

# Form AR27

## Trade Union and Labour Relations (Consolidation) Act 1992

### Annual Return for an Employers' Association

Name of Employers' Association: Association of Colleges

Year ended: 31.03.20

List No:

Head or Main Office: 2-5 Stedham Place

London

Postcode WC1A 1HU

Website address (if available) [www.aoc.co.uk](http://www.aoc.co.uk)

Has the address changed during the year to which the return relates? Yes  No  ('X' in appropriate box)

General Secretary: David Hughes, Chief Executive

Contact name for queries regarding the completion of this return: Ami Hartigan

Telephone Number: 0207 034 9900

E-mail: [ami.hartigan@aoc.co.uk](mailto:ami.hartigan@aoc.co.uk)

**Please follow the guidance notes in the completion of this return**

Any difficulties or problems in the completion of this return should be directed to the Certification Office as below or by telephone to: 0330 1093602

You should sent the annual return to the following address stating the name of the union in subject:

For Employers' Associations based in England and Wales: [returns@certoffice.org](mailto:returns@certoffice.org)

For Employers' Associations based in Scotland: [ymw@tcyoung.co.uk](mailto:ymw@tcyoung.co.uk)

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## Return of Members

(see note 9)

Number of members at the end of the year				
Great Britain	Northern Ireland	Irish Republic	Elsewhere Abroad (Including Channel Islands)	Totals
219				219

## Change of Officers

Please complete the following to record any changes of officers during the twelve months covered by this return.

Position held	Name of Officer ceasing to hold office	Name of Officer appointed	Date of Change
Deputy Chair	N Leigh		31 January 2020
Non Executive Director		W Baldwin	17 February 2020
Non Executive Director	C Booth & P Phillips	A Berry & A Foulkes	01 December 2019
Non Executive Director		A Bravo	02 March 2020
Non Executive Director	Y Williams & G Razey & E Tobin		31 December 2020
Non Executive Director		S Higginson & S Mahmood	01 January 2020
Non Executive Director		D Whitmore	10 February 2020
Non Executive Director	A Stott		30 November 2019

# Officers in post

(see note 10)

Please complete list of all officers in post at the end of the year to which this form relates.

Name of Officer	Position held
G McDonald	Chair
S Frampton	President & Vice Chair
W Baldwin	Non Executive Director
S Barnes	Non Executive Director
A Berry	Non Executive Director
A Bravo	Non Executive Director
S Duncan	Non Executive Director
A Foulkes	Non Executive Director
S Higginson	Non Executive Director
S Mahmood	Non Executive Director
C Peasgood	Non Executive Director
J Sharma	Non Executive Director
E Thinneresen	Non Executive Director
D Whitmore	Non Executive Director
D Hughes	Executive Director
P Brophy	Executive Director
J Edwards	Company Secretary

## Revenue Account / General Fund

(see notes 11 to 16)

Previous Year			£	£
	<b>Income</b>			
	From Members	Subscriptions, levies, etc	5,331,000	5,331,000
	Investment income	Interest and dividends (gross)		
		Bank interest (gross)	34,037	34,037
		Other (specify)		
		FRS102 Interest	-244,000	-244,000
		Total Investment Income	-209,963	-209,963
	Other Income	Rents received		
		Insurance commission		
		Consultancy fees		
		Publications/Seminars		
		Miscellaneous receipts (specify)		
		Projects	2,967,068	2,967,068
		Conference	105,000	105,000
		Email subscribers & General	119,634	119,634
		Pension Actuarial Loss	-549,000	-549,000
		Total of other income		2,642,702
		<b>Total income</b>		<b>7,763,739</b>
		<b>Interfund Transfers IN</b>		
	<b>Expenditure</b>			
	Administrative expenses	Remuneration and expenses of staff	4,412,477	4,412,477
		Occupancy costs	536,262	536,262
		Printing, Stationery, Post	23,545	23,545
		Telephones	59,723	59,723
		Legal and Professional fees	288,333	288,333
		Miscellaneous (specify)		
		Recruitment, training, temps	42,904	42,904
		Computer Expenses	215,208	215,208
		Research	137,300	137,300
		Press and Media	142,799	142,799
		Other	4,331	4,331
		Total of Admin expenses		5,862,882
	Other Charges	Bank charges	234	234
		Depreciation	149,437	149,437
		Sums written off		
		Affiliation fees	33,530	33,530
		Donations		
		Conference and meeting fees	78,960	78,960
		Expenses	236,873	236,873
		Miscellaneous (specify)		
		LPFA Contribution	100,000	100,000
		Irrecoverable VAT	208,183	208,183
		Profit on disposal & subsidiary rental	-34,338	-34,338
		Projects	2,706,629	2,706,629
		Total of other charges		3,479,508
		Taxation	3,424	3,424
		<b>Total expenditure</b>		<b>9,345,814</b>
		<b>Interfund Transfers OUT</b>		
		Surplus/Deficit for year		-1,582,075
		Amount of fund at beginning of year		-8,020,105
		Amount of fund at end of year		-9,602,180









**Balance Sheet as at [ 31 March 2020 ]**

(see notes 19 and 20)

Previous Year		£	£
	<b>Fixed Assets</b> (as at Page 8)	222,218	222,218
	<b>Investments</b> (as per analysis on page 9)		
	Quoted (Market value £                   ) as at Page 9		
	Unquoted (Market value £               ) as at Page 9		101
	<b>Total Investments</b>	101	101
	<b>Other Assets</b>		
	Sundry debtors	1,111,305	1,111,305
	Cash at bank and in hand	6,014,355	6,014,355
	Stocks of goods		
	Others (specify)		
	<b>Total of other assets</b>	7,125,660	7,125,660
	<b>Total Assets</b>		7,347,979
-8,020,105	Revenue Account/ General Fund	-9,602,180	
	Revaluation Reserve		
	<b>Liabilities</b>		
	Creditors	4,953,159	
	Defined benefit pension scheme	11,997,000	
	<b>Total Liabilities</b>		16,950,159
	<b>Total Assets</b>		7,347,979

## Fixed Assets account

(see note 21)

	Land and Buildings	Fixtures & Fittings	Motor Vehicles & Equipment	Total £
<b>Cost or Valuation</b>				
At start of period			592,709	592,709
Additions during period			96,131	96,131
Less: Disposals			-91,934	-91,934
Less: Depreciation			-374,688	-374,688
Total to end of period			222,218	222,218
<b>Book Amount</b> at end of period			222,218	222,218
Freehold				
Leasehold (50 or more years unexpired)				
Leasehold (less than 50 years unexpired)				
<b>Total of Fixed Assets</b>			222,218	222,218

# Analysis of Investments

(see note 22)

Quoted		Other Funds
	British Government & British Government Guaranteed Securities	
	British Municipal and County Securities	
	Other quoted securities (to be specified)	
	Total Quoted (as Balance Sheet)	
	Market Value of Quoted Investments	
<b>Unquoted</b>	British Government Securities	
	British Municipal and County Securities	
	Mortgages	
	Other unquoted investments (to be specified)	
	AoC Services Ltd	100
	AoC Sport Ltd	1
	Total Unquoted (as Balance Sheet)	101
	Market Value of Unquoted Investments	

\* Market value of investments to be stated where these are different from the figures quoted in the balance sheet

## Analysis of investment income (Controlling interests)

(see note 23)

Does the association, or any constituent part of the association, have a controlling interest in any limited company?

Yes		No	
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If Yes name the relevant companies:

Company name	Company registration number (if not registered in England & Wales, state where registered)
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### Incorporated Employers' Associations

Are the shares which are controlled by the association registered in the association's name

Yes		No	
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If NO, please state the names of the persons in whom the shares controlled by the association are registered.

Company name	Names of shareholders
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### Unincorporated Employers' Associations

Are the shares which are controlled by the association registered in the names of the association's trustees?

Yes		No	
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If NO, state the names of the persons in whom the shares controlled by the association are registered.

Company name	Names of shareholders
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## Summary Sheet

(see notes 24 to 33)

	All Funds	Total Funds
		£
<b>Income</b>		
From Members	5,331,000	5,331,000
From Investments	-209,963	-209,963
Other Income (including increases by revaluation of assets)	2,642,702	2,642,702
<b>Total Income</b>	<b>7,763,739</b>	<b>7,763,739</b>
<b>Expenditure</b> (including decreases by revaluation of assets)		
<b>Total Expenditure</b>	<b>9,345,814</b>	<b>9,345,814</b>
<b>Funds at beginning of year</b> (including reserves)	-8,020,105	-8,020,105
<b>Funds at end of year</b> (including reserves)	-9,602,180	-9,602,180
<b>ASSETS</b>		
Fixed Assets		222,218
Investment Assets		101
Other Assets		7,125,660
<b>Total Assets</b>		<b>7,347,979</b>
<b>Liabilities</b>		
<b>Total Liabilities</b>		<b>16,950,159</b>
<b>Net Assets (Total Assets less Total Liabilities)</b>		<b>-9,602,180</b>

## Notes to the accounts

(see note 34)

All notes to the accounts must be entered on or attached to this part of the return.

Please see Directors Report and Financial Statements for the Year Ended 31st March 2020.

## Accounting policies

(see notes 35 & 36)


Please see Directors Report and Financial Statements for the Year Ended 31st March 2020.

## Signatures to the annual return

(see notes 37 and 38)

Including the accounts and balance sheet contained in the return.

**Please copy and paste your electronic signature here**

Secretary's Signature: 	Chairman's Signature: <i>G McDonald</i>
Name: J Edwards	Name: G McDonald
Date: 15 September 2020	Date: 16 September 2020
(or other official whose position should be stated)	

## Checklist

(see note 39)

(please enter 'X' as appropriate)

Is the return of officers attached? (see Page 2)	Yes	<input checked="" type="checkbox"/>	No	
Has the list of officers been completed? (see Page 2A)	Yes	<input checked="" type="checkbox"/>	No	
Has the return been signed? (see Note 37)	Yes	<input checked="" type="checkbox"/>	No	
Has the auditor's report been completed? (see Note 41)	Yes	<input checked="" type="checkbox"/>	No	
Is the rule book enclosed? (see Note 39)	Yes	<input checked="" type="checkbox"/>	No	
Has the summary sheet been completed? (see Notes 6 and 24 to 33)	Yes	<input checked="" type="checkbox"/>	No	

## Checklist for auditor's report

(see notes 41 to 44)

The checklist below is for guidance. A report is still required either set out overleaf or by way of an attached auditor's report that covers the 1992 Act requirements.

1. In the opinion of the auditors or auditor do the accounts they have audited and which are contained in this return give a true and fair view of the matters to which they relate? (See section 36(1) and (2) of the 1992 Act and notes 43 and 44)

Please explain in your report overleaf or attached.

2. Are the auditors or auditor of the opinion that the union has complied with section 28 of the 1992 Act and has:

- a. kept proper accounting records with respect to its transactions and its assets and liabilities; and
- b. established and maintained a satisfactory system of control of its accounting records, its cash holding and all its receipts and remittances.

(See section 36(4) of the 1992 Act set out in note 43)

Please explain in your report overleaf or attached.

3. Your auditors or auditor must include in their report the following wording:

**In our opinion the financial statements:**

- give a true and fair view of the matters to which they relate to.
- have been prepared in accordance with the requirements of the sections 28, 32 and 36 of the Trade Union and Labour Relations (consolidation) Act 1992.



# Auditor's report (continued)



Signature(s) of auditor or auditors:		
Name(s):	RSM UK Audit LLP	
Profession(s) or Calling(s):	Chartered Accountants	
Address(es)	25 Farringdon Street, London, EC4A 4AB	
Date:		
Contact name for enquiries and telephone number:		

N.B. When notes to the accounts are referred to in the auditor's report a copy of those notes must accompany this return.

**Association of Colleges**  
(Limited by guarantee)

**Directors' report  
and  
financial statements  
for the year ended  
31 March 2020**

Registered number: 03216271

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## Directors and Advisers

Chair: J Nerney

President & Vice-Chair: S Frampton – AC

Deputy Chair: N Leigh – F&GP; resigned 31 January 2020

Non-Executive Directors:

- W Baldwin – appointed 17 February 2020
- S Barnes – GC
- A Berry – appointed 1 December 2019
- A Bravo – appointed 2 March 2020
- C Booth – F&GP; resigned 30 November 2019
- S Duncan
- A Foulkes – appointed 1 December 2019
- S Higginson – appointed 1 January 2020
- S Mahmood – appointed 1 January 2020
- G McDonald – AC
- C Peasgood – AC
- P Phillips – resigned 30 November 2019
- G Razy – F&GP; resigned 31 December 2019
- J Sharma – AC
- A Stott – GC; resigned 30 November 2019
- E Thinnesen – F&GP
- E Tobin – resigned 31 December 2019
- D Whitemore – appointed 10 February 2020
- Y Williams – F&GP; resigned 31 December 2019

Executive Directors:

CEO:  
D Hughes – AoC Services, ACT, AoC Sport, GC & F&GP

Director of Finance & COO:  
P J Brophy – AoC Services Ltd, ACT, AoC Sport & F&GP

Group Company Secretary: J Edwards

**Boards** AoC Services Ltd (AoC Services), AoC Sport (AoC Sport) and AoC Charitable Trust (ACT)

**Committees** Audit Committee (AC), Finance and General Purposes (F&GP) and Governors' Council (GC)

**Directors and Advisers** *(continued)*

**Registered Office**

2 - 5 Stedham Place  
London  
WC1A 1HU

**Solicitors**

Eversheds Sutherland LLP  
1 Wood Street  
London  
EC2V 7WS

**Internal Auditor**

Mazars LLP  
Regency House  
3 Grosvenor Square  
Southampton  
SO15 2BE

**Statutory Auditor**

RSM UK Audit LLP  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

**Bankers**

Barclays Bank PLC  
28<sup>th</sup> Floor, 1 Churchill Place  
Canary Wharf  
London  
E14 5HP

## Strategic Report

This Strategic Report for the year ended 31 March 2020 is to be considered alongside the Accounts and Directors' Report for the same financial period.

### Overview of the AoC

Association of Colleges is the national voice for further education, sixth form, tertiary and specialist colleges in England. We are a not-for-profit membership organisation established in 1996 by colleges, for colleges. Our members make up almost 95% of the sector, transforming 2.2 million lives each year.

We were established by colleges and we are governed by colleges. Our Board is made up of college leaders from across the country; our President is a college principal or recently retired college principal, and more than half of colleges are represented on our policy and special interest groups.

### As the sector representative body, we are committed to:

- Influencing Government and local and national policymakers to create the environment for strong and sustainable colleges at the heart of the economy
- Providing high-quality, professional support, advice and intelligence to meet the needs of every member
- Championing and enhancing the reputation of colleges and students
- Being open and transparent, working with, and for, all members
- Providing all members with a seamless service that is professional, proactive and responsive across the whole organisation.

### To achieve this we:

- Work with members in developing policy and enhancing the profile and reputation of colleges
- Set clear long-term priorities for our work with robust measures and accountability processes through our governance structure
- Work in partnership with a range of other organisations that can support and add value to our work
- Maintain a team of professional and skilled people across the country to provide the services and support members need
- Communicate openly and transparently in our work, making sure members are kept up to date with expert, timely and relevant information

### Shaping the policy agenda

Our policy priorities are set by members, through the AoC Board and through feedback throughout the year. We have worked hard to develop and nurture positive relationships with Ministers, MPs, key government departments, industry and unions. We work with them on behalf of members and provide them with the opportunity to be directly involved. We have also built strong relationships with, and fed into the work of, think tanks, employer bodies and research organisations. We know that we are stronger together; that's why we also work in partnership with other sector bodies and seek common ground to build our influencing work.

We have a range of national policy groups, covering each of the priority areas which form the basis of our policy development. More than half of all members are represented on these, with all regions and types of colleges represented. The groups report regularly into the AoC Board which maintains that vital member oversight.

We run short-term task and finish groups focused on specific policy areas, and run special interest groups, providing the opportunity for consideration of specialist areas including international work, equality and diversity, and technology.

## **Strategic Report (continued)**

Alongside our groups, members have regular opportunities to engage in policy development through discussions at regional networks, our conferences and events and through formal and informal consultations. Members can also feed into AoC's campaigns and responses to Government. We keep members informed of discussions and outcomes of the groups via regular communications.

### **AoC's regional approach**

We have a network of seven regional offices throughout England, as well as a national office in London. Our regions are: North East and Yorkshire and Humber, North West, East, East and West Midlands, South East, London, and South West. This allows us to support colleges locally, whilst amplifying their voices nationally, and allows us to remain close to our members and responsive to their needs. It also allows us to offer relevant professional development networks, events and information and advice services.

Each regional office is led by an Area Director, supported by a regional team structure. Our regional teams work to champion and promote their colleges and the contributions they make to local economic and social prosperity. They work to ensure that colleges are represented on local decision-making bodies and that their views are understood by local partners including local economic partnerships (LEPs). We have excellent relationships with local offices of Ofsted and the Education and Skills Funding Agency, ensuring that we can identify issues swiftly and support colleges effectively, giving them the most up-to-date information and support possible.

### **International work**

UK colleges work with countries all over the world to deliver education and training. Colleges welcome international students to their campuses, offer summer schools and provide specialist training and consultancy to international education partners.

The Association of Colleges supports colleges with the development of their international activity by working closely with organisations such as the Department for International Trade, the British Council and UKCISA. We operate a series of network meetings for our members and represent college international interests on joint committees with the Home Office.

### **Supporting college leadership and governance**

We offer professional and confidential advice and support to principals, their teams, chairs and governors in areas including governance, HR, inspections and funding.

We also provide services, support and guidance specifically for clerks, chairs and governors. This includes a dedicated advice service where members can receive information on any aspect of governance including policy, funding, law and best practice. This also includes the organising and delivering of governor induction materials, policy seminars and webinars on critical issues, and a regular governance briefing.

In addition, AoC provides the opportunity for governors and clerks to meet both locally and nationally to share best practice. The Governors' Council and Governance Professionals Group influence policy and services as a consultative forum for policymakers. AoC also delivers projects and programmes for governors with support from the Department for Education and the Education and Training Foundation.

We work in partnership with Irwin Mitchell to provide an employment advice service for members. All full members have access to a dedicated advisory service covering day-to-day HR and employment law issues. HR teams also have access to dedicated briefings, advice sheets and templates.

## **Strategic Report (continued)**

We act as the employers' representative in national pay negotiations. Each year, we work with members and trade unions to identify a recommended pay offer for colleges.

### **Communications, public affairs and advocacy**

Over the last year, we have strengthened our public-facing work, including our media and lobbying work.

Throughout the year, we work closely with editors and journalists from key newspapers and publications to get colleges into the news. Over the last academic year, we've secured hundreds of pieces of local, regional, national and international coverage, including college pieces in *The Financial Times*, *The Guardian*, *The Times*, *Huffington Post*, *The Daily Mirror* and many more. We've had pieces on BBC News, ITV News, Channel 4 News and Channel 5 News, as well as the Victoria Derbyshire Show, BBC Radio 4 and Talk Live – and more.

In all that we do, our focus is on giving colleges a platform. Wherever possible and relevant, we put forward college leaders, rather than AoC staff. This year, we have had college leaders from every region in the national news sharing their stories.

Through the Love Our Colleges campaign, we have also ramped up our lobbying and political engagement work. We have worked with colleges to lobby politicians to help shift the debate on colleges, with an emphasis on funding. Together, as a collective of colleges, we have achieved two Westminster Hall Debates, questions at Prime Minister's Questions and Treasury Questions, a renewed focus on further education within the Education Select Committee and helped to establish hundreds of meetings between MPs and colleges.

This year we saw the Chancellor promise the first rise in the 16 to 18 base rate in almost a decade, whilst each major party had further education commitments in their manifestos, with the Conservatives reconfirming their commitments (including £1.5 billion for capital funding).

Our external relationships team focuses on wider partnership, sponsorship and stakeholder engagement and looks to build on our links with business, teachers, students, the wider education sector and more.

### **AoC Awards**

Brilliant things happen in colleges every day. Our collection of awards is the chance to shout about them. The Beacon Awards, now in their 25<sup>th</sup> year, highlight the breadth and quality of education in colleges throughout the UK, helping to increase the understanding of colleges' contribution to their communities' economic and social development. The Student of the Year Award recognises the strength, resilience and determination of students and apprentices in colleges.

### **Subsidiary companies**

As reported in Note 11 to the accounts, the Association has two trading subsidiary companies, AoC Services Ltd and AoC Sport Ltd. In addition, there is one dormant subsidiary company, AoC India Ltd.

#### **AoC Services Ltd.**

AoC Services Ltd, a trading subsidiary of AoC, changed its name from AoC Create Ltd this year to better integrate the paid-for services into the wider membership offer. The principal activity of the company is to provide the best range of highest quality, best value-for-money services needed by further education and associated sectors in England and Wales. These activities include conference, recruitment, training and consultancy services and all the money earned is invested back to benefit AoC member colleges.



## Strategic Report *(continued)*

### **AoC Sport Ltd.**

AoC Sport is the lead organisation for college sport and physical activity. Our vision is every college student participating regularly in sport or physical activity. 1,500 teams across England are taking part in AoC Sport activity.

### **AoC Charitable Trust**

In addition to the trading subsidiaries, the Association manages the AoC Charitable Trust. The Trust is devoted to raising funds and overseeing their application for the benefit of post-16 education. The trust has, since 1994, been administering the annual Beacon Awards, as well as the Student of the Year Awards. The aim of the Awards is to recognise imaginative and exemplary teaching and learning practice in further education; to draw attention to provision which encourages and supports learners to approach challenges positively and creatively; and to support learning and continuous improvement through the dissemination of Award-bearing practice. The Trust has separate financial statements from the AoC group.

### **JISC**

AoC is a joint partner of JISC, a company limited by guarantee at £1 per member, with Universities UK and Guild HE. AoC has one nominated representative on the JISC Board. Resolutions are passed with a simple majority vote. JISC is a registered charity and champions the use of digital technologies in UK education and research. JISC is not part of the AoC group for consolidation purposes.

### **The Education & Training Foundation (ETF)**

AoC is one of three founding members of the Education & Training Foundation (ETF), a company limited by guarantee at £1 per member with the Association of Employment and Learning Providers (AELP) and the Association of Adult Education and Training Organisations (which operates under the name of HOLEX). AoC is entitled to appoint three of the twelve directors on the Board and Board resolutions are passed with a simple majority vote. ETF is a registered charity and as such operates for the public benefit. AoC does not have a participating interest in ETF and does not derive any benefit from its members, and ETF is not part of the AoC group for consolidation purposes.

### **Covid19**

At the time of preparing the financial statements, it is clear that there will be disruption to the work of the Association over the coming year as a result of the COVID-19 outbreak which has occurred since the financial year end. The Directors have put in place additional measures to mitigate the financial impact of the outbreak, at the same time as delivering against the current strategy in the most appropriate way given the current control measures introduced by government following the outbreak.



Approved by P J Brophy  
Director

16 September 2020

## **Directors' Report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2020. Details of the subsidiaries are not shown in the Directors' Report because it is shown in the Strategic Report instead, under S414C(11) and Note 11 of the Accounts.

## **Principal activities**

The Association of Colleges (AoC) was created in 1996 as the single voice to promote the interests of incorporated further education and sixth form colleges in England and Wales. Details of the principal activities are provided in the Strategic Report.

AoC exists to represent and promote the interests of colleges and to provide members with professional support services.

## **Results**

The Board reports the Company outturn for the financial year ended 31 March 2020, which is a surplus of £70,378 (2019: surplus £60,969) before tax, adjustments of the Financial Reporting Standard (FRS) 102 requirements, and after contributing £100,000 (2019: £72,661) towards the LPFA deficit in the year in respect of the pension scheme.

In line with the Board's previously stated intention to have reserves that would enable the Association to meet all potential liabilities including those off balance sheet, further very strict monitoring and control of expenditure will continue for the foreseeable future to significantly increase the reserves.

In addition, the Association, in line with all companies, has to comply in full with the reporting requirements of FRS102 and has done so with the impact duly reported as required.

The London Pension Fund Authority (LPFA) deficit is reported on later in this report and the Board, whilst complying with the FRS102 requirements, believes that the pension deficit as reported by the LPFA better reflects the true liabilities faced by the Association rather than those reported under FRS102 requirements. As such the Association continues to make additional contributions as required by the LPFA towards its deficit.

During the year the Association of Colleges made a donation of £60,000 (2019: £60,000) to the AoC Charitable Trust.

## **London Pension Fund Authority**

As reported in Note 18 to the Accounts, the Association's members of staff are eligible to join the London Pension Fund Authority (LPFA) final salary pension scheme. As previously reported, in line with FRS102 requirements the scheme has been under-funded and in deficit for a number of years.

As a result of the tri-annual valuation of the LPFA in March 2019, the trustees of the fund have been required to seek significant contributions from the relevant employing bodies and the employers' contribution rate has increased to 15.6% from 12.03%. As in the last financial year, the Board agreed an additional discretionary payment towards the deficit of £100,000. This is part of the long-term strategy to fully fund the liabilities.

## **Directors' Report** *(continued)*

### **The Board**

The members who served on the Board during the year and up to the date of this report are listed on page 3.

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

The Board is provided with regular and timely information on the overall financial performance of AoC together with other information such as performance against targets, proposed capital expenditure, quality matters and personnel-related matters. The Board meets every three months.

The Board conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board. These committees include those for finance and general purposes, remuneration, employment and audit.

The Company Secretary maintains a register of financial and personal interests of Board members and is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. Formal agendas, papers and reports are supplied to Board members in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis. The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The 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 Chairperson and Chief Executive are separate.

### **Appointments to the Board**

The Association of Colleges holds elections to its Board of Management every year, when one third of the regionally elected Board Members are required to retire. Appointments to the Board are for a three-year term of office.

### **The President**

The AoC President is elected to term between the 1 August and 31 July. The role of the President is to represent the needs of the membership and act as the voice of colleges on behalf of the AoC.

### **Governors' Council**

The Governors' Council aims to reflect the representation achieved by the AoC Board with elected and co-opted Governors from member colleges. The AoC Chair, President, Chief Executive and Director of Finance are all ex-officio members of the Council.

The Council's vision is to develop and use the experience and expertise of Governors to represent their views in AoC policy formulation and to promote good college governance, thus contributing to the mission of the AoC.

Governors represent a formidable wealth of diverse experience which can be harnessed to help shape and improve the performance of the FE sector. The Governors' Council provides genuine opportunities for Governors to express their views to inform and influence policy makers and partners.

## Directors' Report *(continued)*

### Board Portfolio Groups

The AoC Board nominates portfolio holders to lead policy work in a number of areas. From June 2014 there are established portfolio groups which concern themselves with the following areas: 14-19 and associated funding, higher education provision and funding in colleges, performance and quality (standards), skills & training, reputation, sport, technology, governance, sustainable futures, urban colleges, quality, international, local government, enterprise, sixth form colleges, learning difficulties & disabilities and academies.

Each portfolio holder convenes a group of college leaders to develop AoC policy positions to reflect college concerns and interests.

### Remuneration Committee

Throughout the year ended 31 March 2020, the AoC's Remuneration Committee comprised ten members of the Board. The Committee's responsibilities are to approve proposals regarding remuneration levels for AoC staff and to make recommendations to the Board on the remuneration and benefits of the Chief Executive.

Details of remuneration for the year ended 31 March 2020 are set out in Notes 2 and 3 to the Financial Statements.

### Audit Committee

The Audit Committee comprises eight members of the Board (excluding the Chair, Chief Executive and Director of Finance). The Committee operates in accordance with written terms of reference approved by the Board.

The AoC's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the audit committee. External auditors also meet with the Audit Committee and convey their findings accordingly.

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

### Finance and General Purposes Committee (F&GP)

The F&GP Committee comprises seven members of the Board. The Committee operates in accordance with written terms of reference approved by the Board and oversees the financial and operational matters relating to the Group.

### Statement of Corporate Governance

The AoC is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the Association has applied the principles set out in the revised *Combined Code on Corporate Governance* issued by the London Stock Exchange in 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Board, the AoC complies with all the provisions of the Combined Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 March 2020.

### Principal risks

A comprehensive risk register is maintained and reviewed on a regular basis by the Audit Committee and the Board. The key risk is the impact of the current government spending cuts and its impact on the Association and its members.

Covid-19 has had a significant impact on colleges and the Association has worked tirelessly to support members working closely with ministers, civil servants, and others. This support has been widely acknowledged and is anticipated to have a positive impact on membership satisfaction. Whilst various areas within the Association

**Directors' Report** *(continued)*

will be impacted, events, training and development, sporting activities these will be offset to an extent by savings on expenditure and remain manageable due to the level of the group's reserves.

The Board considers the defined benefit pension scheme (note 18) as a key principal risk, which has been detailed on page 9. The Board considers there to be no other principal risks. The Board is aware of the key risks to the Association and plans accordingly.

**Future developments**

The AoC will continue to promote the interests of further education and sixth form colleges and will seek to bid for further project work in support of those colleges. The nine regional areas will continue to represent the interests of their local member colleges, disseminating national policy and providing vital representation around the UK. AoC Services will continue as the commercial arm of AoC, providing high quality professional services to the sector. AoC Sport will continue to promote both participation and competitions to the sector with significant backing from Sport England, the FA and ERFU. AoC India, having achieved its aims when set up, has ceased trading, with all creditors and commitments met in full.

**Statement as to Disclosure of Information to Auditor**

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**Auditor**

RSM UK Audit LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006. A resolution for the re-appointment of RSM UK Audit LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board.



P J Brophy  
Director  
16 September 2020

### Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether all applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Independent Auditor's Report to the Members of Association of Colleges

### Opinion

We have audited the financial statements of Association of Colleges (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, the Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

## **Independent Auditor's Report to the Members of Association of Colleges (continued)**

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors are responsible for assessing the group's and the parent company'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 directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

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



Independent Auditor's Report to the Members of Association of Colleges *(continued)*

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



PAUL OXTOBY (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

29 Oct 2020

**Consolidated Statement of Comprehensive Income**  
*for the year ended 31 March 2020*

	Notes	31 March 2020		31 March 2019	
		Group £	Company £	Group £	Company £
Turnover		14,608,814	<b>8,522,701</b>	14,304,820	7,939,321
Cost of sales	4	(10,916,422)	<b>(6,171,354)</b>	(9,802,928)	(5,061,682)
<b>Gross profit</b>		3,692,392	<b>2,351,347</b>	4,501,892	2,877,639
Admin expenses	5	(4,606,047)	<b>(3,171,037)</b>	(4,430,040)	(2,945,691)
Pension liability from merger		-	-	(1,052,000)	(1,052,000)
<b>Operating surplus/(deficit)</b>		<b>(913,655)</b>	<b>(819,690)</b>	(980,148)	(1,120,052)
Interest receivable and similar income	6a	37,822	34,037	19,926	18,022
Interest payable and similar charges	6b	(244,000)	(244,000)	(317,000)	(317,000)
<b>Loss on ordinary activities before taxation</b>	8	<b>(1,119,833)</b>	<b>(1,029,653)</b>	(1,277,222)	(1,419,030)
Taxation	7	(3,212)	(3,424)	(37,734)	(18,603)
<b>Loss for the financial year</b>	16	<b>(1,123,045)</b>	<b>(1,033,077)</b>	(1,314,956)	(1,437,633)
<b>Other comprehensive income (net of tax)</b>					
Actuarial (loss)/gains on defined benefit plans	18	(549,000)	(549,000)	1,532,000	1,532,000
<b>Loss for the financial year</b>		<b>(1,123,045)</b>	<b>(1,033,077)</b>	(1,314,956)	(1,437,633)
<b>Total comprehensive income for the year</b>		<b>(1,672,045)</b>	<b>(1,582,077)</b>	217,044	94,367

## Statements of Financial Position

as at 31 March 2020

	Notes	31 March 2020		31 March 2019	
		Group £	Company £	Group £	Company £
<b>Fixed assets:</b>					
Other intangible assets	9	96,429	-	-	-
Tangible fixed assets	10	236,393	222,218	301,724	275,524
Investments	11	-	101	-	101
		<b>332,822</b>	<b>222,319</b>	<b>301,724</b>	<b>275,625</b>
<b>Current assets:</b>					
Debtors due within one year	12	2,280,411	1,111,303	3,526,745	1,660,621
Cash in bank and in hand		6,828,280	6,014,355	4,971,644	4,557,781
		<b>9,108,691</b>	<b>7,125,658</b>	<b>8,498,389</b>	<b>6,218,402</b>
<b>Current liabilities:</b>					
Creditors: amounts falling due within one year	13	(6,022,703)	(4,953,159)	(5,374,955)	(4,166,132)
<b>Net current assets</b>		<b>3,085,988</b>	<b>2,172,499</b>	<b>3,123,434</b>	<b>2,052,270</b>
<b>Total assets less current liabilities</b>		<b>3,418,810</b>	<b>2,394,818</b>	<b>3,425,158</b>	<b>2,327,895</b>
Provisions for liabilities	14	(20,616)	-	(3,919)	-
<b>Net assets excluding pensions liability</b>		<b>3,398,194</b>	<b>2,394,818</b>	<b>3,421,239</b>	<b>2,327,895</b>
Defined benefit pension scheme liability	18	(11,997,000)	(11,997,000)	(10,348,000)	(10,348,000)
<b>Net liabilities including pensions liability</b>		<b>(8,598,806)</b>	<b>(9,602,182)</b>	<b>(6,926,761)</b>	<b>(8,020,105)</b>
<b>Capital and Reserves</b>					
Pension reserve		(11,997,000)	(11,997,000)	(10,348,000)	(10,348,000)
Profit and loss account		3,398,194	2,394,818	3,421,239	2,327,895
<b>Total Equity</b>		<b>(8,598,806)</b>	<b>(9,602,182)</b>	<b>(6,926,761)</b>	<b>(8,020,105)</b>

The financial statements on pages 17 – 41 were approved and authorised for issue by the Board of Directors on 24 June 2020 and were signed on its behalf by:

G McDonald, Chair  
16 September 2020



**Consolidated Statement of Changes in Equity**  
*for the year ended 31 March 2020*

	Pension reserve £	Profit and loss account £	Total £
Balance at 1 April 2018	(10,400,000)	3,256,195	(7,143,805)
Loss for the year	(1,480,000)	165,044	(1,314,956)
Other comprehensive income, net of tax: - Actuarial losses on defined benefit plans	1,532,000	-	1,532,000
<b>Total comprehensive income for the year</b>	<b>52,000</b>	<b>165,044</b>	<b>217,044</b>
<b>Balance at 31 March 2019</b>	<b>(10,348,000)</b>	<b>3,421,239</b>	<b>(6,926,761)</b>
Loss for the year	(1,100,000)	(23,045)	(1,123,045)
Other comprehensive income, net of tax: - Actuarial gains on defined benefit plans	(549,000)	-	(549,000)
<b>Total comprehensive income for the year</b>	<b>(1,649,000)</b>	<b>(23,045)</b>	<b>(1,672,045)</b>
<b>Balance at 31 March 2020</b>	<b>(11,997,000)</b>	<b>3,398,194</b>	<b>(8,598,806)</b>

**Company Statement of Changes in Equity**  
*for the year ended 31 March 2020*

	Pension reserve £	Profit and loss account £	Total £
Balance at 1 April 2018	(10,400,000)	2,285,529	(8,114,471)
Loss for the year	(1,480,000)	42,366	(1,437,634)
Other comprehensive income, net of tax: - Actuarial gains on defined benefit plans	1,532,000	-	1,532,000
<b>Balance at 31 March 2019</b>	<b>(10,348,000)</b>	<b>2,327,895</b>	<b>(8,020,105)</b>
Loss for the year	(1,100,000)	66,923	(1,033,077)
Other comprehensive income, net of tax: - Actuarial losses on defined benefit plans	(549,000)	-	(549,000)
<b>Total comprehensive income for the year</b>	<b>(1,649,000)</b>	<b>66,924</b>	<b>(1,582,077)</b>
<b>Balance at 31 March 2020</b>	<b>(11,997,000)</b>	<b>2,394,819</b>	<b>(9,602,182)</b>

**Consolidated and Company Statement of Cash Flows**  
*for the year ended 31 March 2020*

	Notes	31 March 2020		31 March 2019	
		Group £	Company £	Group £	Company £
<b>Operating Activities:</b>					
Cash (used)/generated from operations	17	2,036,867	1,530,961	546,155	537,436
Taxation		(3,278)	(22,027)	(21,485)	(20,209)
<b>Net Cash (Used In)/From Operating Activities</b>		<b>2,033,589</b>	<b>1,508,934</b>	<b>524,670</b>	<b>517,227</b>
<b>Investing Activities:</b>					
Purchase of intangible assets		-	-	-	-
Purchase of tangible fixed assets		(224,703)	(96,131)	(170,537)	(161,931)
Proceeds on disposal of fixed assets		9,733	9,733	9,576	9,576
Interest received		37,822	34,037	19,926	18,022
<b>Net Cash (Used In)/From Investing Activities</b>		<b>(177,148)</b>	<b>(52,361)</b>	<b>(141,035)</b>	<b>(134,333)</b>
Net (decrease)/increase in cash and cash equivalents		1,856,636	1,456,574	383,635	382,894
Cash and cash equivalents at beginning of year		4,971,644	4,557,781	4,588,009	4,174,887
<b>Cash and cash equivalents at end of year</b>		<b>6,828,280</b>	<b>6,014,355</b>	<b>4,971,644</b>	<b>4,557,781</b>
Relating to:-					
Bank balances and short term deposits included in cash at bank and in hand		6,828,280	6,014,355	4,971,644	4,557,781

**Notes** *(forming part of the financial statements)*

**1. Accounting Policies**

**General Information**

Association of Colleges is a company limited by guarantee domiciled and incorporated in England, registered number: 03216271.

The address of the Company's registered office and principal place of business is 2-5 Stedham Place, London, WC1A 1HU.

The Group consists of Association of Colleges and all of its subsidiaries.

The Company's and the Group's principle activities and nature of operations are disclosed in the Strategic Report.

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

**Basis of Preparation**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The company meets the definition of a public benefit entity under FRS 102. Monetary amounts in these financial statements are rounded to the nearest whole pound except where otherwise indicated.

**Basis of Consolidation**

The consolidated financial statements incorporate those of Association of Colleges and all of its subsidiaries. All financial statements are made up to 31 March 2020.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

**Going Concern**

Since the significant economic impacts of the COVID-19 outbreak have become apparent, the Directors have reviewed in detail the Company's position and the appropriate basis on which to prepare the financial statements. The Directors anticipate that there will be an adverse impact to its operating model as a result of the working guidelines introduced by government following the outbreak of the virus. The Directors have considered detailed projections to 31 March 2021, together with a longer term assessment, to stress test the financial resilience of the Company which take into account both a potential decline in income and increase in costs over this period. The full impact of the COVID-19 outbreak cannot presently be estimated with any certainty, but the stress testing of the Company's financial position has satisfied the Directors that it has adequate reserves and mitigation strategies available to deal with the impact of the outbreak as it unfolds. The Board will continue to receive monthly management accounts with updated re-forecasts.

The Directors believe that the pension fund deficit, shown on the balance sheet, will not materialise in the short term and will continue to be funded. Current and future forecasted cash balances allow this position to be maintained and will be adequate to meet liabilities as they fall due.

**Notes (continued)**

Whilst the Directors recognise that 2020 will be a challenging year, and it may be necessary to draw on some of the Company's reserves which have been established to provide financial resilience, they have concluded that it is appropriate to prepare the financial statements on a going concern basis.

**Functional and Presentational Currencies**

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

**Income Recognition**

Turnover represents the amounts (excluding value added tax) derived from the provision of services to members.

Turnover is made up of subscription income from members, income for project-related work and the turnover of AoC Services Ltd resulting from its commercial activities.

External funding is received for national projects. These projects generally tend to have a lifespan of two to three years. The project income is released in to the profit and loss account in the financial year in which the relevant expenditure is incurred.

Subscription income is recognised in the profit and loss account for the year to which it relates. Subscription income relating to subsequent accounting periods is deferred.

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

**Intangible Fixed Assets (Other Than Goodwill)**

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:

Purchased computer software - 4 years [25% per annum] in line with IT depreciation policy.

The Company's policy is to charge the full year's amortisation in the year of acquisition and charge no amortisation in the year of disposal.

**Tangible Fixed Assets and Depreciation**

Tangible fixed assets are initially measured at cost and are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost by equal instalments over their estimated useful economic lives as follows:

Motor vehicles - 4 years [25% per annum]

Office equipment - 4 years [25% per annum]

The Company's policy is to charge the full year's depreciation in the year of acquisition and charge no depreciation in the year of disposal.

**Impairment of Fixed Assets**

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

### Notes (continued)

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

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

### Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### Operating Lease

Rental costs arising under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

### Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company and Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### Pension Scheme Arrangements

The Association's employees may elect to be members of the London Pensions Fund Authority (LPFA) pension fund or be auto-enrolled into the Flexible Retirement Plan run by the Pensions Trust. LPFA is a funded defined benefit scheme, whereas the Flexible Retirement Plan is a defined contribution scheme.

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.



## Notes (continued)

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions paid in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The assets of the scheme are held separately from the company in separate trustee-administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

Gains or losses recognised in profit or loss are:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income are:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

## Financial Instruments

Association of Colleges has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when Association of Colleges becomes a party to the contractual provisions of the instrument, and are offset only when Association of Colleges currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

- **Financial Assets**  
Trade Debtors – Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.
- **Financial Liabilities**  
Trade Creditors – Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.
- **Derecognition of Financial Asset and Liabilities**  
A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another part that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

## Notes (continued)

### Provisions

Provisions are recognised when Association of Colleges has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

### Restructuring

Provisions for restructuring costs are recognised when the Company has a legal obligation or a constructive obligation arising from a detailed formal plan for the restructuring which has been notified to affected parties.

### Reserves

Reserves of the Association of Colleges represent the following:

#### Pension reserve

The cumulative actuarial gains and losses on the defined benefit pension scheme.

#### Profit and loss account

Cumulative profit and loss.

### Critical Accounting Estimates and Areas of Judgement

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

In the opinion of the directors, there were no judgements made that have a significant effect on the amounts recognised in the financial statements nor any key assumptions or estimates made which might cause a material adjustment.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

The defined benefit pension scheme is valued based on a number of assumptions. The details and sensitivities of key assumptions have been reflected in note 18.

The AoC continues to manage a significant number of projects, the beneficiaries of which are in the main member colleges. The AoC Board rightly agrees to a prudent approach with regards to the timing and allocation of overheads, often waiting until the project has successfully concluded. Please refer to note 4.

Project income is recognised against incurred expenditure with indirect contributions to overheads allocated at the conclusion. Please refer to note 4.

Investments policy – The AoC Board adopts a prudent investment policy with surplus funds in the main placed on fixed term treasury deposits. No investments are made that risk capital exposure.

Notes (continued)

**2. Staff numbers**

The average monthly number of persons employed by the company (including directors) during the twelve-month period was as follows:

By activity	2020		2019	
	Group	Company	Group	Company
Services to members	50	31	44	25
Administration and operations	53	21	54	21
	<b>103</b>	<b>52</b>	<b>98</b>	<b>46</b>

**Executive Directors & Officers**

	2020		2019	
	Group	Company	Group	Company
£60,001 to £70,000	6	6	1	1
£70,001 to £80,000	4	4	3	3
£80,001 to £90,000	4	2	5	3
£90,001 to £100,000	2	2	1	1
£100,001 to £110,000	-	-	1	1
£110,001 to £120,000	2	2	1	1
£120,001 to £130,000	1	1	1	1
£160,001 to £170,000	1	1	1	1
	<b>20</b>	<b>18</b>	<b>14</b>	<b>12</b>

The amount paid to the highest paid director was £167,500 (2019: £167,500); pension costs for this individual were £20,150 (2019: £20,150).

	2020		2019	
	Group	Company	Group	Company
Money purchase enhancement	59	23	52	15
Defined benefit schemes	37	29	39	31

The three executive directors (2019: three) were all members of the defined benefit scheme during the year. Total directors' remuneration amounted to £316,434 (2019: £297,162) and the pensions costs were £37,105 (2019: £34,868).

Notes (continued)

**3. Staff costs**

	2020		2019	
	Group	Company	Group	Company
	£	£	£	£
<i>The aggregate payroll costs were as follows:</i>				
Wages and salaries	5,369,725	3,628,321	5,040,584	3,134,389
Social security costs	507,469	377,756	531,794	343,278
<i>Pension costs</i>				
Pension adjustment	855,999	855,999	1,163,000	1,163,000
London Pension Fund Authority	350,565	267,934	282,946	282,946
LPFA deficit	-	-	68,252	68,252
Defined Contribution Scheme	136,939	35,485	97,690	41,007
	<b>7,220,697</b>	<b>5,165,495</b>	<b>7,184,266</b>	<b>5,032,872</b>

**4. Cost of sales**

	2020		2019	
	Group	Company	Group	Company
	£	£	£	£
Salaries	3,606,034	2,371,939	3,620,919	2,253,135
Pension adjustment	548,843	548,843	111,000	111,000
Legal expenses	26,297	26,297	54,714	54,714
Professional HR advice service	150,000	150,000	150,000	150,000
Printing, postage, stationery and publications	23,545	23,545	42,704	42,705
Projects	2,706,629	2,706,629	2,027,646	2,027,646
Press and media	142,799	142,799	170,984	170,984
Research	137,300	137,300	148,807	148,807
Commercial activities	3,510,973	-	3,373,463	-
Other professional	64,002	64,002	102,691	102,691
	<b>10,916,422</b>	<b>6,171,354</b>	<b>9,802,928</b>	<b>5,061,682</b>

Notes (continued)

**5. Administrative expenses**

	2020		2019	
	Group £	Company £	Group £	Company £
Staff and other costs	2,173,650	1,227,442	2,229,445	1,172,179
Pension adjustment	307,156	307,156	-	-
LPFA additional contribution	100,000	100,000	73,622	73,622
Travel and meeting costs	403,977	315,833	404,415	309,846
Premises, office and insurance costs	985,317	785,000	986,357	810,789
Telephone costs	81,864	59,723	78,890	53,532
Depreciation	193,605	149,437	177,106	148,388
Irrecoverable VAT	241,566	208,183	293,208	258,275
Consultants	17,452	-	23,735	-
Audit and accountancy	64,642	48,034	64,388	50,838
Print, post and stationery	11,036	-	7,302	-
Bad debt	-	-	9,202	-
Rental income from subsidiaries	-	(24,605)	-	-
Other	16,381	(5,166)	5,758	3,636
Redundancy costs	9,401	-	76,612	64,586
	<b>4,606,047</b>	<b>3,171,037</b>	<b>4,430,040</b>	<b>2,945,691</b>

**6a. Interest receivable and similar income**

	2020		2019	
	Group £	Company £	Group £	Company £
Bank interest	37,822	34,037	19,926	18,022
	<b>37,822</b>	<b>34,037</b>	<b>19,926</b>	<b>18,022</b>

**6b. Interest payable and similar charges**

	2020		2019	
	Group £	Company £	Group £	Company £
Interest arising from:				
Net interest on the net defined benefit	(244,000)	(244,000)	(317,000)	(317,000)
	<b>(244,000)</b>	<b>(244,000)</b>	<b>(317,000)</b>	<b>(317,000)</b>

Notes (continued)

**7. Taxation**

	2020		2019	
	Group £	Company £	Group £	Company £
<i>Current tax</i>				
UK corporation tax at 19% (PY: 19%)	-	-	41,688	18,603
Adjustments in respect of previous periods	<u>(13,485)</u>	<u>3,424</u>	=	=
Total current tax charge/(credit)	<u>(13,485)</u>	<u>3,424</u>	<u>41,668</u>	<u>18,603</u>
<i>Deferred tax</i>				
Origination and reversal of timing differences	16,236	-	(3,954)	-
Effect of tax rate change on opening balance	<u>461</u>	=	=	=
Total deferred tax	<u>16,697</u>	=	<u>(3,954)</u>	=
<b>Tax on profit on ordinary activities</b>	<b><u>3,212</u></b>	<b><u>3,424</u></b>	<b><u>37,734</u></b>	<b><u>18,603</u></b>
<i>Provision for deferred tax</i>				
Fixed asset timing differences	<u>20,616</u>	=	=	=
<i>Movement in provision</i>				
Provision at start of period	3,919	-	-	-
Deferred tax charged in statement of comprehensive income for the period	<u>16,697</u>	-	-	-
Provision at end of period	<u>20,616</u>	=	=	=
<i>Reconciliation of tax charge</i>				
Profit (loss) on ordinary activities before tax	<u>(1,119,833)</u>	<u>(1,029,653)</u>	<u>(1,277,222)</u>	<u>(1,419,030)</u>
Tax on profit (loss) on ordinary activities at standard CT rate 19% (PY: 19%)	(212,768)	(195,634)	(242,672)	(269,616)
Expenses not deductible for tax purposes	211,897	220,648	279,741	288,219
Fixed assets differences	199	-	199	-
Losses carried back	16,908	-	-	-
Group relief surrendered/(claimed)	-	(25,013)	-	-
Adjustments to tax charge in respect of previous periods	<u>(13,485)</u>	<u>3,424</u>	466	-
Adjust opening deferred tax to average rate of 19.00%	461	-	-	-
Unexplained difference	=	<u>(1)</u>	=	=
<b>Current tax charge for the period</b>	<b><u>3,212</u></b>	<b><u>3,424</u></b>	<b><u>37,734</u></b>	<b><u>18,603</u></b>

The corporation tax rate of 19% relates to the company only.

**Factors affecting tax charges for future periods**

The company has a deferred tax liability of £16,697 (2019: £0). This is shown at a corporation tax rate of 17% (2019: 17%). This has been analysed in Provisions for liabilities (see note 14).

Notes (continued)

### 8. Profit on ordinary activities before taxation

	2020		2019	
	Group	Company	Group	Company
	£	£	£	£
<i>Profit is stated after crediting:</i>				
Profit on disposal of tangible fixed assets	9,733	9,733	9,503	9,503
<i>And after charging:</i>				
Operating lease rentals on land & buildings	183,256	170,680	183,256	170,680
Depreciation on tangible fixed assets	161,462	149,437	162,898	148,388
Amortisation on other intangible fixed assets	32,143	-	14,208	-
Auditor's remuneration – audit services	30,650	21,450	45,000	21,450
Auditor's remuneration – non-audit services	32,884	26,584	38,508	20,275
Bad debt	9,905	-	9,202	-

### 9. Other intangible assets (group)

	Purchased Computer Software £	Total £
<b>Cost</b>		
1 April 2019	-	-
Additions – separately acquired	128,572	128,572
<b>As at 31 March 2020</b>	<b>128,572</b>	<b>128,572</b>
<b>Amortisation and impairment</b>		
1 April 2019	-	-
Amortisation charged in the year	32,143	32,143
<b>As at 31 March 2020</b>	<b>32,143</b>	<b>32,143</b>
<b>Carrying amount</b>		
<b>As at 31 March 2020</b>	<b>96,429</b>	<b>96,429</b>
As at 31 March 2019	-	-

Other intangible assets relate to the AoC Services website. The amortisation charges for the year are recognised within administrative expenses.

Notes (continued)

**10. Tangible fixed assets**

	Group			Company		
	Office Equipment £	Motor Vehicles £	Total £	Office Equipment £	Motor Vehicles £	Total £
<b>Cost</b>						
As at 31 March 2019	643,366	27,495	670,861	565,214	27,495	592,709
Additions	96,131	-	96,131	96,131	-	96,131
Disposals	(74,389)	(27,495)	(101,884)	(64,439)	(27,495)	(91,934)
<b>As at 31 March 2020</b>	<b>665,108</b>	<b>-</b>	<b>665,108</b>	<b>596,906</b>	<b>-</b>	<b>596,906</b>
<b>Depreciation</b>						
As at 31 March 2019	341,642	27,495	369,137	289,690	27,495	317,185
Disposal	(74,389)	(27,495)	(101,884)	(64,439)	(27,495)	(91,934)
Charge for year	161,462	-	161,462	149,437	-	149,437
<b>As at 31 March 2020</b>	<b>428,715</b>	<b>-</b>	<b>428,715</b>	<b>374,688</b>	<b>-</b>	<b>374,688</b>
<b>Net book value</b>						
As at 31 March 2020	236,393	-	236,393	222,218	-	222,218
As at 31 March 2019	301,724	-	301,724	275,524	-	275,524

**11. Subsidiary undertakings**

	2020 £	2019 £
<b>Fixed asset investments</b>		
AoC Services Ltd.	100	100
AoC Sport Ltd.	1	1
<b>Trading results – (loss)/profit for the year</b>		
AoC Services Ltd.	(144,788)	72,376
AoC Sport Ltd.	54,608	50,104
<b>Reserves – as at 31 March</b>		
AoC Services Ltd.	782,718	927,506
AoC Sport Ltd.	220,547	165,939



Notes (continued)

**11. Subsidiary undertakings (continued)**

The Company owns 100% of the £100 equity shareholding in AoC Services Ltd, a company registered in England and Wales on 22 July 1994. The Company made a (loss)/profit before tax for the year ended 31 March 2020 of £(144,788) (2019: £89,928). AoC Sport Ltd is a not-for-profit company limited by guarantee.

The company also controls AoC Charitable Trust, a charity registered in England and Wales, and Scotland. The Charitable Trust is not included in the Group's Consolidated Accounts as it is immaterial to the group. A copy of those accounts is available from the company's website.

**12. Debtors: amounts falling due within one year**

	2020		2019	
	Group	Company	Group	Company
	£	£	£	£
Accrued income	80,410	-	88,098	-
Trade debtors	1,542,007	557,656	2,807,458	1,201,566
Amounts owed by subsidiary undertakings	-	135,066	-	-
Amounts owed by AoC Charitable Trust	52,632	-	7,849	-
Corporation tax accrual	16,909	-	-	-
Prepayments	245,207	75,335	232,346	70,940
Other debtors	343,246	343,246	390,994	388,115
	<b>2,280,411</b>	<b>1,111,303</b>	<b>3,526,745</b>	<b>1,660,621</b>

**13. Creditors: amounts falling due within one year**

	2020		2019	
	Group	Company	Group	Company
	£	£	£	£
Deferred income	2,675,917	1,899,791	2,625,408	1,862,537
Trade creditors	377,815	278,014	579,906	337,745
Amounts owed to subsidiaries	-	-	-	135,351
Amounts owed to AoC Charitable Trust	-	-	10,605	-
Corporation tax accrual	3,424	3,424	40,510	14,865
Other taxation and social security	156,343	138,500	149,687	135,518
VAT	123,320	40,176	141,190	249
Other creditors	2,451,851	2,449,214	1,578,066	1,576,991
Accruals	234,033	144,040	249,583	102,876
	<b>6,022,703</b>	<b>4,953,159</b>	<b>5,374,955</b>	<b>4,166,132</b>

**Notes (continued)**

AoC is party to a group VAT registration with other companies in the group, of which it is a member. At 31 March 2020, the amount due under this arrangement in respect of the group was £80,881 (2019: £141,190).

The membership subscription period for the Association runs from the 1 August to the 31 July and, as such, four months of the subscription is treated as deferred income. Deferred income is fully released to income in the subsequent year.

Other creditors include deferred project income carried forward. During the year the Association successfully bid for a significant number of projects and hence the substantial level of funds carried forward. These balances represent income relating to specific projects that have a timescale to completion of several years. Included within other creditors is an amount due to the LPFA pension fund of £50,086 (2019: £51,566). This has been paid since the year end.

**14. Provisions for liabilities**

GROUP	Deferred Tax £
1 April 2019	3,919
Utilised in year	16,697
<b>31 March 2020</b>	<b>20,616</b>

**GROUP**

Provisions for deferred tax has been made as follows:

	2020 £	2019 £
Deferred tax liabilities	20,616	3,919
Total	<u>20,616</u>	<u>3,919</u>

The major deferred tax liabilities and assets recognised by the Group are:

	2020 £	2019 £
Accelerated capital allowances	20,616	3,919
Other	-	-
Total	<u>20,616</u>	<u>3,919</u>

The deferred tax liability of £20,616 (2019: £3,919) is expected to reverse within 12 months and relates to fixed asset timing differences and pension creditors.

The movement in deferred tax comprises of:

	2020 £	2019 £
Opening deferred tax liability/(asset)	3,919	7,873
Charged to profit or loss	16,697	(3,954)
Closing deferred tax liability/(asset)	<u>20,616</u>	<u>3,919</u>

There was no unprovided deferred taxation at 31 March 2020 (2019: nil).

Notes (continued)

**15. Financial instruments**

The carrying amount of the Association of Colleges financial instruments at 31 March were:

	2020		2019	
	Group £	Company £	Group £	Company £
<b>Financial assets</b>				
Debt instruments measured at amortised	1,965,663	900,902	3,294,324	1,589,681
<b>Total</b>	<b>1,965,663</b>	<b>900,902</b>	<b>3,294,324</b>	<b>1,589,681</b>
<b>Financial liabilities</b>				
Measured at amortised cost	3,065,119	2,871,268	2,425,838	2,152,963
<b>Total</b>	<b>3,065,119</b>	<b>2,871,268</b>	<b>2,425,838</b>	<b>2,152,963</b>

**16a. Accumulated reserve**

	2020		2019	
	Group £	Company £	Group £	Company £
1 April	(10,002,761)	(11,096,104)	(8,687,805)	(9,658,471)
Retained loss for the year	(1,123,045)	(1,033,077)	(1,314,956)	(1,437,633)
<b>31 March</b>	<b>(11,125,806)</b>	<b>(12,129,181)</b>	<b>(10,002,761)</b>	<b>(11,096,104)</b>

**16b. Movement in members' fund**

	2020		2019	
	Group £	Company £	Group £	Company £
(Loss)/profit for the year	(1,123,045)	(1,033,077)	(1,314,956)	(1,437,633)
Opening members' fund	(6,926,761)	(8,020,105)	(7,143,805)	(8,114,472)
	(8,049,806)	(9,053,182)	(8,458,761)	(9,552,105)
Pension actuarial gain/(loss)	(549,000)	(549,000)	1,532,000	1,532,000
	(8,598,806)	(9,602,182)	(6,926,761)	(8,020,105)

Notes (continued)

**17. Reconciliation of profit after tax to net cash generated from/(used in) operations**

	2020		2019	
	Group £	Company £	Group £	Company £
(Loss)/profit after tax	(1,123,045)	(1,033,077)	(1,314,956)	(1,437,633)
Adjustments for:				
Depreciation of tangible fixed assets	161,462	149,437	162,898	148,388
Amortisation of intangible assets	32,143	-	14,208	-
(Profit) on sale of fixed assets	(9,733)	(9,733)	(9,503)	(9,503)
Defined benefit pension schemes	856,000	856,000	1,163,000	1,163,000
(Decrease)/Increase in provision	-	-	(3,954)	-
Interest receivable	(37,822)	(34,037)	(19,926)	(18,022)
Interest payable	244,000	244,000	317,000	317,000
Taxation	3,212	3,424	41,688	18,603
Operating cash flows before movements in	126,217	176,014	350,455	181,833
Decrease/(increase) in debtors	1,362,557	549,318	486,689	536,959
(Decrease)/increase in creditors	548,093	805,629	(290,989)	(181,356)
Cash generated from/(used in) operations	<b>2,036,867</b>	<b>1,530,961</b>	<b>546,155</b>	<b>537,436</b>

**Cash and cash equivalents**

	2020		2019	
	Group £	Company £	Group £	Company £
Cash and cash equivalents represent:-				
Cash at bank	<b>6,828,280</b>	<b>6,014,355</b>	<b>4,971,644</b>	<b>4,557,781</b>

**18. Pensions and similar obligations – Group and Company**

The Association's employees may elect to hold a personal money purchase scheme to which the Association will contribute, or they may elect to be members of the London Pensions Fund Authority (LPFA) pension fund.

**LPFA**

LPFA is a funded defined benefit scheme, with the assets held in separate trustee-administered funds. The pension cost is assessed every three years in accordance with the advice of an independent qualified actuary. The latest available actuarial valuation of the scheme was performed as at 31 March 2020 using the market-related method. The valuation was carried out by Barnett Waddingham and a summary of the relevant sections of their report follows.

**Notes (continued)**

The agreed contribution rates for future years are 15.6% (2019: 12.03%) for employers and range between 5.5% - 12.5% for employees, depending on pensionable salary. The total contribution expected to be made to the LPFA by the AoC Group for the year to March 2020 is £459,000.

**Valuation assumptions**

The major categories of plan assets as a percentage of total plan assets as at 31 March 2020 are shown below:

Year ended:	31 March 2020	31 March 2019
	% p.a.	% p.a.
Equities	54%	54%
Target return funds	26%	27%
Alternative assets	-	-
Cash	3%	4%
Other bonds	17%	15%

The London Pension Fund Authority Retirement Benefits Scheme is an independently administered pension scheme. It is a defined benefit scheme based on final pensionable salary. Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2034 for non-pensioners and 2018 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised as below:

	Males	Females
Current pensioners	22.8 years	24.5 years
Future pensioners	24.5 years	26.1 years

The pension cost is assessed in accordance with the advice of an independent professionally qualified actuary using the projected accrued benefit method and is not materially different from that arising from the current employer's contribution rate.

**Retirement benefits**

Under the transitional requirements of FRS102, the Association is required to disclose further information on assets and liabilities of the scheme on a market value basis at the end of the accounting period. The information is set out below:

Actuarial assumptions	2020	2019	2018	2017	2016
Discount rate at 31 March	2.35%	2.4%	2.6%	2.8%	3.8%
Salary increase rate	2.85%	3.9%	3.8%	4.2%	4.3%
Pension increase rate/inflation	1.85%	2.4%	2.3%	2.7%	2.5%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on bonds are based on gross redemption yields at the balance sheet date whilst the expected returns on the equity and property investments reflect the long-term real rates of return experienced in the respective markets.

Notes (continued)

Amounts recognised in the balance sheet	2020 £(000)	2019 £(000)
Fair value of employer assets	26,496	27,167
Present value of funded liabilities	38,493	37,515
<b>Net liability</b>	<b>(11,997)</b>	<b>(10,348)</b>

Amounts recognised in profit or loss accounts	2020 £(000)	2019 £(000)
Current service cost	1,389	2,027
Contributions by employer	(568)	(892)
Net interest on the defined liability	244	317
Administration expenses	35	28
<b>Total</b>	<b>1,100</b>	<b>1,480</b>

Reconciliation in the present value of the defined benefit obligation	2020 £(000)	2019 £(000)
<b>Opening defined benefit obligation</b>	<b>37,515</b>	<b>32,043</b>
Current service cost	1,020	975
Interest cost	893	893
Contributions by members	262	257
Actuarial gains/(losses)	(904)	1,817
Liabilities assumed/(extinguished) on settlements	-	4,189
Estimated benefits paid (net of transfers in)	(752)	(798)
Change in demographic assumptions	459	(1,861)
<b>Closing defined benefit obligation</b>	<b>38,493</b>	<b>37,515</b>

Reconciliation of fair value of employer assets	2020 £(000)	2019 £(000)
<b>Opening fair value of employer assets</b>	<b>27,167</b>	<b>21,643</b>
Interest on assets	649	576
Contributions by members	262	257
Contributions by employer	568	892
Return on assets less interest	(750)	1,488
Administration expenses	(35)	(28)
Benefits paid (net of transfers in and including unfunded)	(1,121)	(798)
Settlement process received/(paid)	-	3,137
Other actuarial gains/(losses)	(244)	-
<b>Closing fair value of employer assets</b>	<b>26,496</b>	<b>27,167</b>

The total return on the fund assets for the year to 31 March 2020 is £(101,000) (2019: £2,064,000).

Notes (continued)

Re-measurements in other comprehensive income		
	2020 £(000)	2019 £(000)
Return on Fund assets in excess of interest	(750)	1,488
Change in financial assumptions	4,565	(1,817)

Amounts for the current & previous periods	2020 £(000)	2019 £(000)	2018 £(000)	2017 £(000)	2016 £(000)
Value of plan assets	26,496	27,167	21,643	20,525	16,534
Defined benefit obligation	(38,493)	(37,515)	(32,043)	(31,581)	(25,023)
Deficit	(11,997)	(10,348)	(10,400)	(11,056)	(8,489)
Experience loss/(gains) on liabilities	-	-	-	(629)	-
Experience adjustments on plan assets	-	-	-	-	-

### 19. Commitments under operating leases

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

	2020		2019	
	Group £	Company £	Group £	Company £
Amounts due:				
Within 1 year	269,552	269,552	309,000	309,000
Between 1 and 5 years	303,263	303,263	45,715	45,715
Total	<u>572,815</u>	<u>572,815</u>	<u>354,715</u>	<u>354,715</u>

### 20. Controlling party

As at 31 March 2020, the Group was not controlled by one single controlling party.

### 21. Remuneration of key management personnel

The total remuneration of the directors and the regional directors, who are considered to be the key management personnel of the Company, was £1,682,575 (2019: £1,502,574), of which national insurance and pension costs were £306,467 (2019: £296,977).

Notes (continued)

**22. Related party transactions**

The following transactions occurred during the period and relate to the membership subscriptions payable by the colleges to which each director (during their term as director of the Association of Colleges) relates and for the services provided by AoC Services Ltd and AoC Sport Ltd.

The AoC has taken advantage of the exemption available in FRS 102 (33.15) not to provide information relating to transactions between itself as the holding Company and its wholly owned trading subsidiaries, AoC Services Ltd and AoC Sport Ltd.

No guarantees have been given or received.

Director	Related Party	2019/20				2018/19			
		Transactions During Year		Balance Outstanding @		Transactions During Year		Balance Outstanding @	
		AOC	SERVICES	AOC	SERVICES	AOC	SERVICES	AOC	SERVICES
W.Baldwin	Brighton Hove and Sussex VI Form C from 17/02/20	-	4,039	-	3,740	-	-	-	-
S.Barnes	Nelson & Colne College	20,499	20,148	-	718	20,397	5,756	-	718
A.Berry	Bridgwater and Taunton College from 01/12/19	-	-	-	-	-	-	-	-
C.Booth	Leeds City College to 30/11/19	51,000	6,848	-	57	46,987	21,563	-	12,899
A.Bravo	Basingstoke College of Technology from 02/03/20	-	1,198	-	1,198	-	-	-	-
S.Duncan	East Durham College	18,320	922	-	359	18,320	956	-	598
A.Foulkes	The Sheffield College from 01/12/19	-	538	-	179	-	-	-	-
S.Higginson	Wirral Metropolitan College from 01/01/20	-	1,028	-	478	-	-	-	-
N.Leigh	Stephenson College to 31/01/20	14,801	-	1,135	-	14,701	2,023	-	179
S. Mahmood	Luminate Education Group from 01/01/20	-	-	-	-	-	-	-	-
G.McDonald	New City College London	43,516	10,007	-	745	46,987	50,109	-	17,349
C.Peasgood	City College Norwich	21,772	14,993	-	5,438	39,395	11,282	-	(3,516)
P.Phillips	Weston College to 30/11/19	51,000	4,028	-	-	46,987	9,348	-	2,449
G. Razey	East Kent & Canterbury College to 31/12/19	42,898	2,400	-	-	43,800	-	-	-
J.Sharma	Walsall College	37,145	2,422	-	-	35,325	14,142	-	717
A.Stott	RNN Group to	50,431	4,570	-	-	46,781	7,999	-	1,160
E.Thinnesen	Sunderland College	51,000	83,852	-	1,585	-	-	-	538
E.Tobin	Joseph Chamberlain VI College to 31/12/19	9,976	1,164	-	-	9,876	1,352	-	-
D.Whitemore	SMB Group from 10/02/20	-	-	-	-	-	-	-	-
Y. Williams	Hugh Baird College to 31/12/19	20,499	18,520	-	-	20,397	5,576	-	718

Director	Related Party	2018/19		2018/19	
		Transactions During Year	Balance Outstanding @	Transactions During Year	Balance Outstanding @
		SPORT	SPORT	SPORT	SPORT
W.Baldwin	Brighton Hove and Sussex VI Form C from 17/02/20	-	-	-	-
S.Barnes	Nelson & Colne College	435	-	760	90
A.Berry	Bridgwater and Taunton College from 01/12/19	-	-	-	-
C.Booth	Leeds City College	510	-	840	-
A.Bravo	Basingstoke College of Technology from 02/03/20	-	-	-	-
S.Duncan	East Durham College	130	-	70	-
A.Foulkes	The Sheffield College from 01/12/19	400	-	-	-
S.Higginson	Wirral Metropolitan College from 01/01/20	-	-	-	-
N.Leigh	Stephenson College	-	-	-	-
S. Mahmood	Luminate Education Group from 01/01/20	-	-	-	-
G.McDonald	New City College London	1,240	300	740	-
C.Peasgood	City College Norwich	-	-	-	-
P.Phillips	Weston College	630	-	590	-
G. Razey	East Kent & Canterbury College	-	-	-	-
J.Sharma	Walsall College	550	-	670	-
A.Stott	RNN Group	-	-	-	-
E.Thinnesen	Sunderland College From 5/12/18	730	10	-	-
E.Tobin	Joseph Chamberlain VI College	200	-	200	-
D.Whitemore	SMB Group from 10/02/20	-	-	-	-
Y. Williams	Hugh Baird College	1,000	-	810	-

During the year, the Association contributed £60,000 (2019: £60,000) to the AoC Charitable Trust.

The AoC has appointed a member to the Board of Education and Training Foundation. As such, the related party transactions during the year have totalled £2,280,649 (2019: £1,241,117) and the balance remaining at the year-end is £454,077 (2019: £717,446).



### 23. Post balance sheet events

The COVID-19 outbreak that has occurred since the financial year end is likely to have an impact on the financial position of the Company during 2020. The Association has claimed for wages through the Governments Job Retention Scheme, all staff are expected to return once the scheme has closed.

The Directors expect the company to continue operating but anticipate an impact to its operating model as it works within governments current guidelines. The full impact of the COVID-19 outbreak cannot presently be estimated with any certainty, but the stress testing of the Company's financial position has satisfied the Directors that it has adequate reserves and mitigation strategies to deal with the impact of the outbreak as it unfolds.