South Staffordshire College

Members' Report and Financial Statements

For the year ended 31 July 2023

Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2022/23:

C Boliver - Chief Executive and Principal Accounting Officer
K Hookham - Deputy Chief Executive
J Snow - Deputy Principal Finance & Resources
K O'Reilly – Assistant Principal of Human Resources
K Turley – Assistant Principal of Quality and Curriculum
K Vaughan – Assistant Principal Learner Services

Principal College Address

South Staffordshire College, Rodbaston Drive, Penkridge, ST19 5PH

Board of Governors

A full list of Governors is given on pages 18-19 of these financial statements.

Professional Advisers

Financial statements and regularity auditor:	Mazars LLP, Park View House, 58 The Ropewalk, Nottingham, NG1 5DW
Internal auditor:	TIAA (to 31st July 2023) Artillery House, Fort Fareham, Newgate Lane, Fareham, PO14 1AH Validera (from 1st August 2023) Unit 3 Crompton Court Attwood Road Burntwood Staffordshire, WS7 3GG
Bankers:	Yorkshire Bank plc, 1 Market Place, Cannock, Staffordshire, WS11 1BT Barclays Bank plc, PO Box 130, Dudley, West Midlands, DY1 1YR
Solicitors:	Pickering & Butters 19 Greengate Street Stafford, Staffordshire, ST16 2LU

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Strategic Report

OBJECTIVES AND STRATEGY

The Governing Body present their annual report together with the financial statements and auditor's report for South Staffordshire College for the year ended 31 July 2023.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting South Staffordshire College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The Strategic Report describes the College's operations and its principal activities.

Purpose and Vision

The College has a strategic framework which outlines the direction of the College until 2025. The core purpose as approved by its members is to "transform people's lives". The College does this through a set of priorities in order to overcome the significant skills shortages, challenges within the economy and the wider community needs. Our priorities align with our two Local Enterprise Partnerships' priorities. The College has also developed its Accountability Statement in response to the introduction of Local Skills Improvement Plans (LSIPs).

The College's vision is to be "a first-choice college" for its potential learners, communities, staff and wider stakeholders.

The College has established a set of strategic objectives to support the achievement of the College's purpose and vision, these being:

- **Participation**

  Be the first-choice college by meeting the needs of local and regional priorities

- **Provision**

  Deliver demand-led, well sequenced, high quality vocational, technical and professional skills in collaboration with others that lead to sustainable careers and employment

- **Performance**

  Inspire our learners to develop high quality skills leading to sustainable careers; driven by excellent teaching and business services

- **People**

  High staff engagement through reward/recognition, development and health/wellbeing interventions

- **Prosperity**

  Remain a financially robust, sustainable and resilient organisation that can continue to develop and invest in its facilities, infrastructure and workforce

Implementation of Strategic Plan

The College strategy was approved by the Board in July 2021 and has been rolled out to staff through a number of channels. The College has increased the visibility of College performance to its staff with half termly meetings at the three main campuses between senior managers and staff. The Corporation also monitors the performance of the College against these objectives and the KPIs linked to them.

Strategic Report - *Continued*

Resources

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

The College employs 599 people, of whom 317 are teaching staff.

The College enrolled approximately 6,452 students in 2022/23. The College's student population includes 2,605 16-to-18-year-old students, 823 apprentices, 88 higher education students, and 2,214 adult learners.

The College has £19,586,000 of net assets and debt of £1,555,000. Tangible resources include the four main College sites located in Rodbaston, Tamworth, Lichfield and Cannock. The College also operates on a leased basis at TORC. TORC is a satellite centre based in Tamworth which provides Construction and Futures provision.

The College has a good reputation locally and has been successful in securing investment from regional Local Enterprise Partnerships to improve College facilities to enable growth in key priority skills areas. Maintaining a quality brand is essential for the College's success at attracting students and employers and enhancing external relationships.

STAKEHOLDERS

The College has many stakeholders including:

- Its current, future and past students,
- Its staff and their trade unions,
- The employers it works with,
- The professional organisations in the sectors where it works,
- Its partner schools and universities; the wider College community,
- Its local councils, Local Enterprise Partnerships (LEP) and the Staffordshire Chamber of Commerce.

DEVELOPMENT AND PERFORMANCE

Financial Results

The College made an operating surplus before gains on disposal of assets and actuarial gains in respect of pension schemes for the period ended 31 July 2023 of £421,000 (*2021/22: surplus £292,000)*.

The College has accumulated positive reserves of £19,586,000 (*2021/22: £16,770,000 positive reserves*) and a net cash balance of £6,429,000 (*2021/22: £4,394,000*).

Tangible fixed asset additions during the year amounted to £4,945,000 of which £1,061,000 was invested in equipment, £48,000 was invested in building works and £3,836,000 was spent on the development costs of the new Tamworth Campus relocation project.

Strategic Report - *Continued*

Developments

The College received a full Ofsted inspection in early November 2021 and was pleased that the "Good" outcome reflected the hard work done by the College to improve. The Inspection grade was confirmed and publicised on the 7th December 2021. The College was also chosen to undertake an ESFA Funding Audit for the 2020/21 financial year, which was completed in February 2022. The College had an excellent audit with no clawback of funding required. Improvement actions that were recommended have been reviewed and put in place.

The College has begun the build stage of its Tamworth Relocation Project. In February 2023, an additional £2,367,000 of grant was awarded to take the total ESFA FE Capital Transformation Fund grant to £14,241,000 alongside the £10,500,000 from the Future High Street Fund. The current Tamworth site was sold to Homes England in March 2023. The College will continue to operate at the site under a lease agreement with Homes England until the new site is ready.

The College used a grant from Cannock Chase District Council to support the relocation of Construction curriculum (Brickwork and Woodwork) from the Rodbaston Campus to the Cannock Centre which, based on September 2023 enrolments, has been a successful move.

The College was successful in its T Level Capital Funding application for Animal Care at Rodbaston, which will open in September 2024. The College is also using grant funds from Stoke and Staffs Local Enterprise Partnership to create a Green Energy Village at Rodbaston College which will operate from April 2024.

Financial Reserves

The College has accumulated reserves of £19,586,000 and cash and short-term investment balances of £6,429,000. These reserves enable it to continue to implement its longer-term strategy, deal with unforeseen financial pressures and allows affordable investments to be made. The reserves of cash are particularly important as the College manages the major capital redevelopment in Tamworth and considers other Property Strategy improvements. Annually, the College looks to increase its reserves to enable further developments to be implemented particularly in the development of resources for learners.

Sources of Income

The College has significant reliance on the education sector funding bodies for its income, largely from recurrent grants. In 2022/23 the FE funding bodies provided 76.8% of the College's total income.

FUTURE PROSPECTS

Future Developments

The College would like to reduce dependency on the funding bodies and is seeking opportunities to grow and diversify its income, particularly in the areas where the College currently performs well. Apprenticeship provision has continued to grow in the 2022/23 financial year however has had issues with quality and difficulties in recruiting permanent assessors. Although funding in 2022/23 is higher than expected, the College had to restrict new learner starts and that will impact on the 2023/24 out-turn. High Needs has seen further increases in 2022/23 as well, with forecasts substantially higher than budget.

The College, with the support of capital grants from the ESFA and Tamworth Borough Council is relocating its Tamworth Campus into Tamworth town centre with teaching starting from the new site by January 2025. The current site has been sold to Homes England for residential development. The College is still considering the future accommodation strategy for its Tamworth Futures provision. This provision is currently based in the TORC Centre.

The College is also turning its focus to the Rodbaston and Lichfield sites, both of which have experienced growth. The Rodbaston Campus still has a high proportion of poor quality accommodation and Lichfield Campus requires some general improvements to condition and utilisation.

Strategic Report - *Continued*

The College has reviewed its Property Strategy which will lead to medium to long term investment in the College's properties. The Property Strategy will take account of the changing curriculum requirements in each of the College's geographical markets and seek to provide outstanding facilities for learners and staff alike. The College continues to work on the masterplan for Rodbaston which will result in a consolidation of properties, improvements to access and better commercial areas. Work will begin on a similar masterplan for the Lichfield site before Christmas 2023.

After reviewing all assets, the Corporation agreed in summer 2019 to dispose of eight residential properties that were 'non-core' assets. This left the College with an asset reserve of additional cash reserves (c£1,900,000). The Corporation receiving regular reports through the management accounts on the cash proceeds and how the proceeds are being spent or preserved.

Financial Plan

The College governors approved a two-year financial plan in July 2023 which sets objectives for the two-year period to 2025. The forecast is underpinned by a number of financial aims and objectives.

Financial Aims

- To hold a minimum Financial Health grade of 'Good' (ESFA measures).
- Maintain pay costs to 70% of income.
- Reduce borrowing and increase cash levels.
- Increase investment in facilities, resources and systems.

Financial Objectives

The College's financial objectives are:

- Withstand the prevailing economic environment in particular energy costs and other cost inflation,
- Protect itself from unforeseen changes in enrolment and funding,
- Invest in the digital agenda and become a more digitally-enabled College,
- Support a modern, high quality, effective learning environment for students and staff,
- Attract investment for larger scale capital investment plans at Rodbaston and Lichfield,
- Maintain the confidence of external stakeholders including the DFE and ESFA, banks and auditors.

Treasury Policies and Objectives

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities. All borrowing requires the authorisation of the Corporation.

Cash Flows and Liquidity

During the year there was a net cash inflow of £2,035,000 (*2021/22 cash outflow £546,000*). The College has a number of unspent grants at year end including a large portion of the £880,000 T Level Special Equipment Fund and £201,000 of FE Capital Transformation Funds. Of the £6,000,000 of capital receipts from the sale of the Tamworth Campus, £5,000,000 has been placed in medium term investments.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. To support decision-making, a reforecast of the 2023/24 financial year was presented to the Board in October with a detailed summary of our going concern assessment presented in December 2023.

Strategic Report - *Continued*

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. To support decision-making, a reforecast of the 2023/24 financial year was presented to the Board in conjunction with a detailed summary of our going concern situation.

The going concern situation remains complex for 2023/24 as there are a number of risks to consider:

- The economic environment has been hostile with rapid inflation leading to higher salary demands. Additional funding has helped this situation and has helped to support other increased costs for non-pay items such as energy, building materials and software.
- The Tamworth Relocation Project is a substantial financial undertaking, and although the funding of the project is in place (although the DFE Capital Loan terms are not yet known) the project is still the subject of programme delays and has not yet reached Stage 4 Design approval.
- The provision based at TORC will also need investment regardless of whether the provision moves closer to Tamworth town centre or remains in the current TORC property.
- The FE sector was reclassified into the public sector by the Office for National Statistics on 29th November 2022. The move to public sector means that the College has to ask for permission to change or waive commercial banking covenants.
- The effect of the Tamworth Relocation Project finances may lead to bank covenants breaching and the College is in discussions with Barclays Bank about how to deal with these covenants.

However, the College is well placed to withstand these issues because:

- The College has good levels of cash and relatively low levels of borrowing at around 5.7% of income.
- The revised forecast for 2023/24 continues to show that, on an operating level, the College is performing well and has closed its budget deficit.
- The College is experiencing higher than expected levels of growth in 16-18 learners which will increase funding further in 2024/25. 16-18 funding is the only area of funding where there is a commitment to increase funding rates by the government.

The operational budgets of colleges have been squeezed by inflation, increasing energy costs and pressure on wage inflation, including the threat of industrial action. The College began the 2023/24 financial year with a deficit budget of £300,000 which allowed for a 3% pay award for all staff. However, the confirmation in September 2023 that the sector would receive additional 16-18 funds to help support a 6.5% pay award for staff has had a positive effect on the College's finances, including the eradication on the £300,000 deficit budget whilst still making a pay award ranging from 6.5% to 9.5%.

Therefore, at an operating level, the College is performing satisfactorily. It has good levels of cash and has a "Good" financial health rating in 2022/23. There is nothing operationally that would suggest that the College's financial performance will dip significantly in the next 12 months, especially with the additional 16-18 funding received. However, the College is showing a breach of debt service covenants with Barclays Bank in the 2023/24 and 2024/25 financial years which has caused an ongoing discussion about the going concern decision. At July 2024, which is the point of potential breach, the College will only have debt with Barclays Bank with Yorkshire Bank debt having been repaid before the end of July 2024.

The relocation of the Tamworth Campus into the Tamworth town centre is a major capital project for the College. The College has secured an additional £2,367,000 of grant contribution from the DFE in February 2023 which allowed the College to confidently engage a main contractor for the project and begin construction of the new building. The College has been successful in its request for a DFE Capital loan, with a total application of £1,500,000. However, the College has not yet begun any negotiations around term length or interest rate.

Strategic Report - *Continued*

There continues to be the risk that the building costs of the Tamworth Relocation Project will escalate beyond the current level of funding. The College still has control over the majority of the costs and the forthcoming Stage 4 Design sign off will provide a more certain build cost for the project that includes all the updates and changes made in the design process. If costs still could not be contained, there would be the option to talk with the ESFA about further grant funding or capital loans. The reclassification of colleges into the public sector means that the option for the College to borrow commercially is no longer available.

Barclays Bank have confirmed that they are aware of the 2023/24 covenant issues and the reasons for the projected breaches, and have worked with the College to address the risk and avoid the breaches occurring.

At 31 July 2023 the College had not breached the financial covenants of Barclays Bank or Yorkshire Bank. The College's forecasts and financial projections, reported in its latest forecasts, indicate that it will breach its covenants in the 2023/24 and 2024/25 financial years but that the relevant confirmations are in place from Barclays Bank to provide assurance to Governors that the breach will not result in action from the Bank.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Reserves

The College has a formal Reserves Policy which was adopted in October 2022. It recognises the importance of reserves for the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at a positive value of £15,486,000 (*2021/22: positive £11,002,000*). A substantial FRS102 pension adjustment contributed to the change in actuarial reported pension balances (£15,877,000, asset increasing from a £9,475,000 asset in 2021/22 which was stated as a zero asset in both years). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Strategic Report - *Continued*

Bank Covenants	Measure	2021/22	2022/23	2023/24	2024/25
Barclays Bank					
Debt Service Cover	>100%	147%	225%	996%	498%
Operational Leverage	<375%	165%	88%	126%	194%
Cash Levels	>£1,700,000	£4,394,000	£6,429,000	£6,090,000	£5,540,000
Lloyds Bank					
Projected Cash Days	>25 / >15	66 / 38	Repaid - N/A		
Cashflow Cover	>=100%	168%	Repaid - N/A		
Gross Debt to Income	<20%	12%	Repaid - N/A		
Ofsted Grade	Good	Good	Repaid - N/A		
Yorkshire Bank					
Debt Servicing	>=120%	Waived – N/A	147%	Repaid - N/A	
ESFA Financial Health	Good	Outstanding	Good	Repaid - N/A	

The 2021/22 covenants had no breaches as Yorkshire Bank provided a waiver to their covenants for that year so the failure to achieve a 120% debt service ratio was not an issue. The debt service covenants in the 2023/24 financial year are particularly affected by the investment in the Tamworth Relocation Project. The College was very close to being covenant compliant for 2023/24 based on the most recent forecast, with debt covenants being measured at 99.9% against a compliance requirement of 100%, however this does not provide enough comfort. Barclays were asked to adjust covenants and have agreed that debt service covenants for 2023/24 and 2024/25 will exclude any Tamworth Relocation Project payments made from the proceeds of the Tamworth Campus site sale which gives assurance that the College will be compliant with its Barclays covenants requirements.

The College had a positive 16-18 allocation increase including additional funds allocated to the FE sector in September 2023 and enrolment to date has been extremely positive. The increase in 16-18 learner numbers supports 16-18 funding growth in subsequent years (2024/25 onwards) with at least 2,657 16-18 learners needed (compared to an allocation of 2,629) to achieve financial plan targets. At the point of signing off these financial accounts, the College had 2,985 confirmed Day 42 16-18 learners in the 2023/24 academic year. Apprenticeship growth expectations have been reduced given the quality and staff resourcing issues experienced during 2022/23 and into 2023/24. The College hit targets for adult learner loans and higher education income and delivered over 97% of its Adult Education Budget as more adults opted to work in a buoyant jobs market. There will be a small clawback for WMCA Adult Education Budget Free Courses for Jobs allocation (£23,000).

The Corporation considers that the College has adequate liquid resources and reserves (including property portfolio) to continue operations for the foreseeable future. The Executive Team is acting to improve efficiency in the longer term by controlling costs and increasing income. Careful management of costs and planning of capital expenditure will mean the College will have sufficient cash to manage through this period based on the latest projections. These projections include the full costs and grant income for the Tamworth Relocation Project which is a substantial project with total costs of £32,691,000. For these reasons, the College continues to adopt the going concern basis in preparing the financial statements.

Strategic Report - *Continued*

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The College has developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability.

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

A corporate risk register is maintained which is reviewed at each meeting by the Audit Committee and at subsequent Corporation meetings by the Board. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. The College also completes an annual review of risk management and control, which passes through the Audit Committee and Corporation.

The main risk factors affecting the College are outlined below along with the action taken to minimise them. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1. Failure to maintain the financial viability of the College in the face of high inflation, high energy costs and high pay demands

The College's financial health grade based on its 2022/23 financial statements is classified as "Good" and is expected to remain as "Good" for the foreseeable future. However, the financial outlook for colleges continues to be difficult with the multiple effect of:

- Inflation having risen by double figures and still being high, as well as interest rates also continuing to increase.
- Energy bills increasing by nearly £1,000,000 year-on-year from 2021/22 to 2022/23 with electricity bills doubling and gas bills quadrupling. Gas and electric prices will move marginally higher in the first half of 2023/24 and therefore the cost pressures will continue. Government financial support ended in March 2023 which compounds the issue. In the longer term, energy prices are likely to fall by around 25% in 2024/25.
- Increase in salary demands to recruit and retain staff across all parts of the College but particularly teaching and assessing staff. Teaching staff in schools have accepted a 6.5% pay award and colleges are under pressure to at least match this amount to ensure that the gap in salaries between schools and colleges does not widen further.

The effects of inflation and energy costs have led to higher demands for wage growth across the UK, with some unions willing to take industrial action to make their point. The AoC recommendation of 6.5% is linked to the additional 16-18 funding made to Colleges in September. The College has been able to make such a pay award of between 6.5% and 9.5% effective from October 2023.

The College will continue to monitor its financial forecasts and review financial health position with the ESFA. The College will also review compliance with banking covenants and maintain close communications with all three of banks. The College will also look to support any lobbying activity which is requesting that the ESFA or the government provide similar financial support to colleges to help with additional operating costs in the future particularly around salary and pension costs.

2. Transition to T-Levels

The College has considerable reliance 16-18 funding through the ESFA and has a good proportion of learners undertaking Level 3 provision. The government are pushing the T-Level agenda in colleges in particular as a replacement for the more traditional BTEC type provision at Level 3. Although the higher profile and additional investment is welcomed, there is concern that the obsession with T-Levels as the only option will damage opportunities for potential learners who do not have the required results at GCSE, particularly if alternative options to a particular T-Level are removed. This will lead to certain learners having their learning pathway blocked with no alternative options to achieve relevant qualifications.

Strategic Report - *Continued*

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.
- Regular dialogue with the ESFA funding body.
- By reshaping structures and provision to meet changing needs.

3. Staff resourcing while experiencing difficulties in recruiting and retaining staff

The College, along with other education providers and the wider UK economy, has experienced difficulties in recruiting to a range of positions in both teaching and support roles. The funding income offered to colleges means that the sector cannot compete against other private sector employers, particularly with support staff and with staff who teach traditional trades such as electrical engineering. The variance in teaching salaries between schools and colleges also presents problems. The College has had to rely on agency staffing in many areas and has had long periods with understaffing in other areas. The problem has particularly affected the delivery of apprenticeship provision. This risk is mitigated in a number of ways:

- By using agency staffing to cover vacancies particularly in teaching areas.
- By trying to improve pay levels where the restrictions of the FE college funding model allows.
- Advertising and promoting other employer benefits such as extra holidays and flexible working.
- Reviewing workloads and finding more efficient processes so that staff are able to work with less pressure and stress.

4. The quality of provision and the improvement in outcomes

In line with the majority of other colleges, South Staffordshire College saw a fall in achievement rates in 2022/23. After the COVID years with centre or teacher assessed grading systems, examinations returned as the main form of assessment and unsurprisingly achievement rates have fallen. The risk for the College is that this reflects badly on the quality of teaching and the overall effectiveness of the College. This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, and the quality of teaching and training is also high.
- By completing a thorough and impartial College self assessment review (SAR) which highlights strengths and weaknesses, and explains how the weaknesses will be addressed.
- Assessing where particular improvement needs to be made when national averages are available in 2024.
- The introduction of more support for learners so that they are able to stay in College for the full year and reach their potential when undergoing assessments.

5. Tamworth Capital Development

The Tamworth Relocation Project is the largest capital project that the College has undertaken for some time. The £32,691,000 project is mostly funded by capital grants from the DFE and Tamworth Borough Council, plus the sale of the current campus to Homes England. There is a funding risk that a £1,500,000 DFE capital loan application to complete the project funding may be turned down, however the borrowing has received initial approval.

At the time of writing, a main contractor is in place and has begun construction on site. The main financial risk associated with the project:

- The project runs over budget and the College has to use its own cash reserves to make up the balance of the funding for the project.

Although the College does have some cash reserves, it would be preferable to maintain cash balances for future projects and investments particularly at other sites such as Rodbaston and Lichfield. To mitigate this risk, the college has employed expert project management and client support services to ensure that it has control and understanding of all situations and decisions. The project managers have already pushed back against the contractor a number of times when additional costs were threatened. In addition, the College has a contingency budget as part of the overall build plan to cover the costs of any additional financial requirements.

Strategic Report - *Continued*

- The project runs over time and the College then cannot operate from the site from January 2025 as planned.

This is of particular concern to the College as the programme has already been delayed for a number of reasons. The College has a limited number of windows during which to move from its current campus to the new building, these being the quiet summer months and the Christmas break. Any move at Easter is filled with risk as learners return from Easter to the main exams and assessment period.

6. Apprenticeship Provision

The College has been working on improving the quality of its apprenticeship provision both in terms of the learner achievement outcomes and the quality of the experience for both the learner and the employer. The College has also been contending with the difficulties in recruiting and retaining apprenticeship practitioners who can teach and assess certain subjects, especially construction trades. The result of these issues is that many areas have had the recruitment of new learners suspended until the College is in a position to take new intakes of learners with confidence that they will receive a suitable experience.

The College now has a lower number of apprenticeships learners however it also has a much lower number of learners who have gone beyond their expected qualification target date. As subjects are cleared to re-start and new learners are taken on, overall numbers and funding will increase. In the medium term however, this will result in a reduction of apprenticeship income in the 2023/24 financial year which may affect the overall financial performance of the College. The budget income of £2,350,000 has already been reduced to £2,200,000 and this is being closely monitored to ensure that it is achievable.

KEY PERFORMANCE INDICATORS

Financial Performance Indicators

South Staffordshire College set financial objectives for the year ending 31 July 2023 in its budget and three-year forecast produced in July 2023. Performance indicators have been agreed to monitor the implementation of the objectives. These are listed below along with performance for the year to July 2023:

Income & Expenditure	31 July 2023 £'000s	22/23 Budget £'000s
Operating income	£28,666	£26,220
Operating expenditure	£28,245	(£26,570)
Operating surplus/(deficit)	**£421**	**(350)**
Restructuring costs	(£17)	(£100)
Pension adjustments	(£70)	(£1,822)
Loss on Disposal of Assets	(£2)	-
Disposal of Tamworth Campus (Released Grants)	£2,414	£500
Total surplus for the Year	**£2,746**	**(£1,772)**

Strategic Report - *Continued*

Performance Indicators	31 July 2023	22/23 Budget
Total surplus/(deficit) for the year (£000s)	£2,816	(£1,772)
Operating surplus/(deficit)	£421	(£350)
EBITDA as a % of adjusted income – education specific	6.61%	4.18%
Adjusted cash days in hand	91	79
Adjusted current ratio	1.59	2.07
Total borrowing as a % of adjusted income	5.63%	9.83%
Staff costs (incl. contracting/excl. restructure) as % of income	68.75%	69.95%
Financial Health	Good	Good

The College is committed to observing the importance of sector measures and indicators including the use of FE Commissioner targets. The College is required to complete the annual Finance Record for the ESFA. The College is assessed by the ESFA as having a "Outstanding" financial health grading based on its 2021/22 finance record but will have "Good" financial health in 2022/23 and the foreseeable future.

Financial Results	31 July 2023 £'000s	22/23Forecast £'000s	Variance £'000s
Total Surplus/(Deficit) for the Year	**£2,816**	**(£2,333)**	**£5,149**
Add: Redundancy	£17	£50	(£33)
Less: Capital grant release (Tamworth Campus)	(£2,414)	-	(£2,414)
Add: Disposal of assets	£2	-	£2
Less: Pension adjustment	(£70)	-	(£70)
Less: Pension finance interest	(£348)	£277	(£625)
Add: Pension service cost	£418	£2,006	(£1,588)
Operating Surplus	**£421**	**£0**	**£421**

The table above compares the final actual out-turn published in July 2023 with the final audited financial statements signed off in December 2023.

The total accounting surplus position reported in these financial accounts is £5,149,000 favourable to the July 2023 forecast, however when pension finance costs, redundancy and accelerated depreciation are set aside, the operating surplus is £521,000 better than forecast.

Recruitment for 16-18 learner responsive provision was higher than the ESFA target set for 2022/23 by 121 learners and the 2023/24 16-19 allocation has increased significantly due to the additional numbers and the additional increase in rates announced by the DFE in the summer of 2023.

Overall delivery against the total Adult Education Budget was £2,174,000 which is in excess of 97% of the contract allocation. Overall delivery against the West Midlands Combined Authority ("WMCA") Adult Education Budget was £433,000 which equates to 143% of the contract allocation. The out-turn performance against the allocation for total apprenticeship delivery was £2,492,000 against a forecast of £2,350,000 (106%).

The College is committed to observing the importance of sector measures and indicators and uses the data available on the GOV.UK website which looks at measures such as achievement rates. The College is required to complete the annual Finance Record for the ESFA. The College is assessed by the ESFA as having at least a "Good" financial health grade in the current year and in future forecast years.

Strategic Report - *Continued*

Student Achievements

Headline achievement rates including English and maths have remained the same at 82.2% in 2022/23. Achievement for 16-18 programmes improved from 81.1% to 81.6%. Achievement for Adult programmes decreased from 83.7% to 83.1%. Retention rates decreased for all learners from 88.8% to 87.6%, with 16-18 learners falling from 88.1% to 88.0% and Adults decreasing from 89.8% to 87.0%. The recalibration of results was the main contributing factor and the situation reflected national trends.

For Apprenticeship provision there was a small decrease in overall achievement rates to 55.7% from 55.9%. Timely achievement rates increased to 25.2% from 22.2%. The College has directed a large amount of internal and external resource at the Apprenticeships provision to drive improvements.

OTHER INFORMATION

Public Benefit

South Staffordshire College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 18 to 19.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In 2022/23 the College delivered to 7,048 students, including 370 students with high needs (*2021/22: 315*). The College provides courses without charge to young people, to those who are unemployed and adults taking English and maths course. The College adjusts its courses to meet the needs of local employers and this will be particularly important as the economy recovers over the next few years. The College provides training to 823 apprentices. The College is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

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

- Widening participation and tackling social exclusion,
- Excellent progression and employment record for students,
- Very strong student support systems,
- Links with employers, industry and commerce,
- Links with Local Enterprise Partnerships (LEP's).

Equality, Diversity and Inclusion

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

The College's Equality, Diversity and Inclusion Policy is published on the College's internet site. All staff are mandated to undertake regular equality and diversity training.

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

Strategic Report - *Continued*

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

Disability Statement

The College has achieved Disability Confident Lead accreditation status, and seeks to achieve and exceed the objectives set down in the Equality Act 2010:

a. The College has accessible buildings at its various campuses. The College successfully secured capital funding to develop the Futures Centre for LDD learners at its Rodbaston Campus.
b. The College has a Student Support Team who can provide information, advice and arranges support where necessary for students with disabilities.
c. There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centres.
d. The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e. The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are several student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
f. Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
g. Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Trade Union Facility Time

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

	Employees
Employees who were relevant union officials during the period	0
FTE employees who were relevant union officials during the period	0

Percentage of time	Employees
0%	0
1-50%	0
51-99%	0
100%	0

Proportion of Pay Bill Spent on Union Time	£'000s
Total cost of facility time	£0
Total pay bill (less pension service costs)	£0
Percentage of total bill spent on facility time	0%

Time spent on paid trade union activities as a percentage of total paid facility time	0%

Strategic Report - *Continued*

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. The College is committed to paying all suppliers within the timescales provided it is satisfied that goods and services have been provided in accordance with the agreed terms and conditions. The College incurred no interest charges in respect of late payments during 2022/23.

Disclosure of Information to Auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the South Staffordshire College Corporation on 11 December 2023 and signed on its behalf by:

M Rowley
Chair of the Corporation

Statement of Corporate Governance and Internal Control

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2022 to 31 July 2023 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the Board has adopted and complied with the Code, which it formally adopted from 1 August 2015.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2023. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as listed in the table below:

Name	Date Appointed to SSC Board	Term of Office	Date Resigned	Status of Appointment	Committees Served	Attendance in 2022/23
Philip Atkins	01/08/08	10/12/24		External	Audit Committee	Board: 88% Audit: 75%
Claire Boliver	01/03/18	Whilst in post		Chief Executive Principal	G&S Committee Finance Imp. Grp. Quality Imp. Grp.	Board: 100% G&S: 100% FIG: 100% QIG: 100%
Yvonne Bradshaw	01/09/21	31/08/25		External	G&S Committee Quality Imp. Grp	Board: 100% G&S: 100% QIG: 67%
Chris Brewerton	01/08/23	31/07/27		External		N/A
Andrea Chilton	01/08/19	31/07/23		External	G&S Committee Remuneration Finance Imp. Grp.	Board: 75% G&S: 67% Rem: 0% FIG: 100%
Andrew Elsby-Smith	01/08/19	31/07/27		External	Audit Committee Remuneration Quality Imp. Grp.	Board: 75% Audit: 100% Rem: 100% QIG: 100%
Liz Furey	03/02/22	02/02/26		External	Finance Imp. Grp.	Board: 75% FIG: 100%

Statement of Corporate Governance and Internal Control - *Continued*

Daniel Gallagher	12/11/23	11/11/27		Staff		Board: N/A
David Isteed	01/08/19	31/07/27		External	Audit Committee	Board: 100% Audit: 75%
Rose Judeh-Elwell	21/03/23	20/03/27		External		Board: 100%
Tim Legge	01/08/08	31/07/26		External (Vice Chair)	G&S Committee Quality Imp. Grp.	Board: 88% G&S: 67% QIG: 100%
Tony McGovern	11/12/18	10/12/22		External	G&S Committee Remuneration	Board: 100% G&S: 100% Rem: 100%
Steve Oliver	12/11/19	11/11/23		Staff		Board: 50%
Dipal Patel	01/06/21	31/05/25	31/10/22	External	Audit Committee	Board: 0% Audit: 0%
Roger Poynton	21/03/23	20/03/27		External		Board: 100%
Mike Rowley	05/06/14	04/06/26		External	G&S Committee Remuneration Finance Imp. Grp.	Board: 100% G&S: 100% Rem: 100% FIG: 100%
Beth Selwood	08/11/23	07/11/27		Co-Opted		N/A
Helen Simpson	01/08/19	31/07/27		External	Audit Committee Finance Imp. Grp.	Board: 63% Audit: 100% FIG: 67%
Nikki Sinclair	21/03/23	20/03/27		External	G&S Committee	Board: 75% G&S: N/A
Gail Steptoe-Warren	01/06/21	31/05/25	22/03/23	External	Quality Imp. Grp.	Board: 50% QIG: 100%
Nicki Truman	11/12/19	10/12/27		Staff	G&S Committee	Board: 100% G&S: 100%
Megan Eaglefield	07/05/23	Whilst still a learner		Student		Board: 50%
Tia Lamb	16/12/22	Whilst still a learner	31/08/23	Student		Board: 100%
Jonathon Eyre	01/09/23	Whilst still a learner		Student		N/A
Emily Maddicott	16/11/22	Whilst still a learner		Student		Board: 100%

Mary Mellor acted as Head of Governance to the Corporation for South Staffordshire College from 1 August 2021, and Jo Hutchison became Head of Governance to the Corporation from 26 May 2023. Beth Selwood is a co-opted governor who sits on the College Curriculum & Quality Improvement Group.

Statement of Corporate Governance and Internal Control - *Continued*

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation has met on eight occasions throughout 2022/23.

The Corporation commissioned an External Governance Review and appointed the Association of Colleges (AoC) to undertake that review. The Review was conducted over the period March to May 2023 and was conducted against the published AoC framework for FE College External Board Reviews. The External Reviewer reported her findings to the Governance & Search Committee in May 2023. The final Report with the External Reviewers conclusions was presented to the Board of Governors at its meeting in July 2023. The overall conclusion from the External Review on Board effectiveness is that:

"There is strong evidence that the Board is highly proficient and consistently impacts positively on college strategy, effectiveness and outcomes."

The External Review made five recommendations, which are set out below, and which now are the basis of the Action Plan which is being monitored by the Governance & Search Committee.

1. Review how to better integrate the staff and student governors in all meetings
2. Ensure those attending remotely have equal access to meeting discussions and questioning
3. Review the schedule of work for meetings to allow for more strategic discussion
4. Introduce more reference to the statutory responsibility over meeting skills needs
5. Introduce mentoring for new governors on appointment as part of induction

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Governance & Search, Remuneration and Audit. The Board also has three less formal governor groups overseeing the College's financial position, the quality of educational provision and the relocation of the Tamworth Campus. Full minutes of all Corporation and Audit Committee meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.southstaffs.ac.uk or from the Head of Governance to the Corporation at: South Staffordshire College, Rodbaston Campus, Penkridge, Staffs, ST19 5PH.

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

All governors can take independent professional advice in furtherance of their duties at the College's expense and have access to the Head of Governance to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Head of Governance are matters for the Corporation as a whole.

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Chief Executive Principal of the College are separate.

Statement of Corporate Governance and Internal Control - *Continued*

Appointments to the Corporation

There are currently places for 18 members of the Corporation including the Chief Executive Principal, two governors nominated by the College staff and two governors nominated by the students. Any new appointments to the Corporation are made by the Corporation as a whole. The Corporation has a Governance & Search Committee which is responsible for the selection and nomination of any new member for appointment by the Corporation. The Corporation's policy on the selection of members is available on the College website. The Corporation is responsible for ensuring that appropriate training is provided as required. The Remuneration Committee was introduced to review senior post holder renumeration and performance in response to the AoC's Senior Post Holder Remuneration Code.

Members of the Corporation are appointed for a term of office not exceeding four years in accordance with the recommendations of the Committee on Standards in Public Life. The Corporation maintains a skills audit of members and seeks to ensure that a wide range of skills, expertise and diversity is present amongst governors to encourage effective challenge and scrutiny of management plans and actions.

Corporation performance

The Corporation met eight times during the year and have overseen a variety of complex issues such as the sale of the current Tamworth Campus, the oversight of progress towards relocating the Tamworth Campus into Tamworth town centre and oversight of the work to improve quality standards in the College's Apprenticeship delivery. The Corporation has contributed to the strategy document that will take the College forward to 2025. As part of this, the Corporation regularly review a set of agreed KPIs to assess the performance of the College.

In addition to the External Governance Review which was undertaken this year, the Corporation reviewed its own performance and agreed actions to continue to improve on its overall good performance.

Governance & Search Committee

The Governance & Search Committee comprises six members of the Corporation, including the Chief Executive Principal and the Support Staff Governor. The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the appointment, re-appointment and development of governors and to consider all aspects of good governance in relation to this. The Committee also oversees regular self-assessment processes and external reviews commissioned by which the Corporation reviews and improves the effectiveness with which it fulfils its responsibilities. In addition the Committee has a role in planning and overseeing the how well the College's training and education meets local needs.

The Committee met three times during the academic year and is responsible for ensuring that appropriate training is provided for Corporation members.

Remuneration Committee

The Remuneration Committee comprises of four members of the Corporation. The Committee meets at least once per academic year and operates in accordance with written terms of reference approved by the Corporation. In 2022/23 the Committee met once. Its purpose is to advise the Corporation on the remuneration of senior post holders, including the Chief Executive Principal, the Deputy Chief Executive, Deputy Principal Finance & Resources and the Head of Governance to the Corporation as well as reviewing their performance.

The Committee's policy on the remuneration of senior post holders within the remit of the Remuneration Committee, inclusive of detail on the income derived from external activities, is publicly available via the College website.

Statement of Corporate Governance and Internal Control - *Continued*

Details of remuneration for the year ended 31 July 2023 are set out in Note 7 to the financial statements.

Audit Committee

The Audit Committee comprises five members of the Corporation (excluding the Chief Executive Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, the solvency of the institution and the safeguarding of its assets.

The Audit Committee met four times during the 2022/23 financial year and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the FE funding bodies, as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation. The Audit Committee underwent a process in 2022/23 to review and appoint a new Internal Audit Service provider.

Finance Improvement Group

The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the financial performance of the College and also to recommend for approval items such as the Financial Regulations and the annual financial statements. The Committee comprises of five members of the Corporation and meets at least four times a year.

Curriculum and Quality Improvement Group

The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the quality of the College's curriculum, teaching and assessment and also to recommend for approval items such as the Curriculum Strategy and the annual College Self-Assessment Report (SAR). The Committee comprises of five members of the Corporation and meets at least three times a year.

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which the Chief Executive Principal is personally responsible.

Statement of Corporate Governance and Internal Control - *Continued*

This is in accordance with the assigned responsibilities within the Funding Agreement between South Staffordshire College and the funding bodies. The Chief Executive Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Staffordshire College for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Governing Body,
- Regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts,
- Setting targets to measure financial and other performance,
- Clearly defined capital investment control guidelines, and
- The adoption of formal project management disciplines, where appropriate.

South Staffordshire College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the Internal Audit Service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

The Head of Internal Audit (HIA) provides the Governing Body with an annual report on internal audit activity in the College which summarises all internal audits undertaken during the year. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors,

Statement of Corporate Governance and Internal Control - *Continued*

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

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

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training.

The Senior Leadership Team and Audit Committee also receive regular reports from the Internal Audit Service and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 11 December 2023 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2023.

Statement from the Audit Committee

The Audit Committee has advised the Corporation on the effectiveness of the College's systems of governance, risk management and internal control prior to the approval of the College's financial statements for the year ending 31 July 2023.

The internal audit service has provided the Committee with an independent source of assurance in order to form a robust opinion on the College's governance, risk management and control arrangements. As such, the Committee has benefited from detailed internal audit reports submitted by the internal auditor following each internal audit together with recommendations for further improvement. Recommendations arising from the work of the internal auditors carried out have all been responded to or commented on by College management to the satisfaction of the Audit Committee. The Committee regularly reviews, at subsequent meetings, the progress made by management in implementing audit report recommendations and is able to report reasonable progress. The internal auditors will conduct a follow up review on all outstanding recommendations in the 2023/24 academic year, and any recommendations from years prior to this.

Following the onset the COVID19 pandemic, the delivery of internal audit services had been undertaken remotely as per the 2022/23 Internal Audit Plan. The approved 2022/23 Internal Audit Plan was formulated to allow for some flexibility should any additional or unforeseen areas of internal control become apparent as the College continues its business through a fast-changing environment.

In the 2022/23 Internal Audit Annual Report, the auditor provides a formal opinion which reads as follows:

"TIAA is satisfied that, for the areas reviewed during the year, South Staffordshire College has reasonable and effective risk management, control and governance processes in place". This represents a positive opinion on the year's internal audit work.

The College retendered its Internal Audit Service in the summer of 2023 and Validera were appointed to internally audit the College from the 2023/24 financial year for three years, extendable by two further one-year periods by agreement.

Statement of Corporate Governance and Internal Control - *Continued*

The Committee received the College's financial statements and regularity auditor's management letter for 2022/23 at its meeting on 29 November 2023.

A review of covenant arrangements that the College has in place for the year ended 31 July 2023 has been undertaken along with a review of its latest financial forecasts, which reflect the most recent financial position of the College. The College was very close to being covenant compliant for 2023/24 based on the most recent forecast, with debt covenants being measured at 99.9% against a compliance requirement of 100%, however this does not provide enough comfort. Barclays were asked to adjust covenants and have agreed that debt service covenants for 2023/24 and 2024/25 will exclude any Tamworth Relocation Project payments made from the proceeds of the Tamworth Campus site sale which gives assurance that the College will be compliant with its Barclays covenants requirements.

There are two low priority recommendations arising from the audit of the 2022/23 accounts which have both been accepted. Recommendations made from prior years have been fully addressed.

The Committee is aware of its responsibility to ensure the effectiveness of the Risk Management process and a report has been considered by the Committee at each meeting.

The Committee is satisfied as a result of its work, and that of the internal auditor in relation to risk management, that the College has sound risk management arrangements giving substantial assurance that the risks facing the College were identified and managed appropriately.

In accordance with guidance in the Post-16 Audit Code of Practice, a range of performance indicators for both auditors are in place. The Committee assesses the auditors' performance against these indicators and discusses with the firms any issues that are of concern. The Committee reviewed the performance of the Internal Audit Service, TIAA, at their meeting on the 28th June 2023 and were satisfied with the findings of the review. The External Audit Service was retendered in early 2021 with the existing incumbents, Mazars, being chosen and approved by the College for a further five years.

Based on the above, the Committee's opinion is that the College does have:

- adequate and effective assurance arrangements in place;
- an adequate and effective framework of governance and risk management; and
- adequate and effective control processes for the effective and efficient use of resources, solvency of the institution and the safeguarding of its assets.

The Committee received and considered an annual report on subcontracting which confirmed that the College did not use subcontractors in 2022/23.

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

Approved by order of the members of the South Staffordshire College Corporation on 11 December 2023 and signed on its behalf by:

M Rowley
Chair of the Corporation

C Boliver
Accounting Officer

Statement of Regularity, Propriety and Compliance

As Accounting Officer I confirm that the Corporation has had due regard to the framework of authorities governing regularity, priority and compliance, and the requirements of grant funding agreements and contracts with ESFA, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the Corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the Corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the Corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

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

C Boliver
Accounting Officer

Date:

Statement of the Chair of Governors

On behalf of the Corporation, I confirm that the Accounting Officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

M Rowley
Chair of the Corporation

Date:

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Corporation's grant funding agreements and contracts with ESFA, the Corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications and mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report), and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Strategic Report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA, and any other public funds, are used only in accordance with the relevant grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public bodies including that any transactions entered into by the Corporation are within the delegated authorities set out in the "Dear Accounting Officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and any other public bodies are not put at risk.

Approved by order of the members of the Corporation on 11 December 2023 and signed on its behalf by:

M Rowley
Chair of the Corporation

Independent auditor's report to the members of South Staffordshire College

Opinion

We have audited the financial statements of South Staffordshire College (the 'College') for the year ended 31 July 2023 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2023 and of its surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Members of the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members of the Corporation with respect to going concern are described in the relevant sections of this report.

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 Corporation is responsible for the other information contained within the annual report. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 27, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the College and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the ESFA funding agreements, the OfS regulatory framework, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, and money laundering.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the College is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;

- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the College which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and pension legislation.

In addition, we evaluated the Members of the Corporation and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Members of the Corporation and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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

Mazars LLP
Mazars LLP (Dec 19, 2023 09:58 GMT)

Mazars LLP
Chartered Accountants and Statutory Auditor
Park View House
58 The Ropewalk
Nottingham
NG1 5DW
Date Dec 19, 2023

To: The corporation of South Staffordshire College and Secretary of State for Education acting through Education and Skills Funding Agency ("ESFA")

In accordance with the terms of our engagement letter dated June 2023 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by South Staffordshire College during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by ESFA and in any relevant conditions of funding, concerning adult education notified by a relevant funder.

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

Respective responsibilities of South Staffordshire College and the reporting accountant

The corporation of South Staffordshire College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.
Our responsibilities for this engagement are established in the United Kingdom by the Code our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work, which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament, and that the financial transactions do not conform to the authorities that govern them.

Signed: Mazars LLP
Mazars LLP (Dec 19, 2023 09:58 GMT)

Mazars LLP
Chartered Accountants and Statutory Auditor
Park View House
58 The Ropewalk
Nottingham
NG1 5DW
Date: Dec 19, 2023

Statement of Comprehensive Income and Expenditure

	Notes	2023	2022
		£'000	£'000
INCOME			
Funding body grants	2	23,895	20,534-
Tuition fees and education contracts	3	3,463	3,426
Other grants and contracts	4	610	300
Other income	5	2,676	1,394
Investment income	6	436	9
Total income		**31,080**	**25,663**
EXPENDITURE			
Staff costs	7	19,396	19,742
Fundamental restructuring costs	7	17	33
Other operating expenses	8	6,747	5,349
Depreciation	11	2,001	2,861
Interest and other finance costs	9	171	488
Total expenditure		**28,332**	**28,473**
Surplus/(Deficit) before other gains and losses		**2,748**	**(2,810)**
Loss on disposal of assets		(2)	-
Surplus/(Deficit) before tax		2,746	(2,810)
Taxation	10	-	-
Surplus/(Deficit) for the year		**2,746**	**(2,810)**
Actuarial gain in respect of pension schemes	23	70	20,057
Total Comprehensive Income for the year		**2,816**	**17,247**

All items of income and expenditure relate to continuing operations.

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 31 July 2021	**(6,388)**	**5,911**	**(477)**
Deficit from the income and expenditure account	(2,810)	-	(2,810)
Other comprehensive income	20,057	-	20,057
Transfers between revaluation and income and expenditure reserves	143	(143)	-
Total comprehensive income for the year	17,390	(143)	17,247
Balance at 31 July 2022	**11,002**	**5,768**	**16,770**
Surplus from the income and expenditure account	2,746	-	2,746
Other comprehensive income	70	-	70
Transfers between revaluation and income and expenditure reserves	1,668	(1,668)	-
Total comprehensive income for the year	2,816	-	2,816
Balance at 31 July 2023	**15,486**	**4,100**	**19,586**

The transfer between revaluation reserve and income and expenditure reserve relates to the transfer of all historical inherited asset revaluation balances out of the revaluation reserve upon the completion of the sale of the College's Tamworth Campus during 2022/23.

Balance sheet as at 31 July

	Notes	2023	2022
		£'000	£'000
Fixed assets			
Tangible Fixed assets	11	27,567	30,626
Investments	12	5,039	39
		32,606	**30,665**
Current assets			
Stocks		45	45
Trade and other receivables	13	2,745	1,103
Cash and cash equivalents	16	6,429	4,394
		9,219	**5,542**
Less: creditors – amounts falling due within one year	14	(7,001)	(4,171)
Net current assets		**2,218**	**1,371**
Total assets less current liabilities		**34,824**	**32,036**
Creditors – amounts falling due after more than one year	15	(15,238)	(15,266)
Defined benefit obligations	23	-	-
Total net assets		**19,586**	**16,770**
Unrestricted Reserves			
Income and expenditure account		15,486	11,002
Revaluation reserve		4,100	5,768
Total unrestricted reserves		**19,586**	**16,770**

The financial statements on pages 34 to 59 were approved and authorised for issue by the Corporation on 11 December 2023 and were signed on its behalf on that date by:

M Rowley
Chair of the Corporation

C Boliver
Accounting Officer

Statement of Cash Flows

	Notes	2023	2022
		£'000	£'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		2,746	(2,810)
Adjustment for non-cash items			
Depreciation	11	2,001	2,861
Release of capital grants		(3,126)	(713)
(Increase)/decrease in investments		(5,000)	37
Increase in stocks		-	(30)
(Increase)/decrease in debtors		(1,363)	428
Decrease in creditors due within one year		3,539	157
Pensions costs less contributions payable	23	70	2,283
Adjustment for investing or financing activities			
Investment income paid	6	(88)	(9)
Interest payable		171	211
Loss on sale of fixed assets		2	-
Net cash flow from operating activities		**(1,048)**	**2,415**
Cash flows from investing activities			
Proceeds from sale of fixed assets		6,000	-
Capital grant receipts/(repayments)		3,574	(159)
Investment income paid		88	9
Payments made to acquire fixed assets	11	(4,945)	(1,859)
		4,717	**(2,009)**
Cash flows from financing activities			
Interest paid		(171)	(211)
Annual repayments of other loans		(1)	(1)
Annual repayments of amounts borrowed		(1,462)	(740)
		(1,634)	**(952)**
Increase/(decrease) in cash and cash equivalents in the year		**2,035**	**(546)**
Cash and cash equivalents at beginning of the year	18	4,394	4,940
Cash and cash equivalents at end of the year	18	6,429	4,394

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2021 to 2022* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. To support decision-making, a reforecast of the 2023/24 financial year was presented to the Board in conjunction with a detailed summary of our going concern situation.

The going concern situation remains complex for 2023/24 as there are a number of risks to consider:

- The economic environment has been hostile with rapid inflation leading to higher salary demands. Additional funding has helped this situation and has helped to support other increased costs for non-pay items such as energy, building materials and software.
- The Tamworth Relocation Project is a substantial financial undertaking, and although the funding of the project is in place (although the DFE Capital Loan terms are not yet known) the project is still the subject is programme delays and has not yet reached Stage 4 Design approval.
- The provision based at TORC will also need investment regardless of whether the provision moves closer to Tamworth town centre or remains in the current TORC property.
- The FE sector was reclassified into the public sector by the Office for National Statistics on 29th November 2022. The move to public sector means that the College has to ask for permission to change or waive commercial banking covenants.
- The effect of the Tamworth Relocation Project finances may lead to bank covenants breaching and the College is in discussions with Barclays Bank about how to deal with these covenants.

However, the College is well placed to withstand these issues because:

- The College has good levels of cash and relatively low levels of borrowing at around 5.7% of income.
- The revised forecast for 2023/24 continues to show that, on an operating level, the College is performing well and has closed its budget deficit.
- The College is experiencing higher than expected levels of growth in 16-18 learners which will increase funding further in 2024/25. 16-18 funding is the only area of funding where there is a commitment to increase funding rates by the government.

Notes to the Accounts – *Continued*

- The Tamworth Relocation Project has been well managed to date and cost estimates put forward have been realistic and reviewed by property experts.

The operational budgets of colleges have been pushed by inflation, increasing energy costs and pressure on wage inflation, including the threat of industrial action. The College began the 2023/24 financial year with a deficit budget of £300,000 to be able to afford a 3% pay award for all staff. However, the confirmation in September 2023 that the sector would receive additional 16-19 funds to help support a 6.5% pay award for staff has had a positive effect on the College's finances, including the eradication on the £300,000 deficit budget.

Therefore, at an operating level, the College is now performing satisfactorily. It has good levels of cash and has a "Good" financial health rating in 2022/23. There is nothing operationally that would suggest that the College's financial performance will dip significantly in the next 12 months. However, the College is showing a breach of debt service covenants with Barclays Bank in the 2023/24 and 2024/25 financial years which could provide a challenge to the going concern decision. At July 2024, which is the point of potential breach, the College will only have debt with Barclays Bank and Yorkshire Bank debt will have been repaid before the end of July 2024.

The relocation of the Tamworth Campus into the Tamworth town centre is a major capital project for the College. The College has secured an additional £2,365,000 of grant contribution from the DFE in February 2023 which allowed the College to confidently engage a main contractor for the project and begin construction of the new building. The College has been successful in its request for a DFE Capital loan, with a total application of £1,500,000. However, the College has not yet begun any negotiations around term length or interest rate.

There continues to be the risk that the building costs of the Tamworth Relocation Project will escalate beyond the current level of funding. The College still has control over the majority of the costs and the forthcoming Stage 4 Design sign off will provide a more certain build cost for the project that includes all the updates and changes made in the design process. If costs still could not be contained, there would be the option to talk with the ESFA about further grant funding or capital loans. The reclassification of colleges into the public sector means that the option for the College to borrow commercially is no longer available.

Barclays Bank have confirmed that they are aware of the 2023/24 covenant issues and the reasons for the projected breaches, and they will both work with the College to address the risk and avoid the breaches occurring.

At 31 July 2023 the College had not breached the financial covenants of Barclays Bank or Yorkshire Bank. The College's forecasts and financial projections, reported in its latest forecasts, indicate that it will breach its covenants in the 2023/24 and 2024/25 financial years but that the relevant confirmations are in place from Barclays Bank to provide assurance to Governors that the breach will not result in action from the Bank.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Notes to the Accounts – *Continued*

Recognition of income

Revenue Grant Income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the income stream involved.

Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Education and Skills Funding Agency.

Grant Funding

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

Capital Grant Funding

The College recognises capital grants using the accruals method, with the grant release taking place along the same timescales as the depreciation of the fixed asset which was funded by the capital grant. The College changed how it recognises capital grants in 2019/20. Until that point, capital grants received had been recognised using the performance method, where capital grants were entirely released as income at the point where the grant was spent and the funded purchase or project completed.

Fee Income

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

Notes to the Accounts – *Continued*

Investment Income

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

Accounting for Post-Employment Benefits

Retirement benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). Contributions to the TPS are charged as incurred.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Staffordshire Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial losses are recognised immediately in other recognised gains and losses. Actuarial gains cannot be recognised by the College (or the FE sector more generally) as the College has no future recourse to monetise the asset directly and therefore the long term asset is reported as a zero value asset.

Short term Employment benefits

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

Enhanced Pensions

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

Notes to the Accounts – *Continued*

Non-current Assets - Tangible fixed assets

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of 40-60 years.

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

On adoption of FRS102, the College followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS102.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2023. They are not depreciated until they are brought into use. Assets under construction as 31 July 2023 included the development costs of the Tamworth Relocation Project and the Cannock Construction Relocation Project totalling £3,836,000.

Equipment

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition unless it is part of a larger project. All other equipment is capitalised at cost.

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

- Computer equipment 3-5 years
- Other equipment 3-10 years

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

Borrowing costs

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

Notes to the Accounts – *Continued*

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 31 August 2014 are spread over the minimum lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

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

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

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

Farm stocks consist of livestock and crops and have been valued by independent valuers using recognised valuation methods and included in the balance sheet at the percentages of market value as recommended by HMRC Business Income Manual (BIM55410 - Farming stock valuation IR232). The College sold the majority of its animal herds during the 2019/20 financial year as the operations of the farm at Rodbaston were outsourced.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Notes to the Accounts – *Continued*

Taxation

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

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

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

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

Restructuring costs

Any costs deemed to relate to a fundamental reorganisation or restructuring which has a material effect on the nature and future of the College's operations are disclosed on the face of the Income and Expenditure account after the operating surplus or deficit in accordance with FRS 102.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine if the College will go ahead with its investment in the Tamworth Relocation Project and the impact on finances and covenants/debt, particularly with the backdrop of reclassification of colleges as public sector bodies.
- Determine if the College would recognise its LGPS pension asset.
- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Notes to the Accounts – *Continued*

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Bad Debt Provision*

The College holds a bad debt provision of £54,700 which has been calculated to cover the financial risks within the debtors' ledger. The College has a variety of debtors including student fees, travel fees and commercial income. The College regularly reviews debtor levels and writes off income where the debts are not thought to be commercially viable to chase.

- *ESFA Clawbacks*

The College anticipates that some funding streams will be subject to clawback for the 2022/23 financial year, but this will be minimal. The College achieved over 97% of its ESFA Adult Education Budget target but will need to repay a small amount (£23,000) of its Free Courses for Jobs allocation. 16-19 funding was met during the financial year and apprenticeship funding is paid on funding generated (£2,492,000).

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit asset/liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension asset/liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 has been used by the actuary in valuing the pensions asset/liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension asset/liability.

As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a notional surplus. As management do not consider that the College will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statements in line with paragraph 28.22 of FRS102.

2 Funding council grants

	Year ended	
	2023	**2022**
Recurrent grants	**£'000**	**£'000**
Education and Skills Funding Agency – Adult Education Budget	2,141	1,930
Education and Skills Funding Agency – 16-18	17,190	15,262
Education and Skills Funding Agency – Apprenticeships	2,492	2,264
Specific grants		
Education and Skills Funding Agency – Capital grant released	1,524	380
Education and Skills Funding Agency – Learner Support, Work Placement Capacity, 16-19 Tuition Fund	548	698
Total	**23,895**	**20,534**

Notes to the Accounts – *Continued*

3 Tuition fees and education contracts	Year ended 2023 £'000	Year ended 2022 £'000
Apprenticeship fees and contracts	43	61
Fees for FE loan supported courses	442	536
Fees for HE loan supported courses	377	314
Adult education fees	234	249
Total tuition fees	**1,096**	**1,160**
Education contracts	2,367	2,266
Total	**3,463**	**3,426**

4 Other grants and contracts	Year ended 2023 £'000	Year ended 2022 £'000
West Midlands Combined Authority adult skills	433	235
Other grants and contracts	177	65
Total	**610**	**300**

5 Other Income	Year ended 2023 £'000	Year ended 2022 £'000
Catering and residences	227	208
Other income generating activities	441	462
Miscellaneous income	406	253
Other Capital Grants released	1,602	471
Total	**2,676**	**1,394**

6 Investment Income	Year ended 2023 £'000	Year ended 2022 £'000
Other interest receivable	88	9
Pension finance income (Note 23)	348	-
Total	**436**	**9**

Notes to the Accounts – *Continued*

7 Staff Costs

The average number of persons (including key management personnel) employed by the College during the year was:

	Year ended	
	2023	**2022**
	No.	**No.**
Teaching staff	317	340
Non-teaching staff	282	264
Total Staff	**599**	**604**

Staff costs for the above persons	**2023**	**2022**
	£'000	**£'000**
Wages and salaries	13,994	13,113
Social security costs	1,250	1,094
Other pension costs*	3,507	4,876
Holiday pay accrual (movement in year)	49	73
Payroll sub total	**18,800**	**19,156**
Contracted out staffing services	596	586
	19,396	**19,742**
Restructuring costs – contractual	17	33
Total staff costs	**19,413**	**19,775**

	2023	**2022**
	£'000s	**£'000s**
*Other pension costs include FRS102 (Section 28) adjustment	418	2,006

In 2022, the wages and salaries includes a £58,000 provision to cover the potential costs of Harpur v Brazel claims in 2021/22.

The College paid 3 severance payments during the financial year, disclosed in the following bands:

	2023	**2022**
	No.	**No.**
£0 to £25,000	3	4

Key management personnel

Key management personnel are those persons in Executive Leadership Team having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Leadership Team which currently comprises the Chief Executive Principal, Deputy Chief Executive, Deputy Principal Finance & Resources, Assistant Principal Quality & Curriculum, Assistant Principal Learner Services and Assistant Principal Human Resources. Staff costs include compensation paid to key management personnel for loss of office. Not all of these personnel were in post for the full financial year.

Notes to the Accounts – *Continued*

7 Staff Costs - ***continued***

	2023	2022
	No.	**No.**
The number of key management personnel including the Accounting Officer was:	**6**	**6**

The governing body adopted the AoC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principles. The remuneration package of senior post holders, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. The Principal and Chief Executive reports to the Chair of Corporation, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

In 2020/21 there was an additional key management role for the majority of the year which ended in July 2021 and was not replaced. The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2023	**2022**	**2023**	**2022**
	No.	**No.**	**No.**	**No.**
£60,001 to £65,000 p.a.	-	-	2	2
£65,001 to £70,000 p.a.	-	-	1	-
£70,000 to £75,000 p.a.	2	3	-	-
£80,001 to £85,000 p.a.	1	-	-	-
£100,000 to £105,000 p.a.	2	2	-	-
£150,001 to £155,000 p.a.	-	1	-	-
£155,001 to £160,000 p.a.	1	-	-	-
	6	6	3	1

Key management personnel compensation is made up as follows:	2023	2022
	£'000	**£'000**
Salaries	591	574
Employers National Insurance	76	74
Benefits in kind	9	5
	676	**653**
Pension contributions	140	136
Total key management personnel compensation	**816**	**789**

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. One member of "Other Staff" earned less than £60,000 but would have earnt more than £60,000 on a full time equivalent basis.

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer). The salary of the Accounting Officer is set based on available benchmarking data for the FE sector and market rate for the geographical area. Total Accounting Officer pay is summarised below:

Notes to the Accounts – *Continued*

7 Staff Costs - *continued*

	2023	2022
	£'000	£'000
Salaries	158	155
Benefits in kind	3	1
	161	**156**
Pension contributions	37	36

Median Salary

	2023	2022
Accounting Officers basic salary as a multiple of the median of all staff	6.32	6.43
Accounting Officers total remuneration as a multiple of the median of all staff	8.24	7.96

The median calculation is made by taking salary costs in August and September, ranking the costs in value order and then picking a median to compare to the salary of the Principal Chief Executive.

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

8 Operating costs

	Year ended	
	2023	2022
	£'000	£'000
Teaching costs	2,185	1,901
Non teaching costs	2,070	1,808
Premises costs	2,492	1,640
Total costs	**6,747**	**5,349**

Other operating costs include:

	Year ended	
	2023	2022
Auditor remuneration	£'000	£'000
Financial statements audit	45	36
Internal audit	10	10
Other services provided by the external auditors	-	-
Hire of assets under operating leases	137	129

Notes to the Accounts – *Continued*

9 Interest and other finance costs

	Year ended 2023 £'000	Year ended 2022 £'000
On bank loans, overdrafts and other loans:	171	211
Pension finance costs (Note 23)	-	277
Total	**171**	**488**

10 Taxation

The members do not believe that the College was liable for any corporation tax arising out of its activities in either year.

11 Tangible fixed assets

	Land and buildings £'000	Computer Equipment £'000	Other Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation					
At 1 August 2022	50,178	6,246	10,171	732	67,327
Additions	48	379	682	3,836	4,945
Disposal of assets	(11,140)	(88)	(322)	-	(11,550)
At 31 July 2023	**39,086**	**6,537**	**10,531**	**4,568**	**60,722**
Depreciation					
At 1 August 2022	23,774	5,319	7,608	-	36,701
Charge for the year	945	604	452	-	2,001
Elimination in respect of disposals	(5,283)	(56)	(208)	-	(5,547)
At 31 July 2023	**19,436**	**5,867**	**7,852**	**-**	**33,155**
Net book value at 31 July 2023	**19,650**	**670**	**2,679**	**4,568**	**27,567**
Net book value at 31 July 2022	**26,404**	**927**	**2,563**	**732**	**30,626**

The transitional rules set out in FRS 102 have been applied. Accordingly, the book values at implementation have been retained.

Land and Buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by, a firm of independent Chartered Surveyors in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and Buildings includes the cost of the Staffordshire University Lichfield Centre Project, which commenced in 1997 and was completed in 2006. The Project spanned a number of phases and was partly grant funded, and partly funded by a loan jointly repayable by the College and Staffordshire University.

Notes to the Accounts – *Continued*

12 Investments

	2023 £'000	2022 £'000
Non-current investments – other	5,039	39

The College invested £5,000,000 of cash in medium term deposits which was derived from the sales proceeds for the Tamworth Campus.

The College owns shares valued at £39,000 (2021/2022: £39,000). These shares were valued at the closing market price as at 31 July 2022. These shares are not listed and their valuation is based on an annual valuation statement.

13 Trade and other receivables

Amounts falling due within one year:	2023 £'000	2022 £'000
Trade receivables	677	482
Prepayments and accrued income	1,624	492
Amounts owed by the ESFA	444	129
Total	**2,745**	**1,103**

14 Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Bank loans and overdrafts	374	544
Other loans	-	1
Trade payables	1,050	452
Other taxation and social security	720	593
Accruals and deferred income	2,267	1,050
Amounts owed to the ESFA	890	721
Deferred capital grants	695	713
Other creditors	1,005	97
Total	**7,001**	**4,171**

15 Creditors: amounts falling due after more than one year

	2023 £'000	2022 £'000
Bank loans and overdrafts	1,181	2,472
Deferred capital grants	14,057	12,794
Total	**15,238**	**15,266**

Notes to the Accounts – *Continued*

16 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2023	2022
	£'000	£'000
In one year or less	374	544
Between one and two years	179	552
Between two and five years	579	1,083
In five years or more	423	837
Total	**1,555**	**3,016**

Cash and cash equivalents

	At 1 Aug 2022	Cash flows	Other changes	At 31 July 2023
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,394	2,035	-	6,429
Total	**4,394**	**2,035**	**-**	**6,429**

Total debt is shared between two providers as detailed below:

Amount (£)	Bank	Start date	Expiry date	Term in years	Rate
600,000	Yorkshire Bank PLC	23/06/21	22/06/24	3	4.750%
2,000,000	Barclays Bank PLC	30/06/06	28/06/30	25	Variable
1,500,000	Barclays Bank PLC	31/07/08	30/06/30	22	Variable

Bank	Security
Barclays Bank PLC	Rodbaston Campus

(b) Other loans

Other loans and overdrafts are repayable as follows:

	2023	2022
	£'000	£'000
In one year or less	-	1
Between one and two years	-	-
Between two and five years	-	-
Total	**-**	**1**

All other loans are Salix interest free loans to finance energy saving projects.

Notes to the Accounts – *Continued*

17 Provisions

	Defined benefit asset
	£'000
At 1 August 2022	-
Expenditure in the period	1,486
Transferred from income and expenditure account	(1,556)
Actuarial gain	70
At 31 July 2023	**-**

Defined benefit assets relate to the assets under the College's membership of the Local Government pension Scheme. Further details are given in Note 23.

18 Analysis of Net Debt

	At 1 Aug 2022	Cash flows	Other changes	At 31 July 2023
	£'000	£'000	£'000	£'000
Cash and cash equivalents	4,394	2,035	-	6,429
Bank Loans due in less than one year	(544)	170	-	(374)
Bank Loans due in less than five years	(1,635)	877	-	(758)
Bank Loans due after five years	(837)	414	-	(423)
Total	**1,378**	**3,496**	**-**	**4,874**

19 Capital and other commitments

	2023	2022
	£'000	£'000
Commitments contracted for at 31 July	21,709	-

The capital commitment consists of the remaining contracted construction costs for the new Tamworth Campus building currently under construction in Tamworth town centre.

20 Lease obligations

At 31 July the College had three leases relating to the TORC campus under a non-cancellable operating lease, a vehicle lease and a kitchen equipment lease as follows:

	2023	2022
Future minimum lease payments due	£'000	£'000
Land and buildings		
Not later than one year	130	130
Later than one year and not later than five years	-	130
Later than five years	-	-
	130	**260**

Notes to the Accounts – *Continued*

20 Lease Obligations - *continued*

Other		
Not later than one year	15	5
Later than one year and not later than five years	69	34
Later than five years	-	-
	84	**39**

21 Contingent liabilities

There are no contingent liabilities.

22 Events after the reporting period

The College received its additional allocation of 16-18 funding based on a sector increase in basic funding rates and increases in high value course rates. The additional funding allowed the College to make pay awards to its staff ranging from 6.5% to 9.5% in October 2023.

The College enrolled 3,017 funded 16-18 learners between August and October 2023, which is 388 learners more than the ESFA allocation of 2,629 learners. The lagged learner funding model means that these learners will be fully funded in the subsequent financial year however the ESFA has announced that in-year funding will be available for colleges with in excess of 100 additional learners above allocation.

The Teachers Pension Scheme increased its employer contribution rate to 28.68% from 23.68% (see note 23) however this is not expected to cause any immediate financial issues as the ESFA will fund contributions until March 2025.

23 Defined benefit obligations

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2020 and of the LGPS 31 March 2022.

Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education (the Department) in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222 billion giving a notional past service deficit of £40 billion.

Notes to the Accounts – *Continued*

23 Defined benefit obligations - *continued*

As a result the employer contribution rates will increase from 23.68% of pensionable pay to 28.68% of pensionable pay in April 2024. The DfE agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2022/23 and 2023/24 academic years and this will continue until March 2025.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website. The pension costs paid to TPS in the year amounted to £2,038,000 (2021/22: £2,031,000).

Local Government Pension Scheme
The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Staffordshire County Council Local Authority. The total contributions made for the year ended 31 July 2023 were £1,708,000, of which employer's contributions totalled £1,486,000 and employees' contributions totalled £376,000. The agreed contribution rates for future years are 22.9% for employers dropping to 20.9% in April 2025 and range from 5.5% to 12.5% for employees, depending on salary.

The approach taken by the College to address its defined pension deficit is to take the lead from the Local Authority and its actuaries, as the experts in the field. The College pays the required contribution rates on the understanding that actuarial calculations will ensure that the notional pension deficit remains manageable and allows the College to contribute its fair share into the overall scheme. The College has no plans to make any lump sum payments to the scheme. The provision of security in the form of a College campus is not feasible as all owned campuses are currently used as security for the College's various lenders.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2023 by a qualified independent actuary.

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	3.50%	3.15%
Future pensions increases	3.00%	2.75%
Discount rate for scheme liabilities	5.05%	3.50%
Inflation assumption (CPI)	3.00%	2.75%
Commutation of pensions to lump sum (pre-April 2008 service)	50%	50%
Commutation of pensions to lump sum (post-April 2008 service)	75%	75%

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

	At 31 July 2023 years	At 31 July 2022 years
Retiring today		
Males	20.2	21.2
Females	24.1	23.8
Retiring in 20 years		
Males	21.7	22.2
Females	25.4	25.5

Notes to the Accounts – *Continued*

23 Defined benefit obligations - continued

Sensitivity analysis

	Approximate decrease to defined benefit surplus	Approximate Monetary increase £'000
0.1% decrease in Real Discount rate	2%	868
1 year increase in member life expectancy	4%	1,840
0.1% increase in the Salary Increase rate	0%	35
0.1% increase in the Pension Increase Rate (CPI)	2%	849

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

	Long-term rate of return expected at 31 July 2023	Fair Value at 31 July 2023	Long-term rate of return expected at 31 July 2022	Fair Value at 31 July 2022
		£'000		£'000
Equity instruments	5.05%	42,076	3.50%	44,711
Bonds	5.05%	14,232	3.50%	10,557
Property	5.05%	4,331	3.50%	4,968
Cash	5.05%	1,238	3.50%	1,863
Total		**61,877**		**62,099**

Weighted average expected long term rate of return at 31 July 2023	**5.05%**	**3.50%**

	2023	2022
	£'000	£'000
Actual return on plan assets	**1,290**	**1,778**

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

	2023	2022
	£'000	£'000
Fair value of plan assets	61,877	62,099
Present value of plan liabilities	(45,751)	(52,353)
Present value of unfunded liabilities	(249)	(271)
Net pensions asset	**15,877**	**9,475**
Less notional surplus not recognised	(15,877)	(9,475)
Net pensions asset as recognised in these financial statements	-	-

Notes to the Accounts – *Continued*

23 Defined benefit obligations - continued

As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a notional surplus. As management do not consider that the College will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statements in line with paragraph 28.22 of FRS102.

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

	2023	2022
Amounts included in staff costs	**£'000**	**£'000**
Current service cost	1,881	3,397
Past service cost	-	-
Total	**1,881**	**3,397**
Amounts included in investment income		
Net interest income/(cost)	325	(300)
	325	**(300)**
Amount recognised in Other Comprehensive Income		
(Loss)/return on pension plan assets	(890)	818
Experience losses arising on defined benefit obligations	(6,076)	(84)
Changes in assumptions underlying the present value of plan liabilities	13,438	28,798
Amount recognised in Other Comprehensive Income	**6,472**	**29,532**
Less notional surplus not recognised in prior year	-	(9,475)
Less notional surplus not recognised in current year	(6,402)	-
Amount recognised in Other Comprehensive Income in these financial statements	**70**	**20,057**

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

Movement in net defined benefit asset during the year:

	2023	2022
	£'000	**£'000**
Asset in scheme at 1 August	-	**(17,774)**
Movement in year:		
Current service cost	(1,881)	(3,397)
Employer contributions	1,463	1,391
Unfunded benefit contributions	23	23
Net interest on the defined asset	325	(300)
Actuarial gain	6,472	29,532
Less notional surplus not recognised	(6,402)	(9,475)
Net pensions asset (Note 23)	-	-

Notes to the Accounts – Continued

23 Defined benefit obligations – *continued*

Asset and Liability Reconciliation

	2023	2022
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	**52,624**	**77,532**
Current service cost	1,881	3,397
Interest cost	1,855	1,260
Contributions by Scheme participants	376	353
Experience gains and losses on defined benefit obligations	4,124	84
Changes in financial assumptions	(13,099)	(28,521)
Estimated benefits paid	(1,399)	(1,181)
Estimated unfunded benefits paid	(23)	(23)
Changes to demographic assumptions	(339)	(277)
Defined benefit obligations at end of period	**46,000**	**52,624**

Changes in fair value of plan assets

	2023	2022
Fair value of plan assets at start of period	**62,099**	**59,758**
Interest on plan assets	2,180	960
Return on plan assets	(890)	818
Employer contributions	1,486	1,414
Contributions by Scheme participants	376	353
Unfunded benefits paid	(23)	(23)
Estimated benefits paid	(1,399)	(1,181)
Other experience on obligations	(1,952)	-
Fair value of plan assets at end of period	**61,877**	**62,099**

24 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £260.76 (*2021/22: £296.60*). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (*2021/22: £Nil*).

Notes to the Accounts – *Continued*

25 Amounts disbursed as agent

Learner Support Grants	**2023 £'000**	**2022 £'000**
Funding body grants – bursary support	60	70
Funding body grants – discretionary learner support	720	736
Funding body grants – residential bursaries	-	-
Other Funding body grants	-	-
Interest earned	-	-
	780	806
Disbursed to students	(669)	(676)
Administration costs	(34)	(34)
Balance unspent as at 31 July, included in creditors	**77**	**96**

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