in a reduction in senior leaders' remuneration.

Relationship of CEO/Accounting Officer pay and remuneration expressed as a multiple:

	2020	2019
CEO/Accounting Officer's basic salary as a multiple of the median of all staff	7.4	7.2
CEO/Accounting Officer's total remuneration as a multiple of the median of all staff	7.9	8.3

The executive and leadership team's voluntary reduction of 10% in available earnings, through the suspension of the performance related element of pay, and the organisation-wide, non-consolidated increase of 1% were also applied in the year to the CEO's pay and remuneration.

The 2019/20 Annual Remuneration Report was presented to the Group Board on 15th December 2020.

Governor remuneration

In accordance with the permission granted by the Charity Commission, modest remuneration of trustees was commenced in April 2018. The quantum of such remuneration is reviewed and set by an Independent Review Panel, with all members being external to LTE Group. For 2018/19 the membership of the panel comprised Mr C Memmott (Manchester Chamber of Commerce), Mr Richard Caulfield (AoC North west) and Mr Dave Powers (One Manchester).

Details are disclosed in the notes to the financial statements under related party transactions (note 23).

Reputation

The Group and its constituent units have a strong reputation, and leading positions, locally and nationally. Newly developed and launched brands have established themselves quickly with strong identities in their relevant sectors.

Novus has continued to retain and win new contracts, in particular under the Prison Education Dynamic Procurement System (PEDPS) including the retention of the Yorkshire Information, Advice and Guidance (IAG) contract, annual value c£0.8m plus wins in Tees & Wear for Exit Services (£0.5m) and IAG (£0.7m). Novus is a MATRIX accredited provider in every region of its operations.

In 2019/20, the Novus QDP survey was not conducted as normal due to COVID-19, however information is available as at October 2019. For adult provision Novus demonstrated strong learner satisfaction at that point, with results showing that 86% (2019 – 89%, 2018 – 90%, 2017- 88%) of learners are satisfied with their study programme and 90% (2019 – 89%, 2018 – 91%, 2017 – 90%) are satisfied that they have made good progress.

In 2019/20, the College won two awards at the prestigious AoC Beacon Awards. The first award collected was the Jisc Award for effective use of Digital Technology in further education, and the second was The Careers and Enterprise Company Award for Innovation in Careers and Enterprise, which celebrates outstanding examples of innovative leadership and practice. The College were also finalists in the prestigious TES FE Awards and are finalists in 7 categories in the Educate North Awards.

In June 2017, the Teaching Excellence Framework (TEF) Panel judged that "UCEN delivers high-quality teaching, learning and outcomes for its students. It consistently exceeds rigorous national quality requirements for UK higher education" and a descriptor of Silver was awarded. This is a good outcome and positions UCEN Manchester favourably in respect of current and potential students, and other key stakeholders as this is a national quality award. UCEN Manchester successfully applied to register with the Office for Students (the new higher education regulator) and was added to OfS Register in February 2019.

During 2019/20 UCEN Manchester underwent a Quality and Standards Review conducted by the Quality Assurance Agency (QAA), examining four aspects of the Quality Code regarding support for students. The review concluded that all four aspects "met requirements with a high level of confidence", the most positive outcome obtainable.

Student satisfaction at UCEN Manchester saw a further improvement in 2019/20, as reflected in the results of the National Student Survey (NSS). This saw overall satisfaction improve by 2 percentage points to 83% (2018/19: 81%), with satisfaction with Assessment and Feedback improving 6 percentage points to 84% (significantly above benchmark) and Teaching and Learning being rated at 85% (2018/19: 84%). The overall rate is a 2 percentage points increase on the strong performance seen in the prior year and equal to or above the GM universities.

Total People is a Grade 2 "good" provider as identified by OFSTED at inspection in May 2017. Total People is a MATRIX accredited provider, which provides assurance on the quality of the independent information, advice and guidance for both potential and existing customers.

MOL's customer satisfaction data is the highest amongst their competitors, with a Feefo score of five stars qualifying for a Gold Trusted Service Award, and a Trustpilot score of 4.8 – at or above level of all main competitors. MOL also holds the highest accreditation with CiPD. MOL provides professional courses for learners who are currently employed in their specialist field. The demands of work, life and study mean that learners are looking for a flexible programme that they can fit around their busy lives. Supported by our Virtual Learning Environment, MOL offers several live online programmes that enhance flexibility and has seen a steady increase of learners opting for this approach.

Trade union facility time

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

Numbers of employees who were relevant union officials during the relevant period	FTE employee number
42	5.34

Percentage of time	Number of employees
0%	5
1-50%	35
51-99%	2
100%	0

Total cost of facility time	Total pay bill	Percentage of total bill spent on facility time
£125,322	£105,692,037	0.12%

Time spent on paid trade union activities as a percentage of total paid facility time
9.6%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During 2019/20, on average LTE Group made payments to 95% suppliers within 17 days, well within the Treasury target of 30 days (2018/19: 17 days). The Group incurred no interest charges in respect of late payment for this period.

In 2019/20, to ensure service continuity during and after the COVID-19 crisis, the Group applied PPN 02/20, to help to maintain cash flow in the supply chain and protect jobs. This contributed to a lower trade payables balance at 31 July 2020. PPN 02/20 was applied once the required conditions were met and the Group gave due consideration to value for money. In future reporting periods, the Group will continue to reflect any further changes in Government contracts payment terms into our supply chain.

In the future reporting period, the Group anticipates changes in Government contracts that will result in an extension in payment terms. This, in turn, may impact on the Group's payment terms with sub-contractors.

PRINCIPAL RISKS AND UNCERTAINTIES:

The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

During the year, the Group has further developed and embedded the system of internal control, including financial, operational and risk management which is designed to protect the Group's assets and reputation.

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

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

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

Handling the COVID-19 crisis

As noted in the strategic plan section, in early 2020, like thousands of other organisations, we faced up to one of the most challenging periods for the Group as the COVID-19 outbreak rapidly took hold and impacted every part of our business. The key risks emerging from this crisis have been included in the list below of principal risk factors that may affect the Group.

The health and wellbeing of all our colleagues and students is of fundamental importance to the Board. Following the Prime Minister's lockdown announcement on 23 March 2020 to try to control the spread of COVID-19, the Board, together with the executive and leadership team, acted quickly and decisively to commence the temporary closure of all our campuses and offices. This was completed within 48 hours of the government announcement, although arrangements were put in place to continue providing education to certain specific groups of learners as per government guidelines.

Throughout the lockdown period, the Board worked closely with the executive and leadership team and held several additional virtual Board meetings. This was to ensure that key risks emerging from the crisis were quickly identified and their potential impact on the Group understood, so that action could be taken swiftly, and the necessary risk mitigations put in place.

Extensive and unprecedented arrangements were made to ensure that learning could continue through a variety of on-line learning arrangements and, in particular, support was provided to learners due to take exams or complete courses. Equally, colleagues in Novus worked extensively with HMPPS to ensure that learning packs were available whilst prisons put their own specific measures in place to control the spread of COVID-19 in the prison estate.

Strong business continuity planning enabled the Group to protect colleagues through mobilisation of homeworking and ensured the business continues to deliver learning and skills to our students, apprentices, and working professionals. We were able to ensure our service was maintained and teams had the tools to do their jobs remotely. Our IT team capability has enabled us to switch over 3,000 people to home or flexible working and in addition supported the switch of many thousands of learners to online learning/assessment. Line managers quickly moved to new ways of engaging teams to maintain morale and respond with resilience to the emerging challenging situation.

As the lockdown restrictions eased, the Board monitored the phased reopening of our campuses. By the start of September 2020, all our campuses were operational and 100% of our students in the College were able to participate in learning on site. Risk management processes were implemented, including robust risk assessments, that are run in conjunction with our trade unions in managing COVID-19 and recommencing on site activity or returning to delivery We have invested in our in-house track and trace team, which is working well, with our processes so far indicating no at work COVID-19 transmission. Also, our student body appear to have a lower incidence rate than peers in the university sector.

Throughout the whole of the lockdown period and beyond, our SHE team have played a vital role. They ensured the safe temporary closure of our campuses and offices and continued to regularly check that these closed sites remained safe throughout lockdown. They were also instrumental in the reopening of campuses with a robust risk assessment process, helping us establish and implement extensive COVID-19 working practices and protocols to enable our colleagues and students returning to site to do so safely and in compliance with the Government's social distancing measures.

The most recent Group wide colleague survey was carried out in July and August, with a response rate of 64%, which is well above the Best Companies Index survey average. Most business units have seen significant increases in their engagement scores and some teams are now comparing well with best in class. This response indicates that, despite the challenges of COVID-19, we are supporting our people in line with our values and that people are reassured by our approach. This has also been recognised externally, as our Group-wide COVID-19 and Wellbeing campaign was awarded Highly Commended status in this year's national FE First Awards.

The Group is committed to the wellbeing and long-term futures of all our learners, and despite the country entering a second national lockdown in November 2020, all our campuses have remained open. Mindful of the impact that this second lockdown may have on our colleagues' wellbeing, in November 2020 we have launched another Group wide colleague survey, to help us to understand how we can best support our colleagues in being safe and keeping health.

STRATEGIC AND OPERATIONAL RISKS

We have based our review below on the top ten risks from the LTE corporate risk register as reviewed by the executive and leadership team, the Audit & Risk Committee, and LTE Board.

1. The current second nationwide lockdown, and any future lockdowns, could impact our ability to maintain a safe working environment for our colleagues and learning environment for our students.

   Our mitigations include:

   - Thorough plans are in place for move to online learning if required. Colleagues have already demonstrated that working from home is successful.

2. If the Estates Strategy is not delivered successfully to plan, then we may not be able to provide the appropriate learning environments and improved overhead cost base required to deliver the training and skills needs for our 2020/25 vision.

   Our mitigations include:

   - Securing disposal proceeds according to plan timetable.
   - Planning for, and mitigations for, any delays in the programme or overspends.
   - Delivering EBITDA to support debt service costs.

3. FE sector reform, which may include organisational structure change, could limit autonomy to set strategy and curriculum. Associated with this are any further cuts in government funding in any of ESFA, MoJ, OfS, or Apprenticeship funding, which could be made with minimal notice, making it very difficult to manage the implementation of medium-term strategies.

   Our mitigations include:

   - The Group has decreasing reliance on continued government funding through one single stream. We receive significant funding from all of ESFA, MoJ, OfS, GMCA, as well as earning significant multi-year commercial contract income, full cost fee income and adult loans thus diversifying and spreading risk.
   - By ensuring the Group is rigorous in delivering high quality education and training.
   - Ensuring the Group is focused on those priority sectors that will continue to benefit from public funding and ensuring that the offer is in line with the Greater Manchester Skills needs.
   - Regular dialogue with funding bodies and active participation in national consultations.

4. Changes to government policy, e.g. further changes to the Apprenticeship Levy Reforms; FE sector reforms (upcoming white paper).

   Our mitigations include:

   - Although the apprenticeship reform agenda has led to a decline in delivery volumes within the sector as employers are still exploring and understanding the new funding and delivery models being introduced, the replacement of frameworks with standards has been positive and there have been some signs of increased employer engagement. Standards have also delivered better pricing for many courses.
   - The changes by the government to release more funding to non-levy employers through the increased opportunity to “gift” and the reduced employer contribution have also proved to be helpful.
   - The Group’s Research, Planning and External Relations functions advise on public policy, business improvement, product development, and group strategy, and on the impacts of a range of external demands, policies and agendas on the Group and all the business units.
   - Having the ability to attract and retain the right calibre of senior colleagues with the knowledge and experience to enable us to successfully navigate any changes in the landscape. For example, our newly appointed Managing Director of Total People was at the forefront of the transition from frameworks to standards. As the chair of the Trailblazer group for the Chartered Manager Degree Apprenticeship Standard, and along with the CMI, she led the group in the writing and development of the first ever degree level management apprenticeship. Similarly, our Principal of The Manchester College is the chair of the Greater Manchester Colleges Group, an influential regional group of college leaders.

5. Our ability to deliver on contract wins, for example within the offender learning sector.

   Our mitigations include:

   - We are diversifying via tender bids to protect against any change in focus that government policy may bring. We need to ensure we can deliver to the service levels while managing associated costs.

6. If we don’t maintain efficient and robust business systems (e.g. core infrastructure, servers, as well as HR, Finance and Payroll systems), this could limit our ability to adapt to changes in the business environment and hinder the achievement of our 2020/25 vision

   Our mitigations include:

   - The continued development of our Group Operations, a central professional support organisation, which has been of benefit across the whole Group. This organisation has achieved many nationally recognised industry standards in IT and Health and Safety.
   - Continued investment in core systems such as the finance system, the HR system, existing systems to support on-line learner enrolments and our on-line training system.
   - Specific focus on cyber security, and maintenance of business continuity readiness.

7. Maintain adequate funding of pension liabilities.

   Our mitigations include:

   - Teachers Pension scheme (TPS) increases have been funded for the period to March 2022. However, the Group will continue to consider its strategic options given the potential increases in both TPS and Local Government Pension Scheme (LGPS) schemes.
   - In line with the requirements of FRS 102, the Group’s share of the Local Government Pension Scheme (LGPS) deficit is reported on the Group’s balance sheet. In 2019/20, this deficit increased by £30.2m to £61.1m (2018: £30.9m). Throughout 2019/20, the Group maintained the required employer contribution set out by GMPF of 18.1% (2018/19: 18.1%). The GMPF reports (published on the LGPS Advisory Board website) show this contribution level set to continue through to 2023.
   - For all LGPS Funds, investment returns have been extremely volatile over the latter part of the period as a result of the pandemic. For many Funds, the significant asset losses experienced in Q1 2020 have been recovered in Q2. However, the default financial assumptions at 31 July 2020 result in a significantly lower net discount rate compared to 31 July 2019, mainly arising from a fall in AA corporate bond yields. This serves to increase the value placed on the past service obligations, and for most employers will significantly outweigh the asset performance.
   - The most recent actuarial valuation (the “funding valuation”) carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that GMPF’s assets, which at 31 March 2019 were valued at £23,844 million (31 March 2016: £17,325 million), were sufficient to meet 102% of the liabilities (31 March 2016: 93%), i.e. the present value of promised retirement benefits, accrued up to that date. This has resulted in a modest surplus of £0.5m.
   - However, despite the improvement in the reporting funding level noted above (from 93% to 102%), in 2019/20 the amount recognised in the Group’s consolidated statement of comprehensive income and expenditure (the “accounting valuation”) in respect of the FRS 102 (28) pension charge and pension finance costs increased by £1.4m to £5.3m (2018/19: £3.9m).
   - Therefore, the Group Board and Executive Team are of the opinion that the FRS 102 accounting valuation of the current service cost, compared to the view of the GMPF scheme in general, is a prudent approach to the health of the scheme (whilst acknowledging it is in line with the accounting requirements).

8. Failure to agree the implementation of Project Connect (our people and reward-related change programme) with trade unions.

   Our mitigations include:

   - Project Connect will create a fairer, transparent and more uniform approach to reward, recognition and career development. We are working with union colleagues on developing an affordable and sustainable framework that will reflect expectations of colleagues.

9. Income assurance underpinning EBITDA generation.

   Our mitigations include:

   - As can be seen from the comments above on income diversification, contract delivery, and response to apprenticeship reforms, we are very focussed on assuring the Group income. In addition, we hold a contingency at group level for unforeseen circumstances. We note the Prime Minister's commitment to significant investment from April 2021 for reskilling and upskilling (especially of adults) and are currently digesting the anticipated changes arising from the recently announced 2020 Comprehensive Spending Review (CSR).

10. Tuition fee policy.

    The co-funded fee assumption for adult further education provision remains at 50%. In line with the majority of other colleges, The Manchester College will increase tuition fees in accordance with the fee assumptions. However, fewer learners are assessed as co-funded as more fall into the Advanced Learner Loan category or are employed and eligible for full funding due to low wage.

    Higher Education tuition fees are competitive locally and reviewed annually. For 2020/21 entrants all years' tuition fees range from £7,000 to £8,900, with the higher rate for the resource intensive subjects. The Teaching Excellence Framework rating of silver supports the College position versus competition favourably. As more fees are payable by loan it is uncertain the impact this will have on learner numbers.

    Our mitigations include:

    - By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
    - Close monitoring of the demand for courses as prices change and careful management of any fee increases.
    - Robust Student Loan and Credit control procedures.

11. Failure to maintain the financial viability of the FE Corporation.

    Our mitigations include:

    - LTE executive and Board have focussed heavily on cash management, creating contingencies in operating and capital expenditure, and doing the right things early, for example restructure where necessary to create sustainability.
    - The Group's current financial health grade is classified as "Good" as described above. This is largely the consequence of a consistently strong operating performance, management of cash and delivery on strategic objectives across several years. Notwithstanding that, ongoing vigilance is needed to guard against the continuing impacts of COVID-19, government funding fluctuations, policy changes, or changes prompted by Brexit in any future Comprehensive Spending Review.
    - This risk is mitigated by rigorous budget setting procedures and sensitivity analysis, including real and active financial contingencies in budgets, regular in year budget monitoring, robust financial controls, exploring ongoing procurement efficiencies, tendering for new contracts with a focus, where possible, on long term multi-year contracts.
    - The Estates Strategy to rationalise the estate will generate operating efficiencies that underpin medium to long term sustainability.
    - The Group currently has debt of £49.7m after securing new funding from Santander and MCC, up from £37.7m last year. The EBITDA generation is at the appropriate level to service this debt.
    - The Group has a strong relationship with both our external funders, Santander and MCC, who both attend regular stakeholder meetings on the estates strategy.

Health and Safety

The number of RIDDOR incidents reduced by 1 in 2019/20, to 8 incidents (2018/19: 9 incidents).

Policy and Arrangements

Stakeholders understand roles and responsibilities. Policies, procedures and guidance are appropriate to Group activities and available to stakeholders. Failure to deliver may result in non-compliance with regulatory requirements. An effective Safety, Health and Environment (SHE) policy provides direction and defines/communicates roles, responsibilities and authorities for identifying hazards, managing risks, preventing incidents and improving work processes. LTE Group will develop its organisational arrangements to ensure: a sensible and proportionate approach to SHE management is evident; foreseeable risks are controlled; colleagues, learners, partners and visitors understand roles and responsibilities.

Additional Controls:

- ISO 45001 Accreditation
- ISO 45001 Surveillance Audits

Communication and Engagement

LTE Group encourages participation of colleagues, learners, partners and visitors. Positive behaviours are recognised and encouraged. The LTE Group encourage participation in SHE matters by:

- Raising stakeholder awareness of SHE performance and requirements;
- Embedding an understanding of hazard and risk;
- Encouraging stakeholder participation in SHE initiatives;
- Communicating SHE performance and requirements to stakeholders.

Additional Controls:

- Introduction of Safety Committee meetings
- Inclusion of SHE on operational review agendas
- Monitor progress against KPIs
- Improved staff recognition
- Greater emphasis on near miss and potential concern reporting

Developing strong capability in Emergency Planning

Our emergency plans have been activated during the pandemic and we are continually reviewing our actions and processes. Once we have returned to a new way of working, a series of desktop reviews will take pace to test effectiveness of arrangements and to ensure that our plans are updated and include any lessons learnt.

From the onset of the COVID-19 pandemic and onwards, swift actions have been taken to ensure the health and safety of our colleagues. In line with government advice, this has included the implementation of remote working, social distancing, risk assessments and safe systems work supported by Mobilisation Guidelines for Managers.

Additional Controls:

- LTE Group business continuity plan
- Planned preventative maintenance scheme and compliance calendar

Going concern

The Group believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks. The Group has in place a five-year financial plan to 2025. However, during spring and early summer 2020, as the Group progressed through COVID-19 planning, a different view of our baseline emerged for the first year of the 2025 plan. This view was developed through a series of strategic workshops in May, June and July. This plan takes a "Resilience" based approach to 2020/2021, for operating in a COVID-19 environment. The "Resilience" plan provides for a greater level of central contingency than in previous years. Through restructuring, it also addresses known COVID-19 related impacts on income or demand, to alter the cost base in key units. It also enables key elements of future strategy to progress, such as the estates infrastructure programme. A key part of the scenario testing work that went into the board workshops was a three-year cash view supported by a detailed, integrated 24-month cash flow forecast, which links to the two budgeted years.

These cash flow forecasts have been based on the sensitised due diligence work undertaken by KPMG, as part of the process earlier in the financial year to raise external funding for the estates strategy. The sensitivities included several reasonably possible scenarios and are regularly updated and reviewed by both the executive team and governors. Our planning process is detailed and thorough, and is again reviewed by executive team and governors, with assumptions and sensitivities tested to ensure that there is headroom in our cash generation to cover any potential risks. Key risks such as reductions in funding, the introduction of the apprenticeship levy, the economic situation and our estates strategy, along with reasonable mitigating actions have been factored into the sensitivities which have been performed on the 24-month cash flow. Given that the 24-month sensitised cash flow demonstrates that the group would maintain sufficient cash balances throughout the members of the Corporation, as charity trustees, have concluded that it is appropriate to prepare the financial statements on the going concern basis.

The Group's recent cash performance has been strong with a high year end balance, ahead of forecast and budget, which continues into the first half of 2020/21. Further development funding will be drawn down from an agreed facility with Santander to support the estates build (which is on timeline and to budget) and disposals are progressing well with strong interest in the form of formal offers in the two main high value sites at above our business case.

Brexit

The implications of the impending Brexit deadline for organisations are, in most cases, still not yet clear but the Group is continuing to review what the key implications and impacts are likely to be. Factors likely to be specifically relevant to the Group include the following:

- The availability of European Social Funds in the future or the replacement "Shared Prosperity Fund" and post-Brexit.
- Tuition fees from international students are anticipated to be minimal in future years.
- A likely positive impact post-Brexit, from restrictions of movement of labour, is a knock on impact to upskill, retrain and develop more UK residents to fuel economic growth.

Equality, Diversity and Inclusivity

The LTE Group is committed to providing an environment where everyone is valued as an individual, and where learners and staff can work, learn, flourish and develop their skills and knowledge in an atmosphere of dignity and respect. One of the elements we encourage learners across the Group to focus on is progress. It is a key ingredient to their success, so it's important for our organisation to take positive steps forward too. It is heartening to see us build on the momentum of previous years by making progress with regards to equality, diversity and inclusivity in our Group.

Promoting equality is more than a statement of how we as a Group will meet statutory requirements, it is an essential part of how we operate and fundamental to the values and mission of our Group. They are a shared commitment across LTE Group, Novus, Novus Cambria, The Manchester College, UCEN Manchester, MOL and Total People.

We intend to promote equality and prevent discrimination through our role as:

- An Education Service provider
- An employer
- Community and/or business partner

The scope of the Strategy covers the nine 'protected characteristics' defined in law:

- Age
- Disability
- Gender Re-assignment
- Marriage and Civil Partnership
- Pregnancy and Maternity
- Race
- Religion and Belief
- Sex
- Sexual Orientation

The overall purpose of the Strategy is to ensure that for each of the 9 protected characteristics listed the Group will:

- Eliminate discrimination, harassment and victimisation
- Promote equality of opportunity
- Foster good relations between people from different groups
- Celebrate what we have in common and capitalise on our diversity and recognise and take account of people's differences
- Promote student and staff inclusivity through promoting the understanding of sex and gender, challenging stereotypes and prejudices.

It is also our job to continue to be ambitious in our goals for equality, diversity and inclusivity both for every student we teach and for every member of staff we employ. Through this Strategy we hope to characterise our vision to embrace our wider differences, respond to the changing political and legal landscape and ensure that we are furthering inclusivity in our policies and practice. We publish our Equality and Diversity updates annually online to ensure compliance with all relevant equality legislation including the Equality Act 2010. The Group also publishes its annual Gender Pay Statement in January, in accordance with legislation.

Disability Confident

The LTE Group is a Disability Confident employer and has undertaken to:

- ensure our recruitment process is inclusive and accessible
- communicate and promote vacancies
- offer an interview to disabled people
- anticipate and provide reasonable adjustments as required
- support any existing employee who acquires a disability or long term health condition, enabling them to stay in work
- make a difference for disabled people

The LTE Group seeks to achieve the objectives set out in the Equality Act 2010 (which brings together and restates the previous legislation in this area).

Each Operating Division complies with the Equality Act 2010 and the regulatory guidelines for its sector as appropriate, including funding regulations and MoJ guidelines for HM Prison Service.

Mental Health and Wellbeing

We recognise that we have a responsibility to create an environment that promotes student and staff wellbeing and that proactively supports student and staff mental health. We:

- Ensure that wellbeing and mental health work is led by a senior manager and supported by a member of staff with particular responsibility for mental health
- Have a wellbeing and mental health policy accompanied by a clear implementation action plan which is monitored regularly and reviewed annually
- Create an open and inclusive college ethos which includes respect and support for those with mental ill health
- Promote equality of opportunity and challenge mental health stigma through curriculum teaching and also promote wellbeing through enrichment activities
- Provide appropriate mental health training for staff
- Engage the student body on mental health and wellbeing by working with the Students' Union and other student representative bodies
- Ensure a consistent and positive approach to staff wellbeing
- Provide targeted individual mental health support and where appropriate signpost to independent, external support services procured by the college
- Provide relevant information to parents and carers
- Further develop our effective links with local health and voluntary sector mental health groups
- Promote the benefit that physical activity and sport has on mental wellbeing

As a result of the COVID-19 pandemic, the Group has carried out further additional activities related to wellbeing with the Stay Safe, Work Well campaign.

Black Lives Matter

Having observed events globally, the LTE Group felt it was important to reflect on actions that will make a real difference and help to deliver fundamental change that goes beyond making symbolic gestures. As a Group we have always been, and always will be, committed to standing up against racism, promoting inclusion and equality and educating against hate. However, during this period of reflection it became evident that we need to think about reshaping and re-educating our institution to make sustained and systemic change.

The Group Executive team are committed to supporting this long-term review, re-education and change to ensure that in response to this very clear civil rights issue, and to working together as a community to co-create a new future for our organisation. As such, we have started the process of engaging with our internal and external stakeholders and implementing change in earnest. The first phase of our work falls into three key areas.

- Stakeholder engagement; including colleagues, stakeholders, students and Student Union.
- Re-education; through formal training for colleagues and students, targeted at improving equality and diversity and tackling unconscious bias.
- Independent support and challenge; through appointment of an external agency to ensure our response leads to fundamental, lasting and meaningful change.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that so far as they are each aware there is no relevant audit information of which the Group's auditors are unaware. 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 Group's auditors are aware of that information.

This Strategic Report was approved by order of the Corporation on 15 December 2020 and signed on its behalf, on 18 December 2020, by:

Philip Johnson

Chair of LTE Group Board

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

LTE Group endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);

ii. in full accordance with the guidance to colleges from the Association of Colleges in Code of Good Governance for English Colleges ("the Governance Code");

iii. including the Senior Post Holder Remuneration Code; and

iv. having due regard to the UK Corporate Governance Code 2018 ("the Code") insofar as it is applicable to the further education sector.

LTE Group is committed to exhibiting best practice in all aspects of Corporate Governance and in particular LTE Group has resolved to adhere to and comply with the Code of Good Governance for English Colleges. It has not adopted and therefore does not apply the UK Corporate Governance Code. However, the corporate governance arrangements of the Group draw upon best practice available and have due regard to the principles and guidance of the UK Corporate Governance Code, insofar as they apply to the further education and charity sectors.

In the opinion of the LTE Group Board, LTE Group has complied with the provisions of the Code of Good Governance for English Colleges, throughout the year ended 31 July 2020. The LTE Group Board recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of Corporate Governance at all times. This includes compliance with the ongoing conditions of registration stipulated by the OfS. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges which was published by the Association of Colleges in March 2015 and which was formally recognised by the Board of Governors in May 2015.

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

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2020 and concluded that the Corporation had undertaken its duties and responsibilities to a high standard during the year 2019/20.

LTE GROUP BOARD

The composition of the LTE Group Board is set out on pages 48 and 49. It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Group Board is provided with regular and timely information on the overall financial performance of LTE Group together with other information to enable it to discharge its strategic and statutory responsibilities under s.18 of the Further and Higher Education Act 1992. This includes information on performance against funding targets, proposed capital expenditure, estates strategy, quality matters and related matters such as risk, health and safety and environmental issues. The Group Board meets quarterly.

The Group Board conducts its business through a structure of Divisional Boards and cross group Committees. Each Board and Committee has terms of reference, which have been approved by the Group Board. For 2019/20 the Divisional Boards were: The Manchester College, UCEN Manchester, Novus and Group Operations. The cross group Committees were: Audit & Risk, Appointments, Governance, Remuneration and the Investment and Estates Strategy Group. From time to time the work of the Board may be augmented by Single Task Groups (STG), established under generic terms of reference as required. No STGs were convened during 2019/20.

In order to undertake effective and appropriate governance of the Group, the Group Board augmented the membership of Divisional Boards and cross group Committees with a number of co-optees with appropriate professional expertise.

Full minutes of all meetings, except those deemed to be confidential, are available on the LTE Group website www.ltegroup.co.uk or from the Legal & Governance Department at:

LTE Group, Whitworth House, Ashton Old Road, Openshaw Manchester M11 2WH

The Company Secretary & General Counsel maintains a register of the financial and personal interests of Governors and Co-optees. 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 LTE Group's expense and have access to the Company Secretary & General Counsel, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Company Secretary & General Counsel are matters for the LTE Group Board as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to the LTE Group Board meetings. Briefings are also provided on a regular, but ad hoc, basis.

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

There is a clear division of responsibility in that the roles of the Chair of the LTE Group Board and the Chief Executive Officer of the LTE Group are separate.

There were four ordinary meetings of the LTE Group Board in 2019/20 (15 October 2019, 17 December 2019, 31 March 2020 and 14 July 2020) and three special meetings (13 September 2019, 5 February 2020 and 11 June 2020).

Coronavirus Act 2020 – Arrangements for the continuance of corporate governance

At the meeting of the Corporation Board of LTE Group on 31 March 2020, the following temporary measures were agreed to ensure the continuance of corporate governance throughout the COVID-19 crisis:

- The use of technology for remote meetings.
- The establishment of a COVID-19 task group from 31 March – 17 July 2020 comprising the Group Chair, the Chair of Audit and Risk and an Interim Vice-Chair (John Hacking) to authorize any urgent decisions as required by the CEO (with Standing Orders temporarily varied to allow for delegated authority in the normal course of business assigned to the Chair to instead be assigned to the COVID-19 task group).
- Temporary alternative arrangements for the authentication of the seal (with the temporary variation to the Articles of Government to reflect this).

APPOINTMENT TO THE LTE GROUP BOARD

LTE Group Board recognised the service over many years of its Chair Cllr Sue Murphy CBE, who sadly passed away in April 2020. Philip Johnson was appointed as Chair of LTE Group Board on 11 June 2020.

Any new appointments to the LTE Group Board are a matter for the consideration of the Group Board of as a whole. The Group Board has an Appointments Committee which is responsible for the selection and nomination of any new member for the Group Board's consideration (other than staff and student members). The Group Board is responsible for ensuring that appropriate training is provided as required.

Members of the LTE Group are appointed for three terms of office not exceeding three years.

Ms Liz Jacques was elected as a staff governor with a term of office commencing on 20 October 2020

Mr Barry Lynch was re-appointed for a further term from 12 December 2020

Mrs Pauline Waterhouse OBE was re-appointed for a further term from 12 December 2020

Mr Malcolm Sugden was re-appointed for a further term from 18 July 2020

Mr Tim Sargeant was appointed for a first term of office from 13 September 2019

Ms Modupe Dosumu was appointed as student governor (for the academic year 2020/21) on 20 October 2020

MEMBERS

Those serving on the LTE Group Board during 2019/20 and up to the date of signature of this report are set out in the table below. This also lists which of the Boards of the subsidiary companies they served on during 2019/20:

Name	Date of appointment	Term of office	End of membership	Reason	Status of appointment	Committees served	Attendance in 2019/20
Ms A Bodhania	01.09.18	3 years			Staff member		6/7
Ms J Burden MBE	08.12.18	3 years			Independent member	TMC Board, Governance	11/18
Mrs P Cole	16.07.19	3 years			Independent member	Audit & Risk	10/10
Ms Modupe Dosumu	20.10.20	1 year			Student member	UCEN MCR Board	N/A
Cllr J Hacking	13.09.19	3 years			Independent member	TMC Board, UCEN MCR Board, Appointments, Remuneration	16/19
Ms L Jacques	20.10.20	3 years			Staff member		N/A
Mr P Johnson	08.12.18	3 years			Independent member	Group Operations Board, Novus Board, Investment & Estates Strategy Group, Governance	19/22
Mr P Lanigan	25.05.18	3 years			Independent member	Audit & Risk, MOL, Total People Ltd, Remuneration	19/21
Mr B J Lynch	12.12.20	3 years			Independent member	Novus Board, Group Operations Board, MOL, Total People Ltd, Governance	26/29
Ms K Michel	02.04.19	3 years	19.10.20	Resignation	Independent member	UCEN MCR Board	8/11
Mr A Mills	13.09.16	3 years	13.09.19	End of term of office	Independent member	Governance	N/A

Name	Date of appointment	Term of office	End of membership	Reason	Status of appointment	Committees served	Attendance in 2019/20
Cllr S Murphy CBE	15.02.19	3 years	07.04.20	Death in office	Independent member	Novus Board, Novus Cambria, MOL, Total People Ltd, Appointments, Remuneration, Governance	4/21
Mr P Pritchard	01.09.18	3 years	18.02.20.	Resigned	Staff member		2/3
Ms B Rockey	15.10.19	1 academic year	31.07.20	End of term of office	Student Member	UCEN MCR Board	4/11
Mr T Sargeant	13.09.19	3 years			Independent member	Group Operations Board	10/11
Mr M Sugden	18.07.20	3 years			Independent member	Audit & Risk, TMC Board, Novus Cambria, Remuneration	23/23
Mr J Thornhill	01.10.12	Ex officio			C.E.O.	Appointments, MOL, Total People Ltd, Novus Cambria, Investment & Estates Strategy Group	18/21
Mrs P Waterhouse OBE	12.12.20	3 years			Independent member	TMC Board	10/12
Mr A White	25.05.18	3 years			Independent member	Investments and Estates Strategy Group	11/13

Members' attendance is calculated on the basis of the actual number of meetings attended out of the potential total number of meetings for each member. The potential total number of meetings differs for each member, based on the number of boards/committees they sit on.

*Includes both ordinary and special Group Board meetings and ordinary and special Committees or Divisional Boards as appropriate.

Mrs J Foote MBE serves as Company Secretary & General Counsel which encompasses the role of Clerk to the Board of Governors.

Co-optees

To enhance the effectiveness of its governance profile LTE Group Board appoints a number of Co-optees to Divisional Boards and Committee with specific professional skills and knowledge. These individuals add specific professional skills and knowledge to the membership of that Board/Committee and do not act in the capacity of trustee.

The following appointments were made by LTE Group Board during the year:

Ms Kimoni Bell was appointed for a first term from 15 October 2020

Ms Jess Draper was appointed as student co-optee of The Manchester College until the end of the academic year 2019/20

Ms Nikaeya Ridyard was appointed as a student co-optee of The Manchester College Board for one academic year from 20 October 2020

Name	Date of Appointment	Term of Office	End of Appointment	Board or Committee
Ms Kimoni Bell	15.10.20	3 years		UCEN MCR
Mr Ged Barlow	02.04.2019	3 years		Total People ltd/ MOL
Mrs Monica Brij	31.07.2019	3 years		IESG, Novus
Mr Paul Candelent	31.07.2019	3 years		IESG, Audit & Risk
Ms Jess Draper	31,03.20	1 academic year	31.07.20	The Manchester College
Miss Louise Durose	31.07.2019	3 years		Total People Ltd/ MOL
Ms Frances Done CBE	28.03.2017	3 years	Resigned 13.08.20	Novus
Ms Catherine Hill OBE	02.04.2019	3 years		The Manchester College
Ms Kate Macdonald	02.06.2019	3 years	Resigned 25.10.20	Novus
Ms Nikaeya Ridyard	20.10.20	1 academic year		The Manchester College
Mr Peter Winter	31.07.19	3 years		UCEN MCR

GOVERNANCE STRUCTURE

As part of its strategic plan LTE Group has operated within a governance framework structured to recognise the delivery of education, skills and services by business unit and to enable a more detailed oversight, scrutiny and accountability of its operation. This is ameliorated by a series of cross group committees with oversight of key areas of accountability which impact the Group as a whole. Divisional Boards have been established to assure detailed governance and oversight of the Group's business units. None of the Divisional Boards have any powers of determination, other than those which may be granted explicitly by the Board for a specific purpose but are instead required to give assurance to the Board on the performance of the unit or recommend a course/ courses of action for determination by the LTE Group Board. The cross-group committees in operation during the year were: Audit & Risk, Governance, Appointments and Remuneration. The Investment and Estates Advisory Group has also been established to oversee the significant Estates Strategy currently being undertaken by the Group.

In furtherance of the social mission of the Group, two subsidiary companies either owned or controlled by the Group exist to deliver education and training under specific contracts or remits, with a third subsidiary existing to deliver specialist support services for education contracts. As companies and separate legal entities these operate under their own Articles of Association but the majority of Directors in each instance is appointed by the LTE Group Board.

APPOINTMENTS COMMITTEE

Throughout the year ended 31 July 2020 the membership of the Committee was made up of Cllr S Murphy CBE (until 7 April 2020), Cllr J Hacking and Mr J Thornhill and in attendance was the Company Secretary.

The Committee had no physical meetings in 20/19/20 conducting its business via electronic communication. The remit of the Committee was subsumed within the terms of reference of the Governance Committee during the year.

REMUNERATION COMMITTEE

Throughout the year ended 31 July 20, LTE Group's Remuneration Committee comprised Cllr J Hacking, Cllr S Murphy CBE (until 7 April 2020) and a member of the Audit & Risk Committee *ex officio* (in each instance being either Mr P Lanigan or Mr M Sugden), and in attendance was the Company Secretary. The Committee's responsibilities are to make recommendations to the Board of Governors on the remuneration and benefits of the CEO and other senior post holders.

The LTE Group Board has adopted the AoC Senior Post Holder Remuneration Code and has considered all matters relating to senior post holder terms and conditions, including pay, in line with this. The AoC Code reflects the regulatory guidance on disclosure of senior post holder pay as required by ESFA and OfS.

Details of remuneration for the year ended 31 July 2020 are set out in note 10 to the financial statements. The Committee met on three occasions during 2019/20

AUDIT & RISK COMMITTEE

The Audit & Risk Committee comprised Mr P Lanigan, Ms P Cole, Mr P Candelent and Mr M Sugden. In attendance were the Company Secretary; representatives of LTE Group's financial statements and reporting auditors PricewaterhouseCoopers LLP; LTE Group's internal auditors RSM and Group Officers, including the Chief Finance Officer.

The Committee operated in accordance with written terms of reference approved by the LTE Group Board. Its purpose is to advise the Group Board on the adequacy and effectiveness of LTE Group's system of internal control and its arrangements for risk management, control and governance processes.

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

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

The Audit & Risk Committee advises the LTE Group Board on the appointment of both the internal and the regularity and financial statements auditors and on their remuneration for audit and non-audit work. The Audit & Risk Committee reports annually to the Group Board.

Other duties include:

i. the scrutiny of the Financial Statements/Report of Members
ii. to review LTE Group's Financial Statements
iii. to review arrangements for securing value for money, solvency and safeguarding assets
iv. to monitor compliance in respect of Freedom of information, Data Protection and public interest disclosure

The Committee met on three occasions in 2019/20.

INVESTMENT AND ESTATES ADVISORY GROUP

The Investment and Estates Strategy Group was established to have oversight of the investment and estates strategy of the Group. The Investment and Estates Strategy Group comprised Mr P Johnson, Mr J Thornhill, Mr A White, Mr R Cressey, Mrs M Brij, Mr P Candelent.

The Committee met on six occasions during 2019/20.

GOVERNANCE COMMITTEE

The Committee has oversight of the development of governance in the Group; including the performance of the Board and individual governors; it is required to make recommendations in respect of the skills needs of governors and co-optees required to deliver effective governance and from 2020 also has the remit to consider appointments prior to recommendation to the Board. In 2019/20 the Committee also considered the temporary arrangements required as a result of the COVID-19 pandemic and had oversight of the appointment of a new Group Chair following the sad loss of Cllr S Murphy CBE. The membership of the Committee comprised Ms J Burden MBE, Mrs J Foote MBE, Mr B Lynch, and Cllr S Murphy CBE (until 7April 2020 thereafter Mr P Johnson).

The Committee met on six occasions during the year.

DIVISIONAL BOARDS

All Divisional Boards are required to undertake the following duties as they relate to the relevant business area:

1. To monitor the performance of the relevant provision of the college against targets set by the Corporation
2. To develop relevant strategy
3. In respect of the relevant provision in the college, to have oversight of:
    i. the quality of teaching and learning (or delivery of professional services)
    ii. the learner/customer voice
    iii. the financial performance against budget
    iv. health & safety, safeguarding and equality & diversity
    v. risk management
    vi. HR/IT
4. To escalate any issues arising from the above to the attention of the Board of Governors
5. To approve any policies specific to the delivery of relevant provision, as delegated by the Board
6. In respect of the relevant provision, to consider any business case or investment plan prior to its recommendation to the Board
7. In undertaking the above the Divisional Board shall undertake appropriate engagement with relevant staff and student bodies.

The Manchester College Divisional Board

Throughout the year ended 31 July 2020 the membership of The Manchester College Divisional Board was made up of Ms J Burden MBE, Miss J Draper, Cllr J Hacking, Ms C Hill OBE, Mrs L O'Loughlin, Mr M Sugden and Mrs P Waterhouse OBE.

The Board met on five occasions in 2019/20.

UCEN Manchester Divisional Board

Throughout the year ended 31 July 2020 the membership of the UCEN Manchester Divisional Board was made up of Ms K Bell, Cllr J Hacking, Mrs L O'Loughlin, Ms K Michel, Mr P Winter and Ms B Rockey.

The Committee met on four occasions in 2019/20.

Novus Divisional Board

Throughout the year ended 31 July 2020 the membership of the Novus Divisional Board was made up of Mr B Lynch, Ms K Macdonald, Cllr Sue Murphy CBE (until 7 April 2020), Mr P Johnson, Mr P Cox, Mrs M Brij, Ms F Done CBE.

The Board met on four occasions in 2019/20.

Group Operations Board

Throughout the year ended 31 July 2020 the membership of the Group Operations Divisional Board was made up of Mr B Lynch, Mr P Johnson, and Mr T Sargeant. Mr P Taylor and Mr R Cressey were replaced by Ms A Hunter from February 2020.

The Board met on three occasions in 2019/20.

MOL Divisional Board

Throughout the year ended 31 July 2020 the membership of the MOL Divisional Board was made up of Mr B Lynch, Mr P Lanigan, Cllr S Murphy CBE (until 7 April 2020), Ms L Durose, Mr G Barlow, Mrs L Dean (until 31 December 2019), and Mr J Thornhill.

The Board met on four occasions in 2019/20.

WHOLLY OWNED OR CONTROLLED SUBSIDIARIES

Total People Limited

Throughout the year ended 31 July 2020 the membership of the Board of Total People Limited (a wholly owned company limited by shares) was made up of Mr B Lynch, Mr P Lanigan, Cllr S Murphy CBE (until 7 April 2020), Ms L Durose, Mr G Barlow, Mrs L Dean (until 31 December 2019), Mr R Cressey, Mr P Taylor (until 13 January 2020) and Mr J Thornhill. Mrs J Foote MBE was appointed Company Secretary.

The Board met on four occasions in 2019/20.

Novus Cambria

Throughout the year ended 31 July 2020 the membership of the Board of Novus Cambria (a joint venture company limited by guarantee and linked charity in partnership with Coleg Cambria) was made of Mr M Sugden, Cllr S Murphy CBE (until 7 April 2020), Mr J Thornhill, Mr P Cox, Mr D Jones OBE (until 31 December 2019), Mr S Jackson, Mr J Clutton and Ms Y Williams (from 2 January 2020). Mrs J Foote MBE was appointed Company Secretary.

The Board met on four occasions in 2019/20.

LTE Professional Services Ltd

Throughout the year ended 31 July 2020 the membership of the Board of LTE Professional Services Limited (a wholly owned company limited by shares) was made up of Mr P Cox and Mr P Taylor. Mrs J Foote MBE was appointed Company Secretary.

INTERNAL CONTROL

Scope of Responsibility

The LTE Group Board is ultimately responsible for LTE Group'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 Group Board has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer. The CEO is responsible for maintaining a sound system of internal control that supports the achievement of LTE Group's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding agreement between LTE Group and the funding bodies. He is also responsible for reporting to the Group Board any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Group 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 at LTE Group for the year ended 31 July 2020 and up to the date of approval of the strategic report and financial statements.

LTE Group retains the internal audit services of RSM Risk Assurance Services LLP, who conducts an annual programme of internal audit assurance and reports to the Audit & Risk Committee. In addition, the Finance Department monitors the implementation of the internal auditors' recommendations and reports separately on these to the Audit & Risk Committee.

Capacity to Handle Risk

The LTE Group Board has reviewed the key risks to which LTE Group is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Group Board is of the view that there is a formal ongoing process for identifying, evaluating and managing LTE Group's significant risks. This process has been in place for the year ended 31 July 2020 and up to the date of approval of the strategic report and financial statements. The process is regularly reviewed by the Audit & Risk Committee and the LTE Group Board.

The Risk and Control Framework

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

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

The Group's Safety Health and Environment (SHE) and Risk Director is responsible for LTE Group's Corporate Risk Register, and oversees the development and delivery of an Action Plan to manage identified risks. The Risk Register and Action Plan are reviewed by the Risk Management Group which meets regularly and consists of the senior managers responsible for the identified areas of risk. The work of this group is reviewed by the MD Group Operations and reported regularly to LTE Group's Audit & Risk Committee and LTE Group Board.

LTE Group has an internal audit service, which operates in accordance with the requirements of the *ESFA's Post 16 Audit Code of Practice.* The work of the internal audit service is informed by the analysis of the risks to which LTE Group is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Group Board on the recommendation of the Audit & Risk Committee. As a minimum annually, the internal auditor provides the Group Board with a report on internal audit activity in LTE Group. The report includes the internal auditor's independent opinion on the adequacy and effectiveness of LTE Group's system of risk management, controls and governance processes.

Risks Faced by the Corporation

LTE Group considers risk management to be an ongoing process and a key component of decision making and strategic planning. The Group acknowledges that effective risk management is essential for effective governance and realisation of strategic objectives and ambitions.

Ultimately, it is the LTE Group Board who is responsible for determining the nature and extent of the principal risks and uncertainties it is willing to accept in order to achieve the Group's strategic objectives.

The risk management process is overseen by the Audit & Risk Committee, to gain the necessary assurances on the efficacy of the process, to relay to the Board. The Board, through the Audit Committee, and/or where appropriate through other ad-hoc due diligence groups, evaluates the risks inherent in all major plans and proposals, including the identification of the steps that would be required to mitigate, eliminate and control such risks. This includes evaluation and review of business, operational, compliance and financial risks. Please see the principle risks and uncertainties section with the strategic report for a list of the principal risk factors that may affect the Group.

The Group has also taken additional measures to support the risk management process, including the appointment of a Safety Health and Environment (SHE) and Risk Director. The Group's SHE and Risk Director is responsible for providing Group oversight and direction in relation to risk management processes, and for the maintenance of the Group Corporate Risk Register. This register is designed to capture details of residual, current and target risk scores along with key controls and related actions for each risk identified. Business units across the Group are required to identify risk as part of their ongoing risk management arrangements and to update the register as required.

Underpinning the risk management processes is the Risk Management Policy, which describes the Group's approach to risk management and defines the roles and responsibilities of the various committees/forums and colleagues involved in the risk management process. In addition to the Risk Management Policy, the Group also has a Risk Management Manual in place which provides more detailed explanations of risk management activities, including the processes for identifying, assessing and reporting risk information.

Roles and responsibilities relating to risk management processes are detailed separately within the Risk Management Policy and the Risk Management Manual. This includes arrangements and timeframes in place for reviewing risk registers across the Group's governance framework.

All colleagues across the Group's business units are required to complete an online risk management training module as part of the Group's mandatory training requirements. The Group SHE and Risk Director receives a monthly training completion report highlighting completion levels in business units so that action can be taken to address any areas where completion levels are below target.

Impact of COVID-19 on Risk Management and the System of Internal Controls

At the onset of the COVID-19 crisis, a COVID-19 task group was formed, with representatives from across each of the business units. One of the initial aims of this task group was to produce a COVID-19 specific risk register, to identify both existing risks that were likely to be heightened by the crisis and any new risks emerging. This register was then used to generate a list of key priorities for each business function, and the Group as a whole, to ensure that these risks were being addressed and the appropriate mitigations put in place.

Following government advice, and to support and protect our colleagues and learners, the Group moved swiftly to full home working. Strong business continuity planning enabled a smooth transition with no disruption to key business processes, such as the monthly payroll process, invoice processing, secure supplier payments, income collection, regulatory returns and monthly financial reporting to our lenders and the Group Board. Contingency plans were put in place to mitigate the risk of multiple and concurrent COVID-19 absences, with regard to performing key tasks, and to ensure that segregation of duties was maintained. A top down review and risk assessment of all key financial processes was performed, and, where necessary, new controls designed and implemented, to enable the move to a new secure electronic payment approval process.

With increased working from home, a risk regarding data protection was identified, and so specific additional guidance was provided to all colleagues within the organisation. Prior to the re-opening of any sites, after the initial national "lockdown", a series of new controls, processes and policies were put in place. This included a revised risk assessment for the overall operation of the site and updated or new risk assessments for each activity to be undertaken. All managers conducting these new or updated risk assessments had to initially undergo mandatory additional on-line training, delivered by the Health and Safety team, in how to incorporate COVID-19 related risks into the risk assessment process. The opening of any site had to be approved by a member of the executive and leadership team, and the Health and Safety team not only review documentation, but are also conducting regular site visits and audits to ensure all the required controls are in place and working well. The output of these audits is reported to senior managers.

Shortly after the move to remote working, the Chief Financial Officer was advised by our banks and professional advisors that there was a significant increase in the amount of potential frauds and email scams circulating as a result of COVID-19. The Group responded quickly to this warning, with a communication going out to all colleagues from all business units to alert them to this increased risk and to give guidance on how to identify and respond to potential scams. In addition to this, guidance was also produced to outline a range of potential financial fraud risks, how each of these risks may be heightened due to COVID-19 and what actions should be taken by all colleagues to mitigate these risks.

Therefore, despite the disruption caused by the COVID-19 crisis, there has been no adverse impact on the Group's system of internal controls and the Group remains nimble in continually assessing and updating the control environment as the business conditions change.

Control Weaknesses Identified

The external and internal auditors have not identified any significant areas of weakness or significant deficiencies in internal control during the course of their audit work for the year ended 31 July 2020.

Responsibilities Under Funding Agreements

The Members of the Corporation are collectively responsible for observing the duties set out in the grant funding agreements and contracts with the ESFA and any other relevant funding bodies.

A number of these responsibilities, and how the Group has met them, are addressed elsewhere in these financial statements. Namely, the requirement to have an Audit and Risk Committee (page 52), accountability to parliament and the requirement to have appropriate financial and management controls in place (pages 55 and 65), responsibilities relating to the accounts (page 65), and the requirement to produce a statement of regularity, propriety and compliance (page 64).

Regarding the Corporation's other contractual responsibilities, these have been met as follows:

Articles of Government

As required, the Corporation has Articles of Government, which set out the main responsibilities of the Corporation, including the effective and efficient use of resources, its solvency, and the safeguarding of its assets.

Incoming resources and funding validation

The Corporation has approved policies in place for identifying and complying with specific terms attached to incoming funding. During 2019/20, the Corporation completed and returned all necessary funding claims and returns, which were reconciled to the specific eligible costs incurred and/or activities delivered. The Corporation also has processes in place to ensure it is aware of funding rules and the evidence required to demonstrate learner eligibility. These processes include internal auditor controls, internal funding validation routines (including weekly ILR production), error free validated ILR Returns, Provider Data Self-Assessment Toolkit and Funding Rules Monitoring Reviews.

Sub-Contracting

In 2019/20, the Corporation ensured it complied with all subcontracting requirements, and submitted a signed subcontracting controls certificate to the ESFA.

Fraud, regularity and reporting

The Corporation has established robust internal controls to prevent and manage fraud, irregularity, theft, bribery, corruption. These are communicated to all colleagues via the Group's financial regulations, anti-bribery and corruption policy, and the counter-fraud policy and fraud response plan. Regular reviews of processes and controls are performed, with new or improved processes and controls introduced, as and when deemed necessary. In 2019/20, the Group responded quickly to the significant increase of potential frauds and email scams circulating as a result of COVID-19, more details of which are provided on page 58.

Statement from the Audit & Risk Committee

The Audit & Risk Committee has advised the Group Board that the corporation has an effective framework for governance and risk management in place. The Committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit & Risk Committee in 2019/20 and up to the date of the approval of the financial statements are:

COVID-19 scrutiny

In 2019/20, whilst continuing to make a positive contribution to the Group's governance and control environments, the Audit & Risk Committee also had an important role to play in the Group's swift response to the emerging risk of COVID-19.

The Audit & Risk Chair is a member of the Group's COVID-19 Task Group, and at each of the Committee meetings since March 2020, the Committee have scrutinised reports on the response to the pandemic and tested assurances in respect of income and grant funding.

Internal Audit

The Committee considered the 2019/20 Internal Audit Strategy and recommended it for approval to the Group Board. As set out in that strategy, during 2019/20, the Group's internal auditor, RSM, has completed several audits and advisory reviews. The Committee receive regular reports from RSM, which provide an independent opinion on the adequacy and effectiveness of the Group's system of internal control and risk management, together with any recommendations for improvement and timescales for implementation.

In March 2020, the Committee considered the impact of COVID-19 on the ability to continue with an effective internal audit service. This review assured the Committee that an effective internal audit plan for the year could be maintained. The Committee concluded that any changes in timing or audit scope due to COVID-19 had been sufficiently identified and a suitable revised timetable proposed and adopted.

External Audit

The Committee is also responsible for approving the external audit strategy and planning memorandum and for communicating with the external auditor, PwC, on the audit approach, reporting timetables and findings. PwC presented their Audit Plan and Strategy to the Committee in June 2020, and the Committee considered and discussed the risks identified within this document. At the November 2020 meeting, the Committee reviewed PwC's report on the 2019/20 audit.

The Committee have also performed their annual review of the Group financial statements before they are presented to the Group Board, focusing on accounting policies, compliance with accounting standards, and the findings of the external auditor.

Health and Safety

In 2019/20, the Committee maintained oversight of the implementation of health & safety practices and risk assessments across the Group. This involved scrutiny of the health and safety risks emerging from the COVID-19 crisis, to ensure that these risks were being addressed and the appropriate mitigations put in place.

Strategic Risk Management

The Risk sections above outline the Group's risk management process and the role of the Committee in this process. In 2019/20, a cycle of work was undertaken to strengthen the Group's approach to strategic risk management.

Other

Other Committee activities during 2019/20 included a review of the due diligence undertaken on the new debt funding, scrutiny of the proposal to transfer day-to-day banking to Santander, a review of the Group's refreshed counter-fraud, anti-bribery and corruption, and gifts and hospitality policies, and oversight of any subject access or freedom of information requests and of public interest disclosures.

Opinion

Having considered all the above, the Committee is of the opinion that adequate and effective assurance arrangements are in place and that the framework of governance, risk management and internal control processes allow for the effective and efficient use of resources, maintains the solvency of the institution and ensures the safeguarding of its assets.

Impact of COVID-19 on Internal and External Audit Activities

The COVID-19 crisis has had a pervasive impact on how nearly all businesses operate, including both our internal and external audit firms. From March 2020 onwards, to reduce the risk of infection, all internal and external audit activities have been conducted remotely, with meetings facilitated by video conference and information transferred via the use of secure data exchange portals.

The only impact on these activities that has been caused by the ongoing COVID-19 crisis is the postponement of a planned Disaster Recovery and Business Continuity internal audit to 2020/21 and, similarly, the postponement of an internal audit follow up review on previously identified management actions. These audits were postponed because the colleagues whose involvement would be key to conducting these audits were at the time heavily engaged in establishing and implementing extensive COVID-19 working practices and protocols to enable our colleagues and students to return safely to our campuses.

Review of Effectiveness

As Accounting Officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control. The CEO 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 LTE Group who have responsibility for the development and maintenance of the internal control framework; and
- comments made by LTE Group's financial statements auditors and reporting accountants for regularity assurance in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the department and reinforced by risk awareness training. The Executive Team and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The LTE Group Board of Governors includes as a standing part of any report presented to it a section for consideration of risk and control. This is in addition to reports on key strategic risks from the senior management team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2020 meeting, the LTE Group Board carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2020.

Based on the advice of the Audit & Risk Committee and the CEO the LTE Group Board is of the opinion that LTE Group has an adequate and effective framework for governance, risk management and control. The LTE Group Board is of the opinion that LTE Group has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Approved by order of the members of the Corporation on 15 December 2020 and signed on its behalf, on 18 December 2020, by:

Philip Johnson
Chair of LTE Group Board

John Thornhill
Chief Executive Officer

GOVERNING BODY'S STATEMENT ON LTE GROUP'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

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

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregularity or improper use of funds by LTE Group, or material non-compliance with the terms and conditions of funding under LTE Group's grant funding agreements and contracts with the ESFA, or any other public funder.

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

Philip Johnson
Chair of LTE Group Board
Date: 18 December 2020

John Thornhill
Chief Executive Officer
Date: 18 December 2020

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the grant funding agreements and contracts with the ESFA and any other relevant funding bodies, the Corporation - through its Chief Executive 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 gives a true and fair view of the state of affairs of LTE Group and its surplus of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and 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 (which must be consistent with other disclosures in the accounts and auditor's report); and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that LTE Group will continue in operation.

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, 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 in order to safeguard public and other funds and to ensure they are used properly.

In addition, members of the Corporation are responsible for securing economical, efficient and effective management of LTE Group's resources and expenditure, so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 15 December 2020 and signed on its behalf, on 18 December 2020, by:

Philip Johnson

Chair of LTE Group Board

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF LTE GROUP (THE "INSTITUTION")

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, LTE Group's group financial statements and corporation financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the corporation's affairs as at 31 July 2020 and of the group's and of the corporation's income and expenditure, gains and losses, and changes in reserves, and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education and the requirements of the Office for Students' Accounts Direction (OfS 2019.41).

We have audited the financial statements, included within the Financial Statements (the "Annual Report"), which comprise the Consolidated and Corporation Balance Sheets as at 31 July 2020; the Consolidated and Corporation Statements of Comprehensive Income and Expenditure, the Consolidated and Corporation Statements of Changes in Reserves and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and corporation'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and corporation's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 65, the corporation is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Corporation is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the group's and corporation'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 intends to liquidate the group and corporation or to cease operations, or has no realistic alternative but to do so.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Corporation as a body in accordance with Article 22 of the Corporation's Articles of Government and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Opinions on other matters prescribed in the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency

Under the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)

In our opinion, in all material respects:

- funds from whatever source administered by the corporation for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students and the Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions.

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matters:

- The corporation's grant and fee income, as disclosed in note number 9 to the financial statements, has been materially misstated; or
- The corporation's expenditure on access and participation activities for the financial year, as disclosed in note number 12 to the financial statements, has been materially misstated

We have no matters to report arising from this responsibility.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
18 December 2020

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF LTE GROUP AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 23 November 2020 and further to the requirements and conditions of funding in the Education and Skills Funding Agency's grant funding agreements, 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 LTE Group during the period 1 August 2019 to 31 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 issued by the Education and Skills Funding Agency (the "ESFA"). In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record ("ILR") data returns, for which the ESFA has other assurance arrangements in place.

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

Respective responsibilities of LTE Group and the reporting accountant

The corporation of LTE Group 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 Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the 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:

- Reviewing the Self-Assessment Questionnaire which supports the Governing Body's statement included in the statement on regularity, propriety and compliance with the funding body terms and conditions;
- Examining the Group's financial procedures to assess its procedures for safeguarding its assets;
- Understanding the Group's controls over the financial performance of non-core activities, subsidiaries and other group entities;
- Understanding the Group's Estates Strategy and testing a sample of authorisation of fixed asset disposals;
- Obtaining copies of the Group's policy on gifts and hospitality, whistleblowing, and sample testing of staff expense claims;
- Testing the proper application of specific purpose funds;
- Testing a sample of transactions with related parties;
- Confirming through enquiry and sample testing that the Group has complied with its procurement policies; and
- Considering any evidence of impropriety or irregularity identified through our work and determining whether it is significant enough to be referred to in our regularity report.

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

Pricewaterhouse Coopers LLP

Pricewaterhouse Coopers LLP
Chartered Accountants
18 December 2020

CONSOLIDATED AND CORPORATION STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31 July 2020

	Notes	Year ended 31 July		Year ended 31 July	
		2020	**2020**	**2019**	**2019**
		Group	**Corporation**	**Group**	**Corporation**
		£'000	**£'000**	**£'000**	**£'000**
INCOME					
Funding body grants	3	134,923	121,692	146,813	128,401
Tuition fees and education contracts	4	17,351	16,923	17,740	16,791
Other grants and contracts	5	1,090	507	648	648
Other income	6	9,736	9,959	9,630	10,295
Investment income	7	66	65	57	53
Donations and endowments	8	106	106	-	-
Total income		**163,272**	**149,252**	**174,888**	**156,188**
EXPENDITURE					
Staff costs (excluding FRS 102 (28) pension charge)	10	118,668	109,447	122,371	112,377
FRS 102 (28) pension charge & pension finance costs	10, 28	5,250	5,250	3,875	3,875
Restructuring costs	10	842	808	2,476	2,304
Other operating expenses	11	30,771	26,714	36,199	27,823
Depreciation & amortisation	15, 16	6,688	6,260	6,679	6,218
Interest and other finance costs (excluding pension finance costs)	13	7,124	7,124	1,086	1,086
Total expenditure		**169,343**	**155,603**	**172,686**	**153,683**
(Deficit) / Surplus before other gains and losses		**(6,071)**	**(6,351)**	**2,202**	**2,505**
Gain / (Loss) on disposal of assets	11	8,001	8,005	(3)	(3)
Gain on investments		123	123	-	-
Surplus before tax		**2,053**	**1,777**	**2,199**	**2,502**
Taxation	14	22	-	18	-
Surplus for the year		**2,075**	**1,777**	**2,217**	**2,502**
Other comprehensive income					
Actuarial loss in respect of pension scheme	28	(24,970)	(24,970)	(6,049)	(6,049)
Actuarial loss in respect of enhanced pension provision	23	(312)	(312)	-	-
Total comprehensive (loss) / income for the year		**(23,207)**	**(23,505)**	**(3,832)**	**(3,547)**
Represented by:					
Endowment comprehensive income for the year		263	263	-	-
Unrestricted comprehensive loss		(23,470)	(23,768)	(3,832)	(3,547)
		(23,207)	**(23,505)**	**(3,832)**	**(3,547)**
SURPLUS FOR THE YEAR ATTRIBUTABLE TO:					
Minority interest share in Novus Cambria		318	-	195	-
Group		1,757	1,777	2,022	2,502
		2,075	**1,777**	**2,217**	**2,502**
Total comprehensive (loss) / income for the year					
Minority interest share in Novus Cambria		318	-	195	-
Group		(23,525)	(23,505)	(4,027)	(3,547)
		(23,207)	**(23,505)**	**(3,832)**	**(3,547)**

The accompanying notes form part of these financial statements.

CONSOLIDATED AND CORPORATION STATEMENTS OF CHANGES IN RESERVES

For the year ended 31 July 2020

	Endowment Reserve	Income and Expenditure account	Revaluation reserve	Total (excluding minority interest)	Minority interest share in Novus Cambria	Total
	£'000	£'000	£'000	£'000	£'000	£'000
CONSOLIDATED						
Balance at 1 August 2018	**-**	**54,702**	**4,964**	**59,666**	**358**	**60,024**
Surplus for the year	-	2,022	-	2,022	195	2,217
Other comprehensive income	-	(6,049)	-	(6,049)	-	(6,049)
Transfers between revaluation and income and expenditure reserves	-	239	(239)	-	-	-
Total comprehensive income/ (expense) for the year	**-**	**(3,788)**	**(239)**	**(4,027)**	**195**	**(3,832)**
Distributions paid to minority interest share in Novus Cambria	-		-	-	(358)	(358)
Balance at 31 July 2019	**-**	**50,914**	**4,725**	**55,639**	**195**	**55,834**
Surplus for the year	-	1,757	-	1,757	318	2,075
Other comprehensive loss	-	(25,282)	-	(25,282)	-	(25,282)
Transfers between endowment and income and expenditure reserves	263	(263)	-	-		
Transfers between revaluation and income and expenditure reserves	-	503	(503)	-	-	-
Total comprehensive (expense)/ income for the year	**263**	**(23,285)**	**(503)**	**(23,525)**	**318**	**(23,207)**
Distributions paid to minority interest share in Novus Cambria	-	-	-	-	(195)	(195)
Total transactions with minority interest share in Novus Cambria recognised directly in equity	**-**	**-**	**-**	**-**	**(195)**	**(195)**
Balance at 31 July 2020	**263**	**27,629**	**4,222**	**32,114**	**318**	**32,432**
CORPORATION						
Balance at 1 August 2018	**-**	**54,606**	**4,964**	**59,570**	**-**	**59,570**
Surplus for the year	-	2,502	-	2,502	-	2,502
Other comprehensive loss	-	(6,049)	-	(6,049)	-	(6,049)
Transfers between revaluation and income and expenditure reserves	-	239	(239)	-	-	-
Total comprehensive expense for the year	**-**	**(3,308)**	**(239)**	**(3,547)**	**-**	**(3,547)**
Balance at 31 July 2019	**-**	**51,298**	**4,725**	**56,023**	**-**	**56,023**
Surplus for the year	-	1,777	-	1,777	-	1,777
Other comprehensive loss	-	(25,282)	-	(25,282)	-	(25,282)
Transfers between endowment and income and expenditure reserves	263	(263)	-	-	-	-
Transfers between revaluation and income and expenditure reserves	-	503	(503)	-	-	-
Total comprehensive income / (expense) for the year	**263**	**(23,265)**	**(503)**	**(23,505)**	**-**	**(23,505)**
Balance at 31 July 2020	**263**	**28,033**	**4,222**	**32,518**	**-**	**32,518**

CONSOLIDATED AND CORPORATION BALANCE SHEETS

As at 31 July 2020

	Notes	Group	Corporation	Group	Corporation
		2020	**2020**	**2019**	**2019**
		£'000	**£'000**	**£'000**	**£'000**
NON-CURRENT ASSETS					
Intangible assets	15	1,038	206	1,352	249
Tangible fixed assets	16	141,181	140,895	133,868	133,384
Investments	17	260	1,527	-	3,015
		142,479	**142,628**	**135,220**	**136,648**
CURRENT ASSETS					
Stocks		99	99	122	122
Trade and other receivables	18	25,109	24,987	21,956	18,584
Cash and cash equivalents	24	33,499	31,301	9,071	7,611
		58,707	**56,387**	**31,149**	**26,317**
Less: Creditors – amounts falling due within one year	19	(30,422)	(28,190)	(20,857)	(17,311)
Net current assets		**28,285**	**28,197**	**10,292**	**9,006**
Total assets less current liabilities		**170,764**	**170,825**	**145,512**	**145,654**
Less: Creditors – amounts falling due after more than one year	20	(75,240)	(75,240)	(56,992)	(56,992)
PROVISIONS					
Defined pension benefit obligations	28	(61,098)	(61,098)	(30,878)	(30,878)
Other provisions	23	(1,994)	(1,969)	(1,808)	(1,761)
Total net assets		**32,432**	**32,518**	**55,834**	**56,023**
RESTRICTED RESERVES					
Income and expenditure endowment reserve		263	263	-	-
UNRESTRICTED RESERVES					
Income and expenditure account		27,629	28,033	50,914	51,298
Revaluation reserve		4,222	4,222	4,725	4,725
Minority interest share in Novus Cambria		318	-	195	-
Total reserves		**32,432**	**32,518**	**55,834**	**56,023**

The financial statements on pages 73 to 108 were approved and authorised for issue by the Corporation on 15 December 2020 and were signed on its behalf, on 18 December 2020, by:

Philip Johnson
Chair of LTE Group Board

John Thornhill
Chief Executive Officer and Accounting Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2020

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
CASH INFLOW FROM OPERATING ACTIVITIES			
Surplus for the year		2,075	2,217
ADJUSTMENT FOR NON-CASH ITEMS			
Depreciation & amortisation	15, 16	6,688	6,679
Gain on investments		(123)	-
Endowments accumulated income	7	(31)	-
Decrease / (increase) in stocks		23	(42)
Decrease / (increase) in debtors	18	3,910	(4,995)
Decrease in creditors due within one year	19	(147)	(639)
Decrease in creditors due after one year	20	(1,133)	(329)
Decrease in provisions	23	(139)	(39)
Pensions costs less contributions payable	10, 28	5,250	3,875
Taxation	14	(22)	(18)
ADJUSTMENT FOR INVESTING OR FINANCING ACTIVITIES			
Investment income	7	(35)	(57)
Interest payable	13	7,124	1,086
New endowments		(106)	-
(Profit) / loss on sale of fixed assets		(8,001)	3
Net cash flow from operating activities		**15,333**	**7,741**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		6,284	12
Investment income	7	35	57
Capital grants received	20	11,798	-
Payments made to acquire fixed assets		(13,179)	(28,060)
Payments made to acquire investments		(260)	-
Net cash flow from investing activities		**4,678**	**(27,991)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	13	(5,896)	(1,086)
Interest element of finance lease rental payments	13	(84)	-
Capital element of finance lease rental payments	20	(523)	-
Repayments of amounts borrowed	20	(17,141)	(1,933)
New Loans received	20	27,996	17,600
Endowments received		260	-
Distributions to minority interest share in Novus Cambria		(195)	(358)
Net cash flow from financing activities		**4,417**	**14,223**
Increase / (decrease) in cash and cash equivalents in the year		**24,428**	**(6,027)**
Cash and cash equivalents at beginning of the year	24	9,071	15,098
Cash and cash equivalents at end of the year	24	**33,499**	**9,071**

The Corporation is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under paragraph 1.12(b) of FRS 102 not to present the Corporation statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

1. LEGAL STATUS AND REGISTERED OFFICE

LTE Group is a statutory corporation established under the Further and Higher Education Act 1992 (statutory instrument 2008 No. 1418). LTE Group is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

LTE Group includes Total People Holdings Limited ("Total People"), an independent training provider, which was acquired on 31 July 2015, Novus Cambria, a joint venture with Coleg Cambria, which was established on 29 September 2016 and LTE Professional Services Limited ("LTE Professional Services"), a provider of information and communications technology services and equipment, which was incorporated on 30 July 2019.

Registered office:

Openshaw Campus & Administration Centre, Ashton Old Road, Manchester, M11 2WH

2. 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.

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*, the *Supplementary Bulletin to the College Accounts Direction 2019-20, the Office for Students (OfS) Accounts Direction for accounting periods beginning on or after 1 August 2019*, and in accordance with Financial Reporting Standard 102 – "*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*" (FRS 102). The Group is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions. The Corporation has taken advantage of the following exemption in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Corporation's cash flows.

Notes to the Financial Statements - continued

Statement of Accounting Policies and Estimation Techniques - continued

Basis of consolidation

The consolidated financial statements include the Group and its subsidiary undertakings, controlled by the Group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the period are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2020.

Going Concern

The Group believes it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks. The Group has in place a five-year financial plan to 2025. However, during spring and early summer 2020, as the Group progressed through COVID-19 planning, a different view of our baseline emerged for the first year of the 2025 plan. This view was developed through a series of strategic workshops in May, June and July. This plan takes a “Resilience” based approach to 2020/2021, for operating in a COVID-19 environment. The “Resilience” plan provides for a greater level of central contingency than in previous years. Through restructuring, it also addresses known COVID-19 related impacts on income or demand, to alter the cost base in key units. It also enables key elements of future strategy to progress, such as the estates infrastructure programme. A key part of the scenario testing work that went into the board workshops was a three-year cash view supported by a detailed, integrated 24-month cash flow forecast, which links to the two budgeted years.

These cash flow forecasts have been based on the sensitised due diligence work undertaken by KPMG, as part of the process earlier in the financial year to raise external funding for the estates strategy. The sensitivities included several reasonably possible scenarios and are regularly updated and reviewed by both the executive team and governors. Our planning process is detailed and thorough, and is again reviewed by executive team and governors, with assumptions and sensitivities tested to ensure that there is headroom in our cash generation to cover any potential risks. Key risks such as reductions in funding, the introduction of the apprenticeship levy, the economic situation and our estates strategy, along with reasonable mitigating actions have been factored into the sensitivities which have been performed on the 24-month cash flow. Given that the 24-month sensitised cash flow demonstrates that the group would maintain sufficient cash balances throughout the members of the Corporation, as charity trustees, have concluded that it is appropriate to prepare the financial statements on the going concern basis.

The Group’s recent cash performance has been strong with a high year end balance, ahead of forecast and budget, which continues into the first half of 2020/21. Further development funding will be drawn down from an agreed facility with Santander to support the estates build (which is on timeline and to budget) and disposals are progressing well with strong interest in the form of formal offers in the two main high value sites at above our business case.

Recognition of income

Revenue grant funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Grants from non-government sources are recognised in income when the Group is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

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

Fee income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Agency arrangements

The Corporation acts as an agent in the collection and payment of certain discretionary support funds. Related payments received for the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the Corporation where the Corporation is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

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

Teachers’ Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread

Notes to the Financial Statements - continued

Statement of Accounting Policies and Estimation Techniques - continued

the cost of pensions over employees' working lives with the Group in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

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

Greater Manchester Pension Scheme (GMPF)

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

Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

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

Enhanced Pension

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

Non-current Assets - Tangible fixed assets

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

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings inherited from the Local Education Authority along with land and buildings acquired before 1 September 1997 are held on the balance sheet at the last formal revaluation which took place on 1 September 1997. The valuation determined the useful economic life of these assets to be less than those for new build which is 50 years. This valuation was on the basis of depreciated replacement cost.

Land and buildings acquired since 1 September 1997 are included in the balance sheet at historical cost. These values are retained subject to the requirement to test assets for impairment if events or changes in circumstances indicate that the carrying value of the fixed asset may not be recoverable in accordance with FRS 102.

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

Freehold buildings are depreciated over their expected useful economic life to the Group of 50 years.

However, refurbishment/additions to existing buildings and leasehold improvements are depreciated over their remaining useful lives or lease lives whichever is the lesser.

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

On adoption of FRS 102, the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 1997, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

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

Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Equipment is depreciated over its useful economic life on a straight line basis at the following rates:

Fixtures and fittings	3 years - 10 years
Electronic equipment	4 years (7 years for Data Centre)
Computer software	3 years – 5 years
Other plant & equipment	6 years - 10 years
Motor vehicles	4 years

All above categories are classified as Equipment.

Notes to the Financial Statements - continued

Statement of Accounting Policies and Estimation Techniques - continued

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

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.

Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities acquired. Goodwill is capitalised and amortised to the income and expenditure account over its estimated economic life of 10 years.

Other intangible assets

For all other intangible assets amortisation is provided on a straight-line basis over their estimated useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

- Customer related and contract-based intangibles

Customer relations are carried at cost less accumulated amortisation and any impairment losses. Cost is defined as the fair value as at the date of the business combination. The carrying amounts of these intangible assets are reviewed annually for indicators that these assets may be impaired. Amortisation is provided to write down the customer relations, on a straight-line method over the estimated useful life of between 3 and 10 years. Useful economic life is dependent upon the life of the existing customer relationships at the point of acquisition, the reputational standing incorporating key management personnel with intellectual/ institutional/sector knowledge of the acquired and its demonstrable ability to maintain those relationships.

- Market-related intangibles (including branding, reputation and market share)

These intangible assets are shown at cost less accumulated amortisation and impairment losses. Cost represents fair value as at the date of the business combination. Amortisation is calculated using the straight-line method to allocate costs over the estimated useful life of the preferred supplier contracts. Useful economic life expected to be 10 years unless the acquisition is acquired specifically for resale in the short term.

- Other intangible assets – Distress cases

Other intangible assets – distress cases are carried at cost less accumulated amortisation and any impairment losses. The Total People Group has a good reputation within the sector in dealing with distress cases (other failing apprenticeship providers) passed on to it by the funding body.

The account management structure is seen to have a reliable operational functionality of sufficient quality to be able to revitalise and transform liquidated or failing providers to fulfil the funding bodies' obligations. Amortisation is provided to write down other intangible assets on a straight-line method over the estimated useful life of 5 years.

- Website costs

For website costs included within intangible assets, are carried at cost less accumulated amortisation is provided on a straight-line basis over their estimated useful life. The amortisation period of 10 years and the amortisation method for intangible assets are reviewed at each financial year-end.

Borrowing costs

Finance costs which are directly attributable to the purchase of land and construction of buildings are capitalised as part of the costs, until such time when the asset comes into use. Finance costs beyond this date are charged directly to the income and expenditure account.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Results of joint ventures in which the Group has 50% or more are included in the Group's results and disclosed under related party transactions.

Leased assets

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

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

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.

Stocks

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Notes to the Financial Statements - continued

Statement of Accounting Policies and Estimation Techniques - continued

amortised cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation

The Corporation is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Corporation is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 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 to exclusively charitable purposes.

The Corporation is exempt from levying VAT on most of the services it provides to learners. For this reason, the Corporation is generally unable to recover input VAT it suffers on goods and services purchased. Non – pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

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

Provisions and contingent liabilities

Provisions are recognised when

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

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

A contingent liability arises from a past event that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Agency arrangements

The Group acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to learners are excluded from the income and expenditure account of the Group where the Group is exposed to minimal risk or enjoys minimal economic benefit related to the transaction and are shown separately in Note 30.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- A determination of whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Annually, the Group considers whether intangible assets, goodwill or investments are impaired. Where there is such an indication, the recoverable amount of the asset is compared to the carrying value of the asset. 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. Where an indication of impairment is identified, an assessment of the recoverable value of the cash generating units (CGUs) is required. This requires estimation of the future cash flows from the CGUs, discounted at an appropriate rate, in order to calculate the net present value of those cash flows. This enables the Group to determine whether an impairment of the Group's intangible and tangible assets, including goodwill and investments, is required. Any impairment is recognised in the consolidated statement of comprehensive income and expenditure. If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Other key sources of estimation uncertainty

- *Tangible fixed assets*
  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Local Government Pension Scheme*
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 28, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements - continued

3. FUNDING BODY GRANTS

	2020	2020	2019	2019
	Group	Corporation	Group	Corporation
	£'000	£'000	£'000	£'000
RECURRENT GRANTS				
ESFA - adult education budget	4,394	597	21,548	15,305
ESFA - 16-18	29,458	25,042	33,336	25,152
Office for Students (OfS)	673	673	743	743
SPECIFIC GRANTS				
Other funding body - MoJ/YJB/MCC/ ESFA	94,459	89,786	89,745	85,760
ESFA – provider relief scheme	339	-	-	-
Teacher Pension Scheme contribution grant	3,762	3,756	-	-
Releases of government capital grants	878	878	869	869
ESF Co-financing	-	-	46	46
Other funds	960	960	526	526
Total	**134,923**	**121,692**	**146,813**	**128,401**

4. TUITION FEES AND EDUCATION CONTRACTS

	2020	2020	2019	2019
	Group	Corporation	Group	Corporation
	£'000	£'000	£'000	£'000
Adult education fees	5,712	5,521	5,926	5,237
Apprenticeship contracts	241	-	260	-
Fees for FE loan supported courses	292	292	619	619
Fees for HE loan supported courses	8,842	8,846	8,792	8,792
International students fees	-	-	6	6
Total tuition fees	15,087	14,659	15,603	14,654
Education contracts	2,264	2,264	2,137	2,137
Total	**17,351**	**16,923**	**17,740**	**16,791**

5. OTHER GRANTS AND CONTRACTS

	2020	2020	2019	2019
	Group	Corporation	Group	Corporation
	£'000	£'000	£'000	£'000
Other grant income	426	426	648	648
Coronavirus Job Retention Scheme grant	664	81	-	-
Total	**1,090**	**507**	**648**	**648**

Under the government's Coronavirus Job Retention Scheme, the College furloughed some of the unfunded catering staff and some of the unfunded sports staff. The funding received in respect of 34 staff of £81k relates to staff costs which are included within note 10.

Under this scheme the Group also furloughed some advisers and some Business Development, administration and support services staff. The funding received in respect of up to 103 staff of £583k relates to staff costs which are included within note 10.

6. OTHER INCOME

	2020	2020	2019	2019
	Group	Corporation	Group	Corporation
	£'000	£'000	£'000	£'000
Residencies, catering and conferences	973	973	1,342	1,342
Other income generating activities	2,068	2,068	2,560	2,560
Other income*	6,695	6,918	5,728	6,393
Total	**9,736**	**9,959**	**9,630**	**10,295**

* This includes miscellaneous income £5,398k (2019: £4,033k), Rental income £197k (2019: £258k), Exam fee income £294k (2019: £383k), Nursery income £806k (2019: £1,054k).

7. INVESTMENT INCOME

	2020	2020	2019	2019
	Group	Corporation	Group	Corporation
	£'000	£'000	£'000	£'000
Endowment income	35	35	-	-
Other investment income	-	-	30	30
Interest receivable	31	30	27	23
Total	**66**	**65**	**57**	**53**

8. DONATIONS AND ENDOWMENTS

	2020	2020	2019	2019
	Group	Corporation	Group	Corporation
	£'000	£'000	£'000	£'000
New endowments	**106**	**106**	**-**	**-**

9. GRANT AND FEE INCOME

	2020	2020	2019	2019
	Group	Corporation	Group	Corporation
	£'000	£'000	£'000	£'000
Grant income from the OfS	1,045	1,045	1,313	1,313
Fee income for taught awards (exclusive of VAT)	8,846	8,846	8,792	8,792
Total	**9,891**	**9,891**	**10,105**	**10,105**

Notes to the Financial Statements - continued

10. STAFF COSTS

The average monthly number of persons (including senior post-holders) employed by the Group and Corporation during the year, expressed as full-time equivalents was:

	Group	Corporation	Group	Corporation
	2020	**2020**	**2019**	**2019**
	No.	**No.**	**No.**	**No.**
Teaching staff	1,650	1,512	1,958	1,776
Non-teaching staff	1,273	1,155	1,130	1,055
Total	**2,923**	**2,667**	**3,088**	**2,831**
STAFF COSTS FOR THE ABOVE PERSONS				
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	91,572	83,472	96,746	88,507
Social security costs	8,637	7,928	8,908	8,192
Other pension costs - excluding FRS 102 (28) pension charge	15,658	15,462	12,981	12,386
Payroll sub total	**115,867**	**106,862**	**118,635**	**109,085**
Contracted out staffing services	2,801	2,585	3,736	3,292
	118,668	**109,447**	**122,371**	**112,377**
FRS102 (28) pension charge	4,650	4,650	3,375	3,375
	123,318	**114,097**	**125,746**	**115,752**
Restructuring costs -				
contractual	723	692	2,101	1,929
non contractual	119	116	375	375
	124,160	**114,905**	**128,222**	**118,056**

The severance payments included in restructuring costs were approved by the Group's Corporation.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the Group Executive Team. Staff costs include compensation paid to key management personnel for loss of office.

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

	2020	2019
	No.	**No.**
The number of Group's key management personnel including the Accounting Officer was:	**5**	**8**

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:

	Group Key management personnel				Group Other staff			
	2020		**2019**		**2020**		**2019**	
	ESFA	**OfS**	**ESFA**	**OfS**	**ESFA**	**OfS**	**ESFA**	**OfS**
	No.	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**
£60,001 to £65,000 p.a.	-	-	-	-	14	13	14	12
£65,001 to £70,000 p.a.	-	-	-	-	7	6	4	8
£70,001 to £75,000 p.a.	-	-	-	1	5	5	4	3
£75,001 to £80,000 p.a.	-	1	-	-	6	4	1	4
£80,001 to £85,000 p.a.	-	-	1	-	3	2	3	1
£85,001 to £90,000 p.a.	1	-	-	1	3	2	1	2
£90,001 to £95,000 p.a.	-	-	-	-	3	2	2	1
£95,001 to £100,000 p.a.	-	-	1	-	-	1	1	1
£100,001 to £105,000 p.a.	-	-	-	-	3	2	3	4
£105,001 to £110,000 p.a.	-	-	-	-	2	-	2	1
£110,001 to £115,000 p.a.	-	-	-	-	2	2	1	1
£115,001 to £120,000 p.a.	-	-	1	-	2	2	1	-
£120,001 to £125,000 p.a.	-	-	-	-	1	1	-	-
£125,001 to £130,000 p.a.	-	-	-	1	-	-	1	-
£130,001 to £135,000 p.a.	-	-	-	-	-	-	-	-
£135,001 to £140,000 p.a.	-	1	1	1	1	-	-	-
£140,001 to £145,000 p.a.	-	1	-	2	1	-	-	-
£145,001 to £150,000 p.a.	-	-	-	-	-	-	-	-
£150,001 to £155,000 p.a.	-	1	-	1	-	-	-	-
£155,001 to £160,000 p.a.	-	-	3	-	-	-	-	-
£160,001 to £165,000 p.a.	1	-	-	-	-	-	-	-
£165,001 to £170,000 p.a.	1	-	-	-	-	-	-	-
£170,001 to £175,000 p.a.	1	-	-	-	-	-	-	-
£175,001 to £180,000 p.a.	-	-	-	-	-	-	-	-
£180,001 to £185,000 p.a.	-	-	-	-	-	-	-	-
£185,001 to £190,000 p.a.	-	-	-	-	-	-	-	-
£190,001 to £195,000 p.a.	-	-	-	-	-	-	-	-
£195,001 to £200,000 p.a.	-	-	-	-	-	-	-	-
£200,001 to £205,000 p.a.	-	-	-	-	-	-	-	-
£205,001 to £210,000 p.a.	-	1	-	1	-	-	-	-
£240,001 to £245,000 p.a.	-	-	1	-	-	-	-	-
£245,001 to £250,000 p.a.	-	-	-	-	-	-	-	-
£250,001 to £255,000 p.a.	-	-	-	-	-	-	-	-
£255,001 to £260,000 p.a.	-	-	-	-	-	-	-	-
£260,001 to £265,000 p.a.	1	-	-	-	-	-	-	-
	5	**5**	**8**	**8**	**53**	**42**	**38**	**38**

The ESFA banding disclosures capture "head count" numbers, in the appropriate banding for the full year emoluments. Staff who have left or joined in the year are not included.

The OfS banding disclosures capture "head count" numbers, in the appropriate banding for full-time equivalent basic salaries, as determined at the financial year end. Staff who have left or joined in the year are not included.

Notes to the Financial Statements - continued

10. Staff Costs - continued

Key management personnel compensation is made up as follows:

	2020	2019
	£'000	**£'000**
Basic Salary	803	1,096
Performance related pay and bonus	46	67
Benefits in kind	-	-
	849	**1,163**
Pension contributions	105	160
Total emoluments	**954**	**1,323**

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

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

	2020	2019
	£'000	**£'000**
Basic Salary	214	210
Performance related pay and bonus	13	13
Payment in lieu of pensions	33	22
Benefits in kind	-	-
	260	**245**
Pension contributions	-	12
Total emoluments	**260**	**257**

As of 1 December 2018, the Accounting Officer left the LGPS pension scheme and received a pension cash option in lieu. In 2019/20 this totalled £32,836 (2018/19: £21,531).

No compensation payments were made to former key management personnel for loss of office.

The LTE Group Board has adopted AoC's Senior Staff Remuneration Code in April 2019 and will assess pay in line with its principles in future.

The remuneration package of Key management staff, including the CEO/Accounting Officer, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The CEO/Accounting Officer reports to the Chair of LTE Group Board, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of CEO/Accounting Officer pay and remuneration expressed as a multiple:

	2020	2019
CEO/Accounting Officer's basic salary as a multiple of the median of all staff	7.4	7.2
CEO/Accounting Officer's total remuneration as a multiple of the median of all staff	7.9	8.3

The median pay is calculated on a full-time equivalent basis for the salaries paid by the Group to its staff, and the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the Group of its staff. In line with the 2019/20 OfS Accounts Direction, the Group has incorporated into the pay median staff included in real-time reporting to HMRC only.

11. OTHER OPERATING EXPENSES

	2020	2020	2019	2019
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Teaching costs	12,669	9,804	16,516	11,062
Non-teaching costs	13,061	13,003	14,344	12,343
Premises costs	5,041	3,907	5,339	4,418
Total	**30,771**	**26,714**	**36,199**	**27,823**

Other operating expenses include:

	2020	2019
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit	190	102
Internal audit	52	37
Other services provided by external auditors - Funding Advisory *	103	129
Other services provided by external auditors - Pensions	-	8
Other services provided by Internal auditors - Bid Assurance	-	18
Other services provided by Internal auditors – Financial Model Development *	53	-
Profit / (Loss) on disposal of non-current assets	8,001	(3)
Hire of Plant and Machinery - operating leases	626	625
Hire of other assets – operating leases	1,078	1,041

* These costs are not included in operating expenses, but instead capitalised as part of the estates strategy project.

12. ACCESS AND PARTICIPATION SPENDING - (Group and Corporation)

	2020
Access investment	**£'000**
Pre 16	42
Post 16	34
Adults and communities	34
Other	29
Total access investment	**139**
Financial support	106
Support for disabled students	40
Research and evaluation	-
Total	**285**

£156k of the above are staff costs and included within note 10.

The published Access and Participation Plan can be accessed via https://www.officeforstudents.org.uk/advice-and-guidance/the-register/search-for-access-and-participation-plans/#/AccessPlans/accessplans/10023139.

Notes to the Financial Statements - continued

13. INTEREST AND OTHER FINANCE COSTS - (Group and Corporation)

	2020	2019
	£'000	**£'000**
On bank loans, overdrafts and other loans*	7,005	1,086
On finance leases	84	-
Enhanced pension provision costs	35	-
Total	**7,124**	**1,086**

* This includes £3,995k of break costs incurred on the commencement of the new funding facilities with Santander, which replaced the debt formerly held with RBS and AIB (2019: £nil). It also includes £197k of non-utilisation fees, in respect of the new Santander development revolving and revolving facilities.

14. TAXATION - (Group)

	2020	2019
	£'000	**£'000**
Deferred tax (credit)/charge in the financial statements of the subsidiary company	(22)	(18)
Total	**(22)**	**(18)**

The members do not believe that the Corporation was liable for any corporation tax arising out of its activities during either year. The deferred tax is all in the Group's subsidiary, Total People Limited

15. GROUP INTANGIBLE ASSETS

	Goodwill	Other	Website	Total
	£'000	**£'000**	**£'000**	**£'000**
COST OR VALUATION				
At 1 August 2019 and at 31 July 2020	**1,078**	**1,050**	**373**	**2,501**
Accumulated amortisation				
At 1 August 2019	366	659	124	1,149
Charge for the year	118	153	43	314
At 31 July 2020	**484**	**812**	**167**	**1,463**
Net book value at 31 July 2020	**594**	**238**	**206**	**1,038**
Net book value at 31 July 2019	712	391	249	1,352

Goodwill arising on acquisition is amortised over 10 years. Other intangibles have different lives. These arose from the acquisition of Total People Holdings Limited on 31 July 2015. The composition is as follows:

Intangibles - Other

	Original value	Net Book value	U.E.L
	£'000	**£'000**	**(years)**
Contractual customer relationships			
Bentley	250	-	**5**
Barlows	25	-	**5**
South Cheshire College	200	100	**10**
Cheshire West Council, Great Sanky High School, Cheshire East & Ricoh	50	-	**3**
Brand name, reputation, market share	275	138	**10**
Distress cases	250	-	**5**
	1,050	**238**	

Website costs are being amortised over 10 years.

15. CORPORATION INTANGIBLE ASSETS

	Website
	£'000
COST OR VALUATION	
At 1 August 2019 and at 31 July 2020	**373**
ACCUMULATED AMORTISATION	
At 1 August 2019	124
Charge for the year	43
At 31 July 2020	**167**
Net book value at 31 July 2020	**206**
Net book value at 31 July 2019	249

16. GROUP TANGIBLE FIXED ASSETS

	Land and buildings		Assets under Construction	Equipment	Total
	Freehold	**Long leasehold**			
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
COST OR VALUATION					
At 1 August 2019	168,732	992	6,105	26,104	201,933
Additions	1,180	-	10,401	5,289	16,870
Transfers	485	37	(741)	219	-
Disposals	(12,710)	-	-	(1,273)	(13,983)
At 31 July 2020	**157,687**	**1,029**	**15,765**	**30,339**	**204,820**
ACCUMULATED DEPRECIATION					
At 1 August 2019	48,936	161	-	18,968	68,065
Charge for the year	3,096	20	-	3,258	6,374
Transfers	(44)	44	-	-	-
Elimination in respect of disposals	(9,634)	-		(1,166)	(10,800)
At 31 July 2020	**42,354**	**225**	**-**	**21,060**	**63,639**
Net book value at 31 July 2020	**115,333**	**804**	**15,765**	**9,279**	**141,181**
Net book value at 31 July 2019	119,796	831	6,105	7,136	133,868

The net carrying amount of assets held under finance leases included in equipment is £2,002k (2019: £nil).

Notes to the Financial Statements - continued

16. CORPORATION TANGIBLE FIXED ASSETS

	Land and buildings		Assets under Construction	Equipment	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
COST OR VALUATION					
At 1 August 2019	168,732	992	6,105	24,178	200,007
Additions	1,180	-	10,401	5,289	16,870
Transfers	485	37	(741)	219	-
Disposals	(12,710)	-	-	(1,052)	(13,762)
At 31 July 2020	**157,687**	**1,029**	**15,765**	**28,634**	**203,115**
ACCUMULATED DEPRECIATION					
At 1 August 2019	48,936	161	-	17,526	66,623
Charge for the year	3,096	20	-	3,101	6,217
Transfers	(44)	44	-	-	-
Elimination in respect of disposals	(9,634)	-	-	(986)	(10,620)
At 31 July 2020	**42,354**	**225**	**-**	**19,641**	**62,220**
Net book value at 31 July 2020	**115,333**	**804**	**15,765**	**8,993**	**140,895**
Net book value at 31 July 2019	119,796	831	6,105	6,652	133,384

The transitional rules set out in FRS 102 Tangible Fixed Assets have been applied on implementing FRS102. Accordingly, the book values at implementation have been retained. Land and buildings were valued in 1997 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the Group on a depreciated replacement cost basis with the assistance of independent professional advice.

The net carrying amount of assets held under finance leases included in equipment is £2,002k (2019: £nil).

17. CORPORATION INVESTMENTS

	2020	2019
	£'000	£'000
Investments carried at fair value through the Statement of Comprehensive Income	260	-
Total	**260**	**-**

	2020	2019
	£'000	£'000
Investments in subsidiary companies	1,267	3,015
Investments carried at fair value through the Statement of Comprehensive Income	260	-
Total	**1,527**	**3,015**

Total People Holdings Limited

	£'000
Net book value at 31 July 2019	3,015
Impairment	(1,748)
Net book value at 31 July 2020	**1,267**

On 31 July 2015 The Group acquired 100% of the ordinary share capital of Total People Holdings Limited, a group of companies that are registered in England and Wales as follows:

Company name	Shareholding	Nature of business
Total People Holdings Limited	100%	Holding company - Dormant
Total People Limited*	100%	Training and apprenticeship provider
The Total Apprenticeship Training Company Limited*	100%	Apprenticeship training
Total People Employee Benefit Trustee Limited*	100%	Dormant

*The shares in these companies are held by Total People Holdings Limited.

The registered office of all of this group of companies is Openshaw Campus & Administrative Centre, Ashton Old Road, Manchester, United Kingdom M11 2WH.

Manchester Education and Training Limited

The LTE group is in a joint venture arrangement with Manchester City Council, (Manchester Education and Training Limited), a company incorporated in England and Wales, the entity being a charitable company limited by guarantee.

The results of Manchester Education and Training Limited for the year ended 31 July 2020 are as follows:

	2020	2019
	£	£
Incoming resources	11,130	11,130
Operating costs	(22,135)	(21,972)
Net outgoing resources	**(11,005)**	**(10,842)**
Fixed assets	626,433	648,405
Current assets	290,408	279,630
Current liabilities	(12,930)	(12,930)
Net assets	**903,911**	**915,105**

Notes to the Financial Statements - continued

17. Corporation Investments - continued

The incoming resources are made up of the annual service charge to LTE group. The net outgoing resources are stated after charging depreciation amounting to £21,972 (2019: £21,972).

The registered office is Openshaw Campus & Administrative Centre, Ashton Old Road, Manchester, United Kingdom M11 2WH.

Novus Cambria

Novus Cambria is a private limited company by guarantee without share capital and exempt from the requirement to include 'limited' in its name. The company has two members: LTE Group and Coleg Cambria. Both members are corporations established under the Further and Higher Education Act 1992. Each member has guaranteed to contribute £1 to the assets of the company in the event of it being wound up. LTE Group is the parent company as it has 60% of the voting rights of the members. The registered office is C/O Coleg Cambria, Grove Park Road, Wrexham, United Kingdom, LL12 7AB.

Manchester Film School Limited

The LTE Group has a 100% shareholding in Manchester Film School Limited. This is a dormant, private limited company. The registered office is Whitworth House, Ashton Old Road, Manchester, United Kingdom M11 2WH.

The Manchester College

The LTE Group has a 100% shareholding in The Manchester College. This is a dormant, private limited company by guarantee, without share capital, and exempt from the requirement to include 'limited' in its name. The registered office is Openshaw Campus, Ashton Old Road, Manchester, United Kingdom M11 2WH.

LTE Professional Services Limited

The LTE Group has a 100% shareholding in LTE Professional Services Limited. This is a private limited company. The registered office is Whitworth House, Ashton Old Road, Manchester, United Kingdom M11 2WH.

Novus Works Holdings Limited

The LTE Group has a 100% shareholding in Novus Works Holdings Limited. This is a private limited company. The registered office is Whitworth House, Ashton Old Road, Manchester, United Kingdom M11 2WH.

Assets Held For Sale

There were no assets held for resale in the year (2019: none).

18. TRADE AND OTHER RECEIVABLES

	Group	Corporation	Group	Corporation
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
AMOUNTS FALLING DUE WITHIN ONE YEAR:				
Trade receivables	5,379	4,481	5,331	4,719
Amounts owed by group undertakings:				
Subsidiary undertakings	-	3,592	-	1,630
Joint venture undertakings	13	-	13	-
Prepayments and accrued income	13,437	11,435	15,355	12,023
Corporation tax debtor	22	-	-	-
Other debtors	5,466	5,479	210	212
Amounts owed by the ESFA	792	-	1,047	-
Total	**25,109**	**24,987**	**21,956**	**18,584**

Group trade receivables are stated net of a doubtful debt provision of £694k (2019: £760k). During the year, trade debtors totalling £138k were written-off (2019: £60k).

Prepayments and accrued income include £2,625k (2019: £nil) falling due after more than one year.

Amounts owed by group undertakings are unsecured and interest free and repayable on demand. Included in amounts due from subsidiary undertakings is amounts due of £2,778k from Total People. It has been confirmed by the LTE Group Board that, of this, only amounts up to £630k will be recalled from Total People prior to the 31 July 2021. The remaining balance is expected to be paid thereafter and hence is considered to be non-current.

19. CREDITORS - amounts falling due within one year

	Group	Corporation	Group	Corporation
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans	8,064	8,064	2,409	2,409
Obligations under finance leases	**801**	**801**	**-**	**-**
Payments in advance	854	854	1,230	1,230
Trade payables	1,407	1,189	3,694	3,085
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	-
Joint venture undertakings	290	-	279	-
Other taxation and social security	2,423	2,259	2,273	2,122
Accruals and deferred income	12,647	11,305	7,858	5,679
Deferred income - government capital grants	1,037	1,037	897	897
Amounts owed to the ESFA/SFA/LSF	135	31	17	-
Other creditors	2,764	2,650	2,200	1,889
Total	**30,422**	**28,190**	**20,857**	**17,311**

Notes to the Financial Statements - continued

20. CREDITORS – amounts falling due after more than one year

	Group	Corporation	Group	Corporation
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans	41,610	41,610	35,300	35,300
Obligations under finance leases	1,184	1,184	-	-
Deferred income - government capital grants	32,193	32,193	21,324	21,324
Other	253	253	368	368
Total	**75,240**	**75,240**	**56,992**	**56,992**

21. MATURITY OF DEBT

Bank loans

Bank loans are repayable as follows:

	Group	Corporation	Group	Corporation
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less	8,064	8,064	2,409	2,409
Between one and two years	1,960	1,960	5,957	5,957
Between two and five years	13,382	13,382	7,919	7,919
In five years or more	26,268	26,268	21,424	21,424
Total	**49,674**	**49,674**	**37,709**	**37,709**

In 2019/20, the Group agreed new debt funding facilities with Santander, which replaced the debt formerly held with RBS and AIB. These loans are secured by charge over the newly acquired city centre site, and the Openshaw and Northenden campuses. In addition, during the year, the Group also entered into a further agreement with MCC for a bridging loan, to underpin the estates strategy project until the realisation of disposal proceeds.

Loans are with Santander £24.140m (2019: £nil), and with The Council of the City of Manchester (MCC) totalling £25.534m (2019: £17.600m). All loans are secured by a legal charge on a portion of the freehold land and buildings of the Group.

As part of the refinancing transaction, the loans fully repaid during the year were Allied Irish Bank (AIB) £nil (2019 balance: totalling £4.359m), and Royal Bank of Scotland (RBS) £nil (2019 balance: totalling £15.750m). Of the total £25.000m Santander term loan drawdown, £3.914m was paid/transferred by Santander to AIB in settlement of the outstanding loan.

As part of the new Santander facilities, from February 2020, the Group had available a £31.0m development credit revolving facility and a £3.0m revolving credit facility, but in 2019/20 there were no drawdowns on either facility.

£24.410m from Santander was recognised on inception of the loan, with a loan drawdown of £25.000m shown net of the arrangement fee of £590k, which is being amortised over the life of the loan. This was for an original term starting February 2020 to February 2026. In 2019/20 this loan was at a variable interest rate of LIBOR + 2.5% margin. From 26th August 2020 a fixed rate of 0.16% + 2.5% margin has been agreed, up until and including 29th August 2023. Loan to be fully repaid by 2026. At year end the balance was £24.140m (2019: £nil).

£17.600m from MCC was recognised on inception of the loan, and in 2019/20, £1.045m of accrued interest was capitalised and added to the principle amount. This was for an original term February 2019 to March 2035, at an initial fixed interest rate of 6.60%, reducing to 4.6%. Loan to be fully repaid by 2035. At year end the balance was £18.034m (2019: £17.600m).

£7.500m from MCC, for original term starting February 2020 (first advance) and June 2020 (second advance) to February 2024, at a fixed interest rate of 4.6%. Loan to be fully repaid by 2024. At year end the balance was £7.500m (2019: £nil).

Finance leases

The net finance lease obligations to which the institution is committed are:

	GROUP	CORPORATION	GROUP	CORPORATION
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less	801	801	-	-
Between one and two years	801	801	-	-
Between two and five years	534	534	-	-
In five years or more	-	-	-	-
Total	**2,136**	**2,136**	**-**	**-**

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

22. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability in another entity. The carrying value of the Group and Corporation's financial assets and liabilities are summarised by category below:

	Notes	Group	Corporation	Group	Corporation
		2020	**2020**	**2019**	**2019**
		£'000	**£'000**	**£'000**	**£'000**
Financial assets measured at fair value through income and expenditure:					
Investments (non - current)	17	260	-	-	-
Financial assets measured at amortised cost:					
Trade receivables	18	5,379	4,481	5,331	4,719
Other receivables	18	16,445	14,286	12,164	8,801
Amounts owed by subsidiary undertakings	18	-	3,592	-	1,630
Amounts owed by joint venture undertakings	18	13	-	13	-
Total		**22,097**	**22,359**	**17,508**	**15,150**
Financial liabilities measured at amortised cost:					
Loans	19 / 20	49,674	49,674	37,709	37,709
Finance leases	19 / 20	1,985	1,985	-	-
Trade payables	19	1,407	1,189	3,694	3,085
Other payables	19	12,529	11,326	8,977	7,305
Total		**65,595**	**64,174**	**50,380**	**48,099**

Notes to the Financial Statements - continued

23. OTHER PROVISIONS

Group			2020	2019
	Enhanced pensions	Other	Total	Total
	£'000	£'000	£'000	£'000
At 1 August	1,761	47	1,808	1,865
Expenditure in the year	(139)	(22)	(161)	(57)
Interest cost	35	-	35	-
Actuarial loss	312	-	312	-
At 31 July	**1,969**	**25**	**1,994**	**1,808**

Corporation	2020	2019
	Enhanced pensions	Enhanced pensions
	£'000	£'000
At 1 August	1,761	1,800
Expenditure in the year	(139)	(39)
Interest cost	35	-
Actuarial loss	312	-
At 31 July	**1,969**	**1,761**

Other provisions relate to the deferred tax provision in Total People Limited financial statements.

The enhanced pension provision relates to the cost of staff who have already left the Group's employment. This provision has been recalculated 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	2.0

24. CASH AND CASH EQUIVALENTS

Group	At 1 August 2019	Cash flows	At 31 July 2020
	£'000	£'000	£'000
Cash and cash equivalents	9,071	24,428	33,499
Total	**9,071**	**24,428**	**33,499**

Corporation	At 1 August 2019	Cash flows	At 31 July 2020
	£'000	£'000	£'000
Cash and cash equivalents	7,611	23,690	31,301
Total	**7,611**	**23,690**	**31,301**

25. CONSOLIDATED RECONCILIATION OF NET DEBT

Group	At 1 August 2019	Cash flows	New Finance Leases	Non-cash changes	At 31 July 2020
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	9,071	24,428	-	-	33,499
Bank loans	(37,709)	(10,855)	-	(1,110)	(49,674)
Obligations under finance leases	-	607	(2,508)	(84)	(1,985)
Net debt	**(28,638)**	**14,180**	**(2,508)**	**(1,194)**	**(18,160)**

Analysis of net debt:	2020	2019
	£'000	£'000
Cash and cash equivalents	33,499	9,071
Borrowings: amounts falling due within one year		
Bank loans	(8,064)	(2,409)
Obligations under finance leases	(801)	-
	(8,865)	**(2,409)**
Borrowings: amounts falling due after more than one year		
Bank loans	(41,610)	(35,300)
Obligations under finance leases	(1,184)	-
	(42,794)	**(35,300)**
Net debt	**(18,160)**	**(28,638)**

Notes to the Financial Statements - continued

26. CAPITAL COMMITMENTS

	Group and Corporation	
	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	**73,923**	**1,077**

Of the total commitments, £72.9m relates to the estates strategy build contracts, the committed funding of which comprises the undrawn £31.0m development credit revolving facility (see note 21), the GMCA grant (see note 31), MCC loans (see note 21) and disposals receipts (see note 31).

27. LEASE OBLIGATIONS

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

	Group	Corporation	Group	Corporation
	2020	**2020**	**2019**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
FUTURE MINIMUM LEASE PAYMENTS DUE				
Land and buildings				
Not later than one year	748	596	940	592
Later than one year and not later than five years	990	983	1,052	930
Later than five years	1,194	1,194	1,356	1,356
	2,932	**2,773**	**3,348**	**2,878**
OTHER				
Not later than one year	1,450	1,445	1,440	1,432
Later than one year and not later than five years	748	746	790	785
	2,198	**2,191**	**2,230**	**2,217**

28. DEFINED PENSION BENEFIT OBLIGATIONS

The Group and Corporation's employees belong to two principal pension schemes: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Greater Manchester Pension Fund (GMPF) which is part of the Local Government Pension Fund (LGPS). Both are multi-employer defined-benefit plans.

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

Total pension cost for the year		2020		2019
		£'000		**£'000**
Teachers' Pension Scheme: contributions paid		10,232		7,586
Local Government Pension Scheme:				
Contributions paid	5,060		4,873	
FRS 102 (28) charge	**4,650**		**3,375**	
Charge to the Statement of Comprehensive Income		9,710		8,248
Other schemes		366		422
Enhanced pension charge to Statement of Comprehensive Income		-		100
Total pension cost for the year within staff costs		**20,308**		**16,356**

Contributions amounting to £1,863,465 (2019: £1,492,503) were payable to the schemes at 31 July 2020 and are included within creditors (other creditors).

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. 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 Corporation is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the Corporation 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 Corporation has set out above the information available on the plan and the implications for the Corporation 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

Notes to the Financial Statements - continued

28. Defined Pension Benefit Obligations - continued

estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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

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

The pension costs paid to TPS in the year amounted to £10,113,000 (2019: £7,586,000).

Greater Manchester Pension Fund ('GMPF')

The GMPF is a funded defined benefit scheme, with the assets held in separate funds administered by Tameside Metropolitan Borough Council. The total contribution made for the year ended 31 July 2020 was £6,959,000 of which employers' contributions totalled £5,093,000 (2019: £4,965,000) and employees' contributions totalled £1,866,000 (2019: £1,802,000). The agreed contribution rates are 18.1% for employers. Employees range from 5.5% to 12.5% depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

The principal bespoke assumptions for this calculation are:

	2020	2019
	%	%
Pension increase rate	1.7	2.1
Salary increase rate	1.5	1.5
Discount rate	1.6	2.3

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

	At 31 July 2020	At 31 July 2019
	years	years
RETIRING TODAY		
Males	20.50	20.60
Females	23.10	23.10
RETIRING IN 20 YEARS		
Males	22.00	22.00
Females	25.00	24.80

The expectations of life in the table above are representative of the average mortality assumptions across the whole LGPS fund membership, and therefore there may be some differences in the relative movements year-on-year from the actual assumptions applied for the Group scheme membership.

The major categories of plan assets as a percentage of the total plan assets are as follows:

	2020	2019
Equities	67%	69%
Bonds	18%	14%
Property	7%	8%
Cash	8%	9%
	100%	**100%**

The Group's share of assets in the scheme is estimated to be £209,571,000 at 31 July 2020 and £208,378,000 at 31 July 2019.

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

	2020	2019
	£'000	**£'000**
Fair value of plan assets	208,934	208,378
Present value of plan liabilities	(270,032)	(239,256)
Net pensions liability	**(61,098)**	**(30,878)**

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

	2020	2019
	£'000	**£'000**
Amounts included in staff costs		
Current service cost	9,682	8,300
Past service cost	61	40
Total	**9,743**	**8,340**
Amounts included in interest costs		
Net interest cost	600	500
Total	**600**	**500**

Amounts recognised in Other Comprehensive Income (OCI)

	2020	2019
	£'000	**£'000**
Return on pension plan assets	(6,186)	6,084
Changes in demographic and financial assumptions	(18,784)	(12,133)
Amount recognised in Other Comprehensive Income	**(24,970)**	**(6,049)**

Notes to the Financial Statements - continued

28. Defined Pension Benefit Obligations - continued

Movement in net defined benefit liability during the year

	2020	2019
	£'000	£'000
Deficit in scheme at 1 August	(30,878)	(20,954)
Movement in year:		
Current service cost	(9,682)	(8,300)
Employer contributions	5,093	4,965
Past service cost	(61)	(40)
Net interest	(600)	(500)
Actuarial loss	(24,970)	(6,049)
Net defined benefit liability at 31 July	**(61,098)**	**(30,878)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2020	2019
	£'000	£'000
Defined benefit obligations at start of the year	239,256	215,336
Current Service cost	9,682	8,300
Interest cost	5,328	5,394
Contributions by Scheme participants	1,866	1,802
Changes in demographic and financial assumptions	18,784	12,133
Benefits paid	(4,945)	(3,749)
Past Service cost	61	40
Defined benefit obligations at end of the year	**270,032**	**239,256**

Changes in fair value of plan assets

	2020	2019
	£'000	£'000
Fair value of plan assets at start of the year	208,378	194,382
Interest on plan assets	4,728	4,894
Return on plan assets	(6,186)	6,084
Employer contributions	5,093	4,965
Contributions by Scheme participants	1,866	1,802
Benefits paid	(4,945)	(3,749)
Fair value of plan assets at end of the year	**208,934**	**208,378**

GMP Equalisation and McCloud

The actuary assessed the impact of the McCloud Sergeant ruling on the scheme in 2018/19 and determined that the trigger event did not occur for the scheme, and no impact was accounted for as a result. The actuary also assessed the impact of GMP equalisation on the scheme in 2018/19 and noted that there would be minimal impact on the scheme's participants, so there was no impact on the liability.

29. RELATED PARTY TRANSACTIONS

Due to the nature of the Group's operations and the composition of the Governing Body 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 Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the Group's Financial Regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £900; 4 Governors (2019: £2,412; 5 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and charity events in their official capacity.

The total expenses paid to or on behalf of the Co-optees during the year was £74; 1 Co-optees (2019: £312; 3 Co-optees). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Committee Meetings and charity events in their official capacity.

In accordance with the permission granted by the Charity Commission, remuneration of trustees was commenced in April 2018. The total remuneration paid to Governors during the year was £38,012; 8 Governors (2019:£38,750; 7 Governors). The total remuneration paid to Co-optees during the year was £16,000; 5 Co-optees (2019: £7,500; 4 Co-optees).

Manchester Education and Training Limited ("MET")

MET is an undertaking by which its participants (the Group and Manchester City Council 'MCC') expect to receive some common purpose or benefit. It is controlled jointly by both the above parties.

The Group was charged services of £11,130 (2019: £11,130), in respect of rent, depreciation of £10,500 (2019: £10,500) and a commercial mark-up £630 (2019: £630).

At the year end, the Group had £12,930 (2019: £12,930) outstanding from MET and MET was owed £289,692 (2019: £278,562) by the Group.

The Group has taken advantage of the exemptions included in FRS 102 section 33 in not disclosing the transactions with other group companies as they are wholly owned and included within these consolidated financial statements.

Novus Cambria

During the year, the parent company, LTE Group incurred expenses and made payments on behalf of the company totalling £2,748,140 (2019: £3,133,602).

During the year the company paid a distribution of earnings of £292,498 (2019: £536,266) to LTE Group.

At 31 July 2020 £649,481 (2019: £291,704) was owed to LTE Group in respect of these transactions and is included in Amounts owed by group undertakings (note 18).

Notes to the Financial Statements - continued

30. AMOUNTS DISBURSED AS AGENT

Learner support funds	2020	2019
	£'000	**£'000**
Funding body grants – bursary support	2,356	1,903
Funding body grants – discretionary learner support	2,847	3,129
Other Funding body grants - free school meals	366	565
	5,569	5,597
Disbursed to students	(5,331)	(5,366)
Administration costs	(207)	(231)
Balance unspent as at 31 July, included in creditors	**31**	**-**

Funding body grants are available solely for students. In the majority of instances, the Group only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

31. EVENTS AFTER END OF REPORTING PERIOD

External funding: Since year end, LTE has drawn down the majority of the remaining GMCA grant, so that 95% is now drawn. Also post year end, the Santander term loan rate has been fixed for three years from 26th August 2020 at a rate of 2.66%. Property disposals are progressing, with conditional and unconditional bids on the Northenden campus already received.

Estates programme: work is progressing on both of the two main sites, in line with budget and timetable.

Other: Since year end, the transfer of day-to-day banking to Santander has been completed. Reflecting the challenges in certain sectors due to COVID-19, the Group has seen some restructuring in two business units post year end.

LTE Group is committed to equality of opportunity, non-discriminatory practices and supporting individual learners.

This information is also available in a range of formats, such as large print, on request.

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