

Report and Financial Statements

For the year ended 31st July 2022



HEART OF
WORCESTERSHIRE
COLLEGE

Key management personnel

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2021/22:

Stuart Laverick	Principal and CEO; Accounting officer
Nicki Williams	Vice Principal and Deputy Chief Executive Officer
Claire Heywood	Deputy Principal

Board of Governors

A full list of Governors is given on page 24-25 of these financial statements.

Mrs K Kavanagh acted as Clerk to the Corporation during the period.

Professional advisors

Financial statement auditors and reporting accountants

Bishop Fleming LLP
1 – 3 College Yard
Worcester
WR1 2LB

Internal auditor

RSM Risk Assurance Services LLP
Cedar House
Woodlands Business Park
Breckland
Linford Wood
Milton Keynes
MK14 6EX

Bankers

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15 Colmore Row
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103 Colmore Row
Birmingham
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Santander Corporate Banking
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Solicitors

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STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2022.

Legal Status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting Heart of Worcestershire College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

On 1st August 2014 North East Worcestershire College (NEWC) merged its activities with those of Worcester College of Technology (WCT) and changed its name to **Heart of Worcestershire College**. At that date all assets, liabilities and activities of Worcester College of Technology transferred. Worcester College of Technology was then dissolved. All activities continue within the merged College.

Mission

The College mission remains:

To Inspire, Innovate, Advance

Public Benefit

Heart of Worcestershire 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 24 to 25.

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

- High-quality teaching;
- Widening participation and tackling social exclusion;
- Excellent employment record for students;
- Strong student support systems;
- Links with employers, industry and commerce; and
- Links with Local Enterprise Partnerships (LEPs).

Inspection

The College underwent a full inspection by Ofsted in February 2018. The inspection report found the College to be "good".

Implementation of the strategic plan

The Corporation monitors the performance of the College regularly against the strategic plan.

The plan is reviewed and updated each year, the current strategic plan period was agreed in July 2022 and is for the period 2022 to 2025.

The Corporate Strategy 2022-2025 is committed to four strategic pillars which summarise the determination that Heart of Worcestershire College is at the forefront of providing high quality vocational, technical and inclusive education and skills for individuals and supporting the 21st Century workplace. It is the intention that the curriculum will help people develop the capability to do the high-skilled jobs of the future as well as ensuring those who need it are able to access support and employment skills to secure successful progression to the workplace and lead healthy, safe and independent lives.

The vision for Heart of Worcestershire College is one of a college which truly meets the needs of all students whilst delivering the skills needed for a technological and sustainable economy locally, regionally and nationally.

Our Vision

“Heart of Worcestershire College (HoW College) offers distinctly vocational, technical, professional and community education. Our purpose is offering and delivering education and the development of skills to empower individuals, strengthen our local communities and businesses. Our ultimate achievement is the success of our students: educated, skilled, confident, happy, agile and achieving their full potential”

Our Values

Integrity

Trust

Inclusivity

Partnership

The four strategic goals/pillars are outlined below and a summary of “what we will do”.

Purpose - We are committed to the needs of the economy and the 21st Century workplace. Data informs the development of curriculum and the delivery of education to develop skills to meet those needs.

Curriculum

- We will ensure the vocational and technical education and skills are at the forefront of our offer, including the introduction of T Levels, transition pathways and Higher Technical Qualifications (HTQs).
- We will adapt to the changing dynamic of our student demographic and their aspirations for work and life.
- We will seek to innovate how learning is delivered and supports progress in building knowledge, skills and behaviours over time for those in the workforce.

Evidence/data informed

- We will establish a business intelligence and wider stakeholder engagement team.
- We will seek input and invite contribution from employers, other education providers and students to help shape curriculum for the needs of their industry now, and in the future, as we explore workforce planning together.
- We will enable all students to contribute to the improvement of teaching and learning through an inclusive, vibrant and respected student voice process.

Relevance

- We will ensure our curriculum provides key common skills to prepare students for a 21st Century workplace which supports their agility to continue learning throughout their lives in the development of their knowledge, skills and behaviours.
- We will assert our role in the provision of education and training – skills need, and shortages, are not an education only issue so we will work collaboratively with the business community to develop understanding through an employer voice process, the need to prioritise workforce skills development.

People - Students are at the heart of everything we do. We identify, develop and deliver opportunities for success to students, employers and our stakeholders through the strength of our staff

Students & Apprentices

- We will use robust data to shape our curriculum and provide clear advice and guidance to support well informed careers and education choices. Right student, right course.
- We will go beyond 'skills' and ensure students benefit from personal and social education, including mental resilience, self-development and agility to support their success in further study, work and in life as well as delivering on our specialisms of technical and vocational education.

Staff

- We will support staff and invest in continuous professional development to ensure they are supported to deliver current industry standard content, develop digital skills and ensure the potential of our staff is realised.
- We will ensure mental health and well-being are a priority with a focus on reviewing systems, processes and procedures to reduce workload wherever possible.
- We will be a well-regarded employer driving a culture where staff thrive because they feel valued, engaged and challenged. Our staff will act as positive role models for our students and ambassadors with our partners in their own behaviours and attitudes.

Employers & Stakeholders

- We will work with our business partners and other education providers to co-design and shape our provision through the Local Skills Improvement Plan.
- We will ensure we meet the demands of a changing workplace by being agile, innovative and creative with the curriculum and skills needed for a modern economy focussing on medium- and longer-term needs.
- We will work with strategic partners such as employer representative bodies to better understand and support the development of skills as part of workforce planning activity, including those not represented by larger bodies.
- We will proactively seek to form new, and further develop, partnerships to support better access to and better chances for our students including Higher Education, Apprenticeships and access to workplaces to develop practical industry experience.

Place - We support the local communities within Worcestershire and develop strategic partnerships with employers and wider stakeholders to shape the education and skills landscape

Local

- We will undertake an annual comprehensive locally led curriculum and resource review that will ensure curriculum plans align to local town, district and borough labour markets and the needs and interest of our changing student groups.
- We will focus on our role as a community asset in all the areas we serve; the test for our strategy is how we continue to do this with other partners, reaching into local communities and engaging those facing the greatest disadvantages.
- We will support economic investment (e.g., Town's fund deals) in our local communities and play a key role in advising on skills needs for each area and seek to balance the supply and demand needs of both business and individual/student.
- We will employ diverse approaches to carbon reduction, both in terms of our estate and student and staff behaviours.

Regional

- We will ensure we develop and deliver a technical and inclusive curriculum which is carefully aligned to regional skills needs.
- We will actively seek opportunities for inclusive growth with the UK Shared Prosperity Fund (UKSPF) and other sources, to continue our work in supporting Worcestershire adults and those who live within a 45-minute travel to work radius to gain skills for jobs and progress into employment.
- We will continue to proactively collaborate with universities and other educational providers in the region to improve systems, processes and curriculum offers for the benefit of students and employers and advance the principles in our cross cutting themes.
- We will work with College sector groups to create and promote curriculum specialisms in green skills and encompass good practice in our own actions.

National & Virtual

- We will develop the vocational digital skills of students to empower them to compete and thrive in the digital workplace. Exposing learners to current and emerging technology that enables them to be agile and responsive using technology to enhance their wider skills.
- We will proactively support government skills' activity where opportunities exist to drive up the number of adults with skills at or above L3.
- We will continue to be recognised as a sector leader to develop and enhance our digital content core competencies and EdTech skills in supporting the sector with high quality, cost effective online teaching and learning materials specially designed for technical and vocational education. We will link these strengths to our work on sustainable education, to support the sector and society in achieving net zero targets.
- We will achieve our Race to Zero action plan and be recognised as an example of good practice in the sector through awards and projects.

Prosper - We are committed to focus purposefully on equity in our policies and leadership in the areas of equality and inclusion, in college and wider communities. We will promote access, well-being and success for our College, our staff and our students.

Equity

- We will play our part with partners to address social inclusion, through community engagement and support, providing opportunities for the economically inactive to obtain a professional qualification and employment.
- We will better utilise our data to inform our curriculum development strategies to tackling the disadvantage gap for students as well as residents of Worcestershire who have low educational attainment levels.
- We will advocate on behalf of our students to reduce inequities, improve transport and access to good quality digital infrastructure.

Achievement

- We will remain focussed on the improvement of quality teaching, learning and assessment and seek to ensure consistency across the College, sharing best practice.
- Improve progression to, and participation in, our advanced, higher skills and degree level programmes.
- Through a high-quality teaching, learning and assessment we will ensure that all of our students achieve their maximum potential.
- We will celebrate and value the diversity of our students, staff and the communities that we are part of.

Education

- We will enhance student capabilities and enable them to fulfil their potential through the provision of an integrated curriculum with professional, technical, vocational and inclusive foundations.
- We will nurture innovation and provide opportunities for development beyond academic and vocational achievement for example digital skills or social impact activity.
- We will maximise personal and social developmental opportunities which is relevant to industry and delivered via a well-planned, well connected work experience aspect.

These objectives are underpinned with three Cross Cutting themes of “Technology”, “Resources” and “Climate – Get to green”; and a suite of strategic impact measures which the College can measure its performance against throughout the life of the strategy.

Financial Objectives

The overarching financial objectives for 2021/22 remain:

- For the College to remain financially sound so as to:
 - protect itself from unforeseen adverse changes in enrolments;
 - generate sufficient income to enable maintenance and improvement of its accommodation and equipment; and
 - support aspirations and growth as detailed in the strategic plan.
- Improving financial management;
- Maintaining the confidence of “external stakeholders”; and
- Raising awareness of financial issues.

During the year the College generated an small operating surplus, before pension costs, and seen a significant reduction in the defined pension obligation from £42.5m to £20.9m at 31 July 2022. After pension year end adjustments of around £2.4m the College is reporting a deficit position, however principally the College has maintained a sound financial base (solvency and liquidity) moving forward:

- Maintaining cash days of 25 or more at all times; **MET**
- Maintaining a current ratio of at least 1.6; **NOT MET**
- Operating at least a break-even operating position (pre restructuring and excluding FRS102 28 Pension adjustments); **MET**
- Maintaining the gearing ratio below 20%; **MET**
- Achieve a positive net operating cash inflow; **MET**
- Continuing to meet and surpass all the required Bank Covenants whilst giving due consideration to all Treasury Policies; **MET**
- Maintain unrestricted reserves above £6,000,000 to meet our obligations should there be an unexpected revenue shortfall, and to allow us the flexibility to plan and fund major projects which develop and maintain our curriculum offer, buildings and facilities; **MET**
- Ensuring debt servicing charges are less than 7% of income required by our funders and keeping net assets above £10m. **NOT MET**

Performance Indicators

The College uses a number of non-financial KPIs to monitor its performance such as retention, attendance and success rates, in addition to Financial KPIs around Financial Health, delivery against funding targets, cashflow, bank covenants and financial performance against budgets. KPIs are reported to each Corporation meeting.

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the ESFA as having a “Good” financial health grading which is decline from “Outstanding” in the 2021/22 grading.

FINANCIAL POSITION

Financial Position

The College generated a deficit before other gains and losses in the year of £2,368,000 (2020/21 – £2,216,000), with total comprehensive income of £21,569,000, (2020/21 – £39,000). The total comprehensive income in 2021/22 is stated after accounting for restructuring costs and significant pension costs in relation to the defined benefit obligation, excluding these charges the underlying operating surplus was £21,000 (2020/21 – £601,000).

The defined benefit obligation, in relation to the Local Government Pension Scheme, at 31 July 2022 decreased by £21.6m, to £20.9m from £42.5m, this is following the significant increase experienced at the previous valuation at 31 July 2020, which was largely impacted by the economic position during the pandemic.

The final outturn surplus is an improved position over the original deficit budget that was set in July 2022. There are several lines impacting on this improved position and funding that emerged after the budget was set, the most significant being:-

- Successfully delivery of a further College Collaboration Fund project.
- Holding of staffing vacancies where not impacting on direct delivery.
- Additional high needs learner numbers and the associated Element 3 claim.

The College has accumulated reserves of £13,674,000 (2020/21 - £7,894,000 negative), including the £20,919,000 (2020/21 - £42,490,000) pension liability and £34,593,000 before this liability (2020/21 - £34,596,000); and cash balances of £9,517,000 (2020/21 - £8,524,000).

Tangible fixed asset additions during the year amounted to £1,378,000. This was split between land and buildings of £557,000, equipment of £248,000 and a further £573,000 of assets which remain under construction. The College has continued to invest resources to improve its accommodation and equipment which impact positively upon the learner experience, the Peakman Study Centre project completed in September 2022 transforming the two floors at the Redditch campus.

At the Corporation meeting in March 2022 Governors agreed to approve the sale and disposal of Osprey House, having been mothballed in 2021 after than pandemic; asset values are now reflected as “Assets held for sale” within note 11.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22 the funding bodies provided 79% of the College total income (2020/21 – 79%).

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The College has subsidiary companies, North East Worcestershire College Enterprises Ltd (NEWCEL) and Molinna Ltd; both were dormant during the year.

It is noted that due to an ESFA funding assurance audit on the College final Individualised Learner Record and funding claims, the financial statements have been delayed whilst this has been completed and finalised.

Treasury Policies and Objectives

Treasury management relates to the College's cash flow, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy statement in place detailed in its Financial Regulations. Borrowings are authorised by the Corporation and comply with the requirements of the funding agreements with the ESFA.

Cash Flows and liquidity

Net cash inflow from operating cash activities in 2021/22 was £2,477,000, a decrease on the £3,369,000 during 2020/21.

Borrowings during the year have reduced from £2.7m at 31 July 2021 to £2.4m as at 31 July 2022; this is for scheduled repayment of the principal loans.

The size of the College's total borrowing, and its approach to interest rates, are assessed to ensure a reasonable balance between the total cost of servicing debt and operating cash flows.

Reserves Policy

The College previously reviewed its reserves policy and explicitly included an objective surrounding unrestricted reserves as to; "maintain unrestricted reserves above £6,000,000 to meet our obligations should there be an unexpected revenue shortfall, and to allow us the flexibility to plan and fund major projects which develop and maintain our curriculum offer, buildings and facilities".

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

The College is assessed by the ESFA as having a "Good" financial health grading which is a decline on the 2020/21 grading of "Outstanding".

Student Numbers

In 2021/22 the College delivered activity that has generated £21,287,000 in funding body grants (2020/21 - £21,689,000) as per note 2 to the Financial Statements.

Student Achievements

Heart of Worcestershire College has seen the impact of lost learning on student outcomes during 2021/22 with a small decrease against 16-18 outcomes. Retention overall have held at 92% and is consistent with 2020/21, whilst pass rates overall remain high, they are slightly lower 90% (92% in 2020/21). Some anticipation of this was forecast with the 2020/21 rates being the final year of teacher assessed grades which saw national patterns of grade/pass inflation.

Achievement rates on education programmes for young people are 76%, this is 5% lower than the previous year however achievements in 2020/21 were based on teacher assessed grades which led to inflated grades. Achievement rates for 2021/22 show improvements at subject sector area (SSA) level including construction and engineering, which were areas of focus and intervention in 2021/2022. Achievements in SSA 5, which includes construction, has seen a 2% increase and a 4% increase in SSA4 which includes engineering. Construction achievements are now in line with college KPI, which demonstrates the successful introduction of technical programmes at Redditch. There is further work required in engineering to bring overall achievements in line with KPI however, overall achievement at 79% showed an increase of 4% on the previous year and demonstrates successful impact of intervention across 2021/22.

Achievement in a number of curriculum areas remains high and significantly above the College KPI, for example 90% of learners achieved their qualifications across art and design, 95% across performing arts and music, 90% of learners in discrete SEN, 90% in travel and tourism and 86% in hospitality.

Achievements in SSA1 which includes early years, health and social care and public services has seen an overall increase to 90% however, 16-18 rates require further improvement at 78%, which is 6% lower than the previous year. At curriculum area level, sport has seen a 5% increase in achievements from 74% to 79%, although still requiring improvement to bring this in line with KPI. Public services achievements have dropped 4% to 79% from 83%, and health and social care and early years has dropped from 83% to 76%. Other areas where overall achievements for learners on education programmes for young people are below KPI include hair and beauty at 81%, computing and digital medial at 74% and applied science at 66%.

Achievement rates saw 11% of learners securing a grade 4-9 in GCSE English and 10% achieving a grade 4-9 in mathematics, which appears to be lower than other general further education colleges according to an AOC report, which indicates 17% of learners aged 16-18 secured a grade 4-9 in GCSE mathematics and 27% for GCSE English. There are however several factors attributing to this including the return to formal examinations after two years which for many learners was the first time of sitting external examinations, on top of two years of disrupted learning in these subjects. Starting points of learners joining college for the first time in September 2021 were based on teacher assessed grades, which in most cases teachers found to be inflated and therefore starting points for these learners were lower than expected. Furthermore, there was a significant difference in the grade boundaries used for the summer 2022 examinations which were reflective of the boundaries used in 2019 which was the examination series before the impact of Covid. In addition, the awarding body AQA made changes to the first half of the papers to make them more accessible for learners at the lower levels, (for example grades 1-3) and therefore this pushed up the grade boundaries. The grade boundaries for summer 2021 for mathematics was 122 marks for a grade 4, in 2022 this was 135 marks.

At the time of writing, the overall apprenticeship achievement rates are not yet finalised for 2021/22 - these will be available early in 2023. The continuing impact of COVID restrictions along with reduced economic activity, have all remained contributing factors to the take up and delivery of learning and assessment for apprentices, and it is likely that overall rates will show a comparable outturn to that in 2020/21.

On apprenticeship programmes, first time pass rates for functional skills English increased in 2021/22 by 11% to 70%, with 67% achieving first time at level 1 and 72% achieving first time at level 2. First time pass rates for mathematics dropped from 48% to 37% with 75% passing mathematics level 1 first time and 37% passing level 2 first time. First time achievement rates are strong across hospitality business, construction and automotive. Further work is needed with brickwork apprentices, plumbing, engineering and those follow early years and teaching assistant apprenticeships and this will continue to be a focus of the quality improvement strategies in 2022/23.

Effective collaboration between leaders and teachers ensures high needs learners benefit from programmes of study which meet their individual needs, are ambitious and challenging. High needs learners and those in discrete SEN areas receive effective support and as a result the very large majority (96%) remain on their programme and achieve their vocational qualifications (93%). Discrete high needs programmes include a combination of specialist support within and outside of class from Learning Support Assistants (LSAs) and

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Personal Learning Coaches (PLCs), together with close liaison with external agencies, parents and carers. Most high needs learners (91%) following education programmes for young people achieve above those without education health care plans, for example in computing and digital media, hospitality and the arts.

In provision for adults the very large majority (95%) of adult learners remain on, and complete their programmes, most that follow accredited qualifications achieve them (88%), and consequently they move closer to employment, advance their careers and enhance their personal lives. Achievement was strong across adult NEET provision at 88%, 87% across the IT skills centre and 91% for Futures. Achievements in ESOL were broadly in line with KPI at 84%. Adult achievements in GCSE English were strong with 60% achieving a grade 4-9, which is 11% higher than figures quoted in an AOC report. Similarly, GCSE achievements in mathematics were 7% higher than figures quoted by the AOC at 49%. Functional skills achievements were 54% for English.

Almost all learners, 96% of those surveyed, who complete their courses go on to a range of positive destinations, including employment and higher education. Learners with complex needs gain skills which enable them to progress to positive destinations including higher level study, internships and employment. Learners acquire qualifications and experience which enables them to progress into valuable employment meeting local and national priorities. Not all adult learners benefit from impartial careers information, advice and guidance to ensure they are informed of career opportunities, and this will be a focus for 2022-23, however progression across adult provision is good. On adult programmes 26% of learners progress to the next level of study, 17% secure new employment and 53% remain in existing employment. For learners on ESOL programmes 38% progress to the next level, 13% secure new employment and 43% remain in existing employment.

Future developments

An amount of £901,000 is budgeted for Capital Spend in 2022/23, this is largely for the Peakman Study Centre project but smaller pots are included for green initiatives.

Financial plan

The College governors approved the budget and financial plan in July 2022 which set budget targets for the period ending 31 July 2023. This excluded any non-recurrent funding not confirmed at the time of approval; however, it did include apprenticeship budgets at significantly reduced levels when compared to pre-pandemic levels. This funding stream has seen the most longstanding impact following Covid-19 pandemic and it is anticipated it will take some time for it to recover to delivery levels experienced in prior years.

The plan highlighted a potential deficit position of £1.3m for 2022/23, reflecting lower levels of apprenticeship delivery but increasing levels of pay due to National Minimum Wage increases and a significant increase planned for energy costs of £414,000. Despite this planned level of deficit the financial health rating would continue to be "Good". The College objectives are to reduce this level of deficit where possible.

Curriculum Development

The curriculum offers in 2021/22 were planned, delivered and managed through five areas namely:

- Vocational and Technical (Study programmes, adult education budget, HE, Access);
- Inclusive Learning (Study programmes, adult, community);
- Apprenticeships (across vocational areas);
- Management and Professional; and
- Three Counties Consortium (partners' delivery of adult skills and apprenticeships).

The College is funded through the AEB by the ESFA and also direct from a combined authority. This now includes the need to discuss and plan with the West Midlands Combined Authority (WMCA).

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On quality of education, the College has supported adults well through the second pandemic year as seen in the very high retention rates and success rates, which are above those prior to the pandemic, across all subject sector areas. Retention rates in 16-18 have not stabilised to the same pre-pandemic levels and the College continues to see increasing rates of demand for welfare support in this group.

The College curriculum offer remained mainly stable over the 2021/22 year with some local curriculum changes to respond to skills needs supporting pandemic recovery. Examples of this include the development and offer of sector work academy programmes (SWAPs) commissioned via the Department for Work and Pensions, the introduction of skills bootcamps in construction and additional provision of activity to support reengagement of young people who are not in education, employment or training (NEET).

On apprenticeship provision there have continued to be challenges affecting employer demand compared to pre-pandemic levels, although the employer incentives which were extended supported some growth back on this. Additionally, there was a continued decrease in the amount of apprenticeship activity recorded and delivered through the Three Counties Consortium, due both to planned reductions and the ability of some partners to obtain direct contracts. Adult education continues to be a strong element of partnership work, predominantly in the West Midland Combined Authority area.

As anticipated and indicated through careers guidance sessions and broader marketing around T levels, the level of demand and confidence in these qualifications remained low and as such T level programmes did not run during 2021/22, whilst L3 BTEC counterparts did. The College had planned and promoted the T Levels in Education and childcare and Digital Production, Design and Development. From September 2022, there will also be the offer of a T Level in Digital Support and Services. The College did run L2 Transition programmes and success rates were high, but students on these programmes progressed to a diverse range of study and job-related pathways, including apprenticeships and have not been the main cohort of learners that have enrolled onto T levels at the start of the 2022 academic year. Finding extensive placements that stretch and enrich students on these programmes continues to be a challenge with many employers changing their plans for offered placements as their own staffing structures fluctuate. The college will continue to extend its T Level offer whilst being responsive to market factors.

The Government funding streams that widened eligibility for adults, have not made a significant impact on the levels of participation in learning from this group, partly inhibited by the on-going pandemic in this period but increasingly because of other factors such as cost of living where full fund eligibility criteria are not met and/or where time poor restrictions affect ability to commit. The College will continue to examine these barriers and provide multiple opportunities based upon the links to LEP priorities and using labour market information. Complex eligibility criteria for accessing fully funded courses remains a challenge which is difficult to market and communicate across broad mediums. The College was able to re-launch the offer of some employer training course such as first aid, mental health first aid and first aid for children as pandemic restrictions withdrew and essential CPD within employers needed refreshing.

The College trialled Skills Bootcamps in hospitality last year, which had little take up, but interest in a new construction Skills Bootcamp is positive at the early stage of the 2022/23 academic year. The College continues to work proactively with DWP and the County Council to create and provide courses for those who are unemployed, specifically focusing on access to care jobs, supported by a range of employers. However, referrals from job centres across the county to skills training of any subject has not recovered or near pre-pandemic levels and programmes catering for these needs have been rescaled to reduce staff costs. The claimant count decreased in August 2022 and the Worcestershire rate of 3.1% is lower than that of the West Midlands (4.8%) and England (3.8%).

The College is exploring new curriculum for the 2022/23 year, these are likely to include more professional work, and courses to enable progression to higher levels as well as additional course offers for unemployed adults via Sector Work Academy Programmes (SWAPs).

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Provision for high needs continues to grow with additional funding increasing year on year. The College has seen significant investment in this area both in terms of physical facilities but also educational programmes. Element 2 allocations of 250 overall were exceeded (105%) and additional payments from element 3 were negotiated given the scale of excess (20+).

Element 3 negotiations have similarly performed well giving overall funding for high needs around £2.6m in 2021/22 compared to £1.3m in the first year of merger (2014/15) and year on year growth for 8 years and 9.5% since the previous academic year, 2020/21. Work is ongoing with Worcestershire County Council and Worcestershire Children's First to explore new provision in partnership with a National Independent specialist provider to reduce overall outgoing spend to the county in light of this increasing demand and pressure upon budgets. Approximately 65% of learners study within the Inclusive Learning area with the remainder across vocational and technical programmes.

The College continues to work closely with select Higher Educational (HE) partners to provide progression opportunities for our own students to study post level 3 and then onto study at HE level. Partnership reviews were successfully achieved with the University of Worcester, Wolverhampton and Birmingham City University and the College's BA (Hons) Social Work programme passed the Social Work England review and accreditation with flying colours.

The College plays a critical role in providing opportunities and promoting social mobility, it continues to focus and expand the offer to meet the education and skills needs in the county and for those residents who travel beyond it with Worcestershire's well-connected infrastructure. In developing and delivering this approach the College are proactive about developing stronger alliances with employers and representative bodies locally and regionally, to better understand and meet their needs. The College actively seeks to improve and develop closer collaboration with other providers both in FE as well as schools and universities, to ensure students have access to well informed, high quality vocational and technical curriculum which supports their success in work and life. Strong, well communicated values are inherent across College activity and underpin behaviours from policy to practice.

To support businesses the College continues to make applications for funding across the sector and provides swift and positive responses to changes in local demands, and local and national priorities across the sector. For example, the development of Sector Work Academy Programmes (SWAPs) designed to support employment into domiciliary care, digital, marketing and computing related careers in response to Department for Work and Pensions requests as well as local commissioners. Additionally, the College was a key contributor to the Herefordshire and Worcestershire Chamber of Commerce expression of interest bid for the development of a Local Skills Improvement Plan (LSIP). The College has also led the successful bid for Strategic Development Fund investment, bringing together a collaboration between all further education Colleges in Worcestershire alongside the Chamber of Commerce to develop, in partnership with key employers. This project will benefit Worcestershire by increasing the skills base in health and social care, and up-skill digital capabilities of prospective and existing employees. The project is strategically aligned to the levelling up agenda, providing an opportunity for those already in the sector to enhance career prospects through industry specific training and resource alongside digital upskilling.

Through its engagement with two Local Enterprise Partnership (LEP) groups as well as the West Midlands Combined Authority (WMCA) and the Chamber of Commerce, the College supports local and regional priorities, for example, the successful development of programmes which prioritise and meet the needs of learners with high needs, those at risk of not continuing in employment, education or training, and those groups in society who have difficulty in gaining sustained employment as well as priority skills needs. Curriculum adjustments are identified and made swiftly, for example the introduction of the data analyst standard in the apprenticeship offer and the successful delivery via one sub-contractor supporting significant investment in training event stewards for the Commonwealth Games held in Birmingham during the summer 2022.

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Through the College's well established and highly collaborative Blended Learning consortium (BLC), over 240 hours of additional interactive learning materials have been developed and disseminated to the 160 members of the collaborative partnership this year. Initial feedback from members denotes the materials are being used by nearly 700,000 learners across the UK. Feedback from students shows that over 80% of them feel the resources have increased their knowledge of the subject area. The BLC now has two very active sponsors, Blackboard and ClickView, who both support regional and national events. Over the academic year four large national conferences were hosted by the team, each event attracting over 200 registrations and 100 delegates online. The summer conference focused on a range of CPD for teachers, including positive digital practices for online well-being and tools for accessibility. The event was free and open to all, including non-members of the BLC, to support the FE community.

This team were also successful in delivering one of the Department for Education College Collaboration Fund projects which enabled the production of over 200 individual vocational learning objects and a virtual learning platform in which to host them working in conjunction with the TEC Partnership. These resources were written, developed, and filmed in six months and were disseminated nationally to the entire FE and skills sector ahead of schedule. The Moodle platform that hosts the open educational resources had over 200,000 visits within 2 months of its launch, with some videos being viewed over 9000 times. In addition, the College continues to work with employers to provide cost effective and vocationally focussed online learning resources to support in work training; most recently delivering a significant project with Network Rail to provide a series of e-learning content for their national training programme.

The College continues its lead in supporting innovative practice through the development of blended learning activity and pedagogical support for other colleges and schools via the National 'EdTech' demonstrator programme. Through this scheme to date the college has delivered over 1,000 hours of training to over 2,000 members of staff across 50 schools and colleges nationwide. The impact that this programme has had on the college has been access to a wider range of supporting resources for teachers that have been created and disseminated internally. There have also been many lessons learnt whilst working with other institutions that have been brought back in-house and applied. The work completed on this programme has led to members of the team being invited to join the Department for Education's Digital and Technology Standards Working Group, the DfE Remote Education Working Group and the Bett UK Advisory Board. The digital development team are now regarded as industry leaders in the creation of blended learning resources for the FE sector and were awarded the prestigious EdTech 50 award in November 2021. The College were also winners of the Herefordshire and Worcestershire Chamber of Commerce 'Best use of Technology' award for 2022.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires the College, in the absence of agreements 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%. During the accounting period 1 August 2021 to 31 July 2022, the College paid 93.10% of its invoices within 30 days; this is a slight reduction on 93.81% in 2020/21. The College incurred no interest charges in respect of late payment for this period, however the Finance department have been tasked with improving this performance which only reduce below the 95% during and after the pandemic.

Trade union facility time

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

Numbers of employees who were relevant period	FTE employee number
0	0.0

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

Total cost of facility time	-
Total pay bill	-
Percentage of total bill spent on facility time	-

Time spent on paid trade union activities as a percentage of total paid facility time	
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The employee undertaking this role left the College during the 2020/21 academic year and union duties element has not been filled.

Events after the end of the reporting period

There are no post balance sheet events.

Developments

The College works closely with the Worcestershire Local Enterprise Partnership (WLEP), local schools and employers to ensure that the curriculum and services address the needs of College stakeholders and creates relevant and valuable opportunities not just for the people within the communities but for the economy as a whole.

The College continues to invest in its estate and facilities, the £4.0m of capital spend project completed in 2019/20 saw refurbishment of the Worcester City Campus namely Cathedral Building, All Saints Building and St Andrews Building to host the Engineering facility; this project was match funded with the WLEP.

During the pandemic the College decided to “mothball” Osprey House and St Wulstans within the estate where the usage was non-specialist and utilisation low. At the Corporation meeting in March 2022 Governors agreed to approve the sale and disposal of Osprey House. Once sold further savings will be realised on planned maintenance, compliance, minimal energy costs and fixed costs such as rates. An offer has been received and accepted during the autumn of 2022 and the process is now with the College solicitors.

St Wulstans building remains mothballed, however the recent successful Skills Development Fund bid will use capital funding to create a domiciliary care space within part of the building, in addition the College is discussing potential partnership working within other areas of the building to utilise the space and generate additional income. These partnerships will potentially complement the work of the College and echo the College values.

Streamlined Energy and Carbon Reporting

The College is committed to reducing its carbon emissions. At the Corporation meeting held on 25th May 2021 the Governors approved the target ‘50 in 10’ which reflects maximum effort toward or beyond a fair share of the 50% reduction in CO2 by May 2031; using baseline data from 2018/19.

The College has taken the following measures during the year to improve energy efficiency and reduce its carbon emissions:

- Engagement with the Worcestershire County Council (WCC), Zero Ready Worcestershire team.
- Secured funding through WCC for Bespoke Decarbonisation Support towards development of a low and zero carbon strategy, and resulting action plan.
- Secured funding, via WCC, from the Public Sector Energy Efficiency Programme to support the College to fit LED lighting and motion sensors in Bromsgrove and All Saints Worcester.
- Added an electric van to the College fleet, removing a previous inefficient petrol vehicle.
- Continue to monitor College performance against the plan aligned to the AOC RoadMap.
- Continually reviewing working patterns and building usage for 2021/22 to improve energy efficiency.

UK Greenhouse gas emissions and energy use data for the period	Year ended 31 July 2022	Year ended 31 July 2021
Energy consumption used to calculate emissions (kWh)	4,220,073	5,871,692
<u>Scope 1 emissions in metric tonnes CO2e</u>		
Gas consumption	772.95	1,079.63
Owned transport	14.85	6.66
Total	787.80	1,086.29
<u>Scope 2 emissions in metric tonnes CO2e</u>		
Purchased electricity	530.36	579.47
<u>Scope 3 emissions in metric tonnes CO2e</u>		
Business travel in employee owned vehicles	9.71	5.50
Total gross emissions in metric tonnes CO2e	1,327.87	1,671.26
<u>Intensity ratio</u>		
Metric tonnes CO2e per		
FTE staff member	3.13916	3.71390
floor area	0.02675	0.03367

Qualification and reporting methodology

The College uses the tool provided by EAUC, through its membership, to calculate and comply with the Streamlined Energy and Carbon Reporting requirements. The tool has followed the HM Government Environmental Reporting Guidelines. It has also used the GHG Reporting Protocol – Corporate Standard and have used the UK Government’s Conversion Factors for Company Reporting.

Intensity ratio

The chosen intensity measurement ratio is “floor area” and “FTE staff member”.

RESOURCES

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

The college enrolled approximately 7,081 students. The college's student population includes 2,268 16-to-18-year-old students, 258 High Needs Students, 549 apprentices, 990 higher education students, and 3,016 adult learners.

Tangible resources include two modern campuses at Redditch and Bromsgrove, various buildings in Deansway Worcester, St Dunstan's building in Worcester, which was significantly refurbished in 2014, two Construction Centres at Alliance House Redditch and Spring Lane Malvern, and Osprey House also in Redditch. Most recently The Duckworth Centre became operational in September 2019 following the purchase and refurbishment of new facilities to house Automotive Engineering and Plumbing and Heating Engineering.

The College has a net asset position within the balance sheet of £13.7 million (including £20.9 million pension liability, £34.6 million before this liability) and debt of £2.4 million.

The College employed an average of 589 staff during 2021/22, of whom 348 are teaching or direct delivery staff.

The College has a good reputation across Worcestershire working closely with local and national stakeholders. Maintaining a quality brand is essential for the College's success at attracting students and maintaining external relationships. The College has a direct relationship with the West Midlands Combined Authority.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan and its own local and sector knowledge the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented, and the subsequent years' appraisal will review their effectiveness and progress against risk mitigation actions.

In addition to the termly reviews, the Group also considers any risks which may have arisen as a result of new areas of work being undertaken by the College.

A risk register is maintained by the College and reviewed termly by the Audit Committee. The 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 which gives a score of 1 to 5 for likelihood and impact, which are multiplied together to give a total out of 25. This is supported by a risk management briefing/training programme to raise awareness of risk throughout the College.

Outlined below is a description of some of the principal financial risks that may affect the College. Not all factors are within the College's control, and factors other than those listed may also adversely affect the College.

Energy Costs

One of the most significant current risks to the College is the spiralling energy costs that are unfunded by the sector. 2022/23 budgets for Gas and Electricity were increased by £414,000 in anticipation of new contract rates upon renewal in October 2022, actuals are likely to see a further £500,000 in excess of this.

The College has engaged in local initiatives such “Zero Carbon Ready Worcestershire” and Public Sector Energy Efficiency Programme via Worcestershire County Council, successfully securing Bespoke Decarbonisation Support to inform the College’s carbon strategy. This has already led to funding towards LED lighting and motion sensors for some buildings.

This has largely been driven by the College ambition and commitment to reducing its carbon emissions, however this is now supporting the College to minimise its spend where possible on energy across the campus.

This is also supported by the work of the Eco-Campus committee and regular communications to staff on how they can influence this reduction.

Government funding

The College has considerable reliance on continued government funding through the education sector funding bodies. In 2021/22, 79% of the College’s revenue, including that received as consortia lead, was ultimately public funded and this reliance is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms; particularly during the pandemic.

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

- Potential reduction in education budgets required through efficiencies required by central Government.
- Skills funding reforms and accountability changes for the sector is likely to impact on the structure and funding of colleges. It is hoped this may give the College a much longer term view of funding which Colleges desperately require;
- Not achieving student numbers and funding targets; and
- Failure to ensure the smooth introduction of new Technical (T) Levels.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements;
- Ensuring the College is rigorous in delivering high quality education and training;
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding; and
- Responsiveness to the LEP agenda.

Economy

The current economic climate is posing real financial pressures upon Colleges from several different directions.

- Rising inflation, currently in excess of 10% with expectations of further increases, compared to no commitment to increase funding rates from the ESFA;
- Increases to National Insurance from April 2023 which are currently unfunded;
- Significant increases in energy prices as the College exits existing contracts;
- Difficulties retaining and recruiting staff due to pay levels and general change in the employment market.
- Cost of living impacts upon College staff and its students.

Staffing Costs & Pension Costs

The financial statements report the share of the pension scheme deficit on the College's balance sheet in line with the requirements of FRS102. 2021/22 has seen a significant reduction of the deficit through the actuarial valuation at 31 July 2022.

The College has received results from Worcestershire County Council LGPS for the triennial actuarial valuation at 31 March 2022, this indicates a significantly different valuation at £6.1m. A deficit recovery plan has been provided through the valuation, this is now agreed for the coming 3 year period; initial estimates are the new recovery plan will cost an additional £120,000 in the first financial year.

The cost burden on the College, through changes to the contribution rates for Teachers Pension scheme, came into effect during 2019/20. The ESFA have funded this increase up to July 2023, however there is a risk that this funding may not continue after this date; the College has very few options to mitigate this risk.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Heart of Worcestershire College engages with many stakeholders.

These include:

- Students;
- Education sector funding bodies;
- Devolved authorities;
- FE Commissioner;
- OFSTED;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- HE institutions;
- Awarding bodies;
- Trade unions; and
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with its stakeholders.

Equality

Heart of Worcestershire College is committed to providing a learning environment which respects all individuals and celebrates diversity. Our mission statement "Inspire, Innovate, Advance" demonstrates our College values of Trust, Integrity, Inclusivity and Partnership and our commitment to ensuring that we transform the life chances for all. As a College, we value social and cultural diversity and seek to promote equality of opportunity and respect amongst all learners, staff, governors, visitors, partners and other stakeholders.

The Heart of Worcestershire College strives to be an outstanding inclusive College where all staff and learners feel valued and respected, having a fair and equal chance to reach their potential. We aim to respond to the diverse profile of needs expressed by our learners, staff and stakeholders and celebrate the diversity of the College community. We strive to go beyond statutory requirements to ensure our learners, staff and partners

have the best experience possible. Through our Equality Action Plan we work with the College community and beyond to make the College a truly inclusive organisation. We believe that Equality, Diversity and Inclusion is an essential ingredient for overall quality improvement.

The Equality Act 2010 imposes both general and specific duties upon the College. The legislation applies not only to the College as an organisation but also to anyone working or studying with us and any partners, contractors and stakeholders. The general duties are to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010 - The act introduces the concept of “protected characteristics” of which there are nine. The definition of discrimination has been extended to include associative and perceptive discrimination.
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it - Reasonable adjustments are provided for learners, staff and customers who may be experiencing barriers due to their disability. The recruitment, retention and achievement of learners are monitored by protected characteristics to identify any trends enabling the College to respond effectively.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it - The College ensures that Equality and Diversity is a natural part of the curriculum to raise awareness and understanding. All College processes are continually reviewed to ensure that the College is accessible and fair in all of its functions. Our customer service will be unbiased and welcoming to all.

The specific duties of the Equality Act 2010 are to:

- Publish information to demonstrate compliance with the general equality duty - This includes information relating to learners, employees, and other individuals who share a relevant protected characteristic who will be affected by our policies and practices. A report for Equality and Diversity is published annually to inform our College community of our progress and to celebrate our diversity.
- Prepare and publish equality objectives at least every four years which are accessible to the public - The objectives form the basis of the Equality Action Plan which can be found on our website.

Meeting the needs of learners

The Heart of Worcestershire College strives to be an outstanding, inclusive College and ensures that learners' needs are assessed and responded to appropriately and effectively. An essential part of the College experience for a learner is to be prepared for working and living in a diverse society.

- All teaching and training resources reflect and promote Equality and Diversity as appropriate to raise awareness and understanding.
- Teachers and tutors are very adept at ensuring that learners and apprentices develop a good understanding of the principles that underpin equality, diversity and life in modern Britain. They successfully extend learners' and apprentices' knowledge and understanding of differences in cultures and community life, both through the cross-college tutorial programmes and in their individual teaching and learning practice. Topics include sexual orientation, healthy personal relationships and mental health.
- Admission processes and initial assessment are used to ensure that the correct support is available to learners at the beginning of their course. Learners are given opportunities throughout the year to disclose any disabilities or other protected characteristic they may have.

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- Information, guidance and support are delivered in ways accessible to different groups with protected characteristics and in ways that challenge stereotypes.
- Specialist programmes are published in College prospectuses and website.

Heart of Worcestershire College has teams of qualified staff providing support across the College to ensure that all learners can access the College and enjoy their experience.

- The High Needs Support Co-ordinators work closely with local authorities to ensure the college can meet the needs of students with Educational Health Care Plans (EHCPs).
- Personal Learning Coaches provide academic support to learners with an identified learning need.
- Personal Tutors support learners to achieve their academic goals and meet their set targets.
- Financial support is available to assist learners who may have difficulties in completing their course due to financial reasons.
- The Wellbeing team offer tailored wellbeing support to learners experiencing difficulties with their home or college life.
- The Learner Voice continues to be a crucial mechanism for understanding and responding to the learner experience to ensure that the College is inclusive in all aspects of the service it delivers.
- The Careers team offer specialist careers guidance sessions for all learners.

Gender pay gap reporting

	Year ending 31 March 2022
Mean gender pay gap	16.41%
Median gender pay gap	21.51%
Mean bonus gender pay gap	0%
Median gender bonus gap	0%
Proportion of males/females receiving a bonus	0%

The proportion of males and females in each quartile of the pay distribution are:

	Males	Females
1 - Lower quartile	16.31%	83.69%
2	29.08%	70.92%
3	47.52%	52.48%
4 – Upper quartile	41.43%	58.57%

The College publishes its annual gender pay gap report on its website.

Going Concern

The budget for 2022/23 was approved by Corporation at its meeting on 5th July 2022, with a budgeted deficit position of £1,288,000; before restructuring or any pension costs. This included an increase in Energy costs of £414,000 with an underlying deficit position before the energy increase of £874,000.

The budgeted deficit position for 2021/22 was £737,000.

Apprenticeship budgets remain at significantly lower levels than historic levels, with £1.55m planned for 2022/23. This reflects the lasting impact of the pandemic on take up of apprenticeships, the College has not seen a significant upturn in the number of learners for Apprenticeships since the start of the pandemic. This budget is based on learners currently in learning, where funding will carry into 2022/23 and prudent estimates of new starts after 1st August 2022.

Final cash balances for 2021/22 were £9.5m, this is higher than the budget and financial plan; this was largely due to an improved outturn to a surplus position, higher than anticipated cash receipts and sales ledger income, along with a delay in expected capital expenditure.

Projections have been updated April 2023 to take into account high level financial variances, largely on Energy Costs, other income and reductions in staffing costs, summary headline projections are below:

	Agreed budget July 22 2022/23	Manacs Feb 23 Projections 2022/23
Deficit	(1,288)	(831)
Financial Health	Good	Good
Bank Covenant	1.89 MET	2.70 MET
July closing cash	6,548	8,388
Lowest point cash	5,725	8,262

Based on these current assumptions 2022/23 deficit has reduced to £831k, maintaining a Financial health of “Good” and compliant bank covenants at July 2023.

The activities of the College, together with the factors likely to affect its future development and performance are set out in this Annual Report. The financial position of the College, its cash flows, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, the College will have sufficient funds to meet its liabilities as they fall due over the period of at least 12 months from the date of approval of the financial statements.

In reaching this conclusion the Corporation has taken the following factors into account:

- The lasting impact COVID-19 has on apprenticeship recruitment and income generated from this funding stream;
- Additional costs the College will incur through energy prices from October 2022.
- Potential sale of Osprey House and proceeds received will improve cash position, currently excluded from projections.

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 Corporation on 18 April 2023 and signed on its behalf by:



N Bucktin
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2021 to 31 July 2022 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) having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

We have not adopted and therefore do not apply the UK Corporate Governance Code 2018. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code 2018 we consider to be relevant to the further education sector and best practice.

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

The Corporation

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

Name	Date of Appointment	Term of Office	Date of Resignation	Status of appointment	Committee:	Attendance at Corporation Meetings 20/21
Mr N M Bucktin (Chair of Corporation)	01/08/14 Reappointed 22/05/18 Reappointed 05/07/22	1 year (wef 01/08/22)		Non-Executive	Corporation Appeal Governance & Search (Chair)	7/7
Mr D Ash (Vice Chair of Corporation)	10/10/17 Reappointed 05/07/22	4 years		Non-Executive	Corporation Appeal (Chair) Governance & Search Remuneration	6/7
Mr D Miles	01/08/14 Reappointed 22/05/18 Reappointed 05/07/22	1 year (wef 01/08/22)		Non-Executive	Audit Remuneration	5/7
Mr S Bolton	28/04/15 Reappointed 12/02/19	4 years (wef 28/04/19)	31/10/2022	Non-Executive	Audit	7/7
Leon Evans-Lochlin	15/12/20 Reappointed	1 year until 31/07/22		Student	Governance & Search	6/7
Mr K Gaffney	01/08/14 Reappointed 22/05/18	4 years (wef 01/08/18)	31/07/22	Non-Executive	Audit (Chair)	5/7
Mrs F Hellowell	01/08/16 Reappointed 01/08/20	4 years	16/09/21	Non-Executive	(Representative on Academic Board) Remuneration Corporation Appeal	0/0

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Mr A King	09/10/18 Reappointed 05/07/22	4 years		Non-Executive	Audit	5/7
Mr S Laverick	01/08/14	Ex officio		Principal	Governance & Search	6/7
Mr G Woodman	01/08/16 Reappointed 01/08/20	4 years		Non-Executive	Remuneration Corporation Appeal	5/7
Angela Edwards	16/06/20	4 years	20/10/21	Non-Executive		0/1
Nick Baldwin	16/06/20	4 years	26/08/21	Non-Executive	Remuneration	0/0
Helen Butler	01/08/20	4 years		Non-Executive	Remuneration	6/7
Kyra Peace	01/08/2021	1 year	31/07/22	Student		0/7
Stephanie Simcox	01/08/2021	4 years		Non-Executive	Audit	5/7
Sarah Owen	01/08/2021	4 years		Non-Executive		5/7
Andrea Borwell-Fox	01/08/2021	4 years	11/05/22	Non-Executive		0/5
Evan Whakahau	01/08/2021	4 years		Staff		6/7
Zalina Bingham	01/08/2021	4 years		Staff		6/7
Vivienne Stockill	26/09/2022	4 years		Staff		n/a
Andrew D'Arcy	01/08/2022	4 years		Non-Executive	Audit	n/a
Chris Hallam	01/08/2022	4 years		Non-Executive	Audit, Remuneration	n/a
Jane Britton	01/08/2022	4 years		Non-Executive		n/a
Vicki Davies	01/08/2022	4 years		Non-Executive		n/a
Gaynor Cheshire	01/08/2022	4 years		Non-Executive	Governance & Search	n/a

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, student outcomes and experience, quality matters and personnel related matters including health and safety and environmental issues. The Corporation operates under a limited committee system and meets two to three times each term.

The Corporation conducts its business through Corporation meetings and three committees. Each Committee has terms of reference, which have been approved by the Corporation. The Committees are Audit; Governance and Search; and Remuneration. In addition to these the Corporation Appeal Committee was re-established in 2018/19 but has yet to meet. The College also has an Estates Group which includes Governor Members.

Full minutes of all Corporation and Committee meetings, except those items deemed confidential by the Corporation are available on the College website at www.howcollege.ac.uk or from the Clerk to the Corporation at:

Heart of Worcestershire College
Peakman Campus
Peakman Street
Redditch
Worcestershire B98 8DW

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

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

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Corporation and Committee 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 and Accounting Officer are separate.

The Corporation continues to take advantage of technology in its meeting schedule, with Corporation and committees having a blended model continuing to meet via Microsoft Teams and in person; with papers being received electronically.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Governance and Search Committee which operates in accordance with written terms of reference approved by the Corporation. It consists of up to seven members of the Corporation, plus the Principal, and is responsible for the review and recommendation of new non-executive members for the Corporation's consideration. The Governance and Search Committee also monitors the process by which staff and student members are nominated and elected. The Corporation is responsible for ensuring that appropriate training and induction is provided for Governors as required.

Members of the Corporation are appointed for a term of office not exceeding 4 years and serve a maximum of two four year terms.

Corporation Performance

The corporation carried out a self-assessment of its own performance for the year ended 3 July 2022 and graded itself as 'Good' on the Ofsted Scale.

Governors attended an Away Day during 2021/22 where they received Safeguarding Training and a briefing on the White paper; in addition they received presentations on the following which give context to papers Governors will receive during the year at various committees:-

- Quality Processes
- The updated Ofsted Education Inspection Framework
- Staff CPD
- T-Levels

Some Governors participate in departmental scrutiny reviews and Self-Assessment validation events, all of which help develop knowledge and understanding of the working within College.

Outside of the meeting cycle presentations and briefings are shared on the Governor Portal.

The corporation board also has access to the Governance Development Program, which includes a wide variety of online learning/training for governors. The Clerk to the Corporation attended and completed the 'Governance Professionals' Leadership Programme'.

The corporation board has considered DfE guidance on board reviews and an External Review of Governance is currently being completed.

Remuneration Committee

The College's Remuneration Committee operates in accordance with written terms of reference approved by the Corporation. It comprises up to seven members of the Corporation. The purpose is to advise the Corporation on the appointment, performance and early termination of Senior Postholders, so as to ensure that all Senior Postholders are fairly rewarded for their individual contributions to the College's overall performance and to demonstrate to the public that the pay of Senior Postholders is recommended by a committee which has no personal interest in the outcome of its decision and which gives due regard to the interests of the public and of the financial health of the College.

The Corporation approved the adoption of the AoC Senior Post Holder Remuneration Code on 11 June 2019. Revised Terms of Reference for the Remuneration Committee, a Senior Post Holder Remuneration Policy and a Senior Post Holder Policy for Income Derived from External Activities are being developed by the Remuneration Committee for Corporation approval.

Details of remuneration for the year ended 31 July 2022 are set out in note 7 to the Financial Statements.

Audit Committee

The Audit Committee comprises up to seven members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and external 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 main FE funding bodies as they affect the College's business. There is a constant risk focus at the meetings with regular reviews of the risk register and improvement suggestions surrounding the risks.

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 undertakes periodic follow up reviews to ensure that such

recommendations had been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, reporting accountants 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 met three times in the year to 31 July 2022. The members of the committee and their attendance records are shown below.

Committee member	Meetings attended
Mr K Gaffney (Chair)	2/3
Mr D Miles	3/3
Mr S Bolton	3/3
Mr A King	3/3
Mrs D Simcox	3/3

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 Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreements between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdown in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks of failure to achieve policies, aims and objectives; it could 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 to manage them efficiently, effectively and economically. The system of internal control has been in place at Heart of Worcestershire College for the year ended 31 July 2022 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 was 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 2022 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, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular it includes:

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

The College's system of internal controls and governance structures ensure regularity and propriety in the use of funds, including all public funds, via the following processes:

- The Corporation is responsible for maintaining a sound system of internal control that safeguards the public and other funds and assets for which it has responsibility.
- The College maintains a set of Financial Regulations and Procedures, giving control over the totality of the College's resources and providing an appropriate financial regulatory framework which ensures that resources are used with due regard to propriety, regularity and value for money.
- The College is required to adhere to key funder rules, in addition to the requirements of its own Financial Regulations and Procedures, and operates various controls to do this.
- The College's Internal Audit function provides assurance to management and the Audit Committee. Internal Audit makes recommendations for improvement in key management processes. It particularly aims to ensure that key risks are being appropriately managed, including those in relation to the use of funds and value for money.

The College's External Audit and Internal Audit providers both make recommendations for improvement in key management and internal control processes. Internal audit reviews include periodic reviews of the College's approach to delivering value for money. In addition to the annual assurance report received from Internal Audit, the Audit Committee and Governors receive benchmarking and sector specific reports from both Internal and External Auditors to assist them in discharging their responsibility to monitor the College's performance in delivering value for money.

The College has internal auditors, who operate in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal auditors 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.

At least annually, the Head of Internal Audit provides the Corporation with a report on internal audit activity in the College. The report includes an independent opinion from the Head of Internal Audit on the adequacy and effectiveness of the College's system of risk management, controls and governance process.

All planned internal audit activity was completed during 2021/22 without any impact from the pandemic. In addition, the College return to work plans and risk assessments were reviewed by the insurers to ensure they are compliant and to receive any necessary feedback.

Risks faced by the Corporation

The Audit Committee was instrumental in developing the Corporation's approach to monitoring risk through the use of a Strategic Risk Register based on risks that have a high score after mitigating action including narrative columns detailing progress with RAG rating.

The full version of the Risk Register is maintained by the Senior Leadership Team and is available on the Governors' Portal.

The Corporation approved the Risk Management Annual Report for 2020/21 and the Risk Management Plan 2021/22 at its meeting on 14 December 2021. On 8 March 2022 the Audit Committee monitored the Spring

Heart of Worcestershire College

Term College Strategic Risk Register. On 21 June 2022 the Audit Committee monitored the Summer Term College Strategic Risk Register.

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 2022 and up to the date of approval of the annual report and accounts.

Control weaknesses identified

No significant internal control weaknesses or failures have arisen during 2021/22.

Responsibilities under funding agreements

Corporation receives and monitors progress against financial key performance indicators at each meeting; it receives more detailed reports on financial performance as part of its annual cycle of business. Each year internal audit will review compliance with the funding requirements through a learner number systems audit, this looks at a different funding stream each year.

Statement from the Audit Committee

The audit committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the audit committee in 2021/22 and up to the date of the approval of the financial statements are:

Assignment	Assurance level	Actions agreed			
		Low	Medium	High	Advisory
Framework for Compliance with Legal and Regulatory Requirements: Data Protection	Advisory	3	0	0	0
Facilities Management Arrangements	Substantial Assurance	0	0	0	0
Follow up	Good progress	1	1	0	0
Processes for Harassment and Sexual Misconduct (Students); and Mental Health and Wellbeing (Staff)	Substantial Assurance	0	0	0	0
Higher Education Framework – Arrangements for meeting the Regulatory Framework and the Terms and Conditions	Substantial Assurance	2	0	0	0
Key Financial Controls – Financial Planning and Budgetary Control	Substantial Assurance	3	0	0	0
Learner Number Systems	Advisory	3	13	0	0

Review of Effectiveness

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

- The work of the internal auditors;
- The work of the senior 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, the reporting accountant for regularity assurance, the appointed funding auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of his review of the effectiveness of the systems 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 any 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 the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is to undertake 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 from the Senior Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not simply reporting by exception.

At its December 2022 meeting the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Senior Leadership Team, Audit Committee and Internal Auditors, and taking account of events since 31 July 2022.

Based on the advice of the Audit Committee and the 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 Corporation on 18 April 2023 and signed on its behalf by:-



N Bucktin
Chair



S M Laverick
Principal

Statement of Regularity, Propriety and Compliance

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

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

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

Approved by order of the members of the Corporation on 18 April 2023 and signed on its behalf by:-



N Bucktin
Chair



S M Laverick
Principal

Statement of the Responsibilities of the Members of the Corporation

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

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

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

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

The Corporation is also required to prepare a Strategic Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of 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 its website; the work carried out by auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Approved by order of the members of the Corporation on 18 April 2023 and signed on its behalf by:-



N Bucktin
Chair

Opinion

We have audited the financial statements of Heart of Worcestershire College (the 'corporation') for the year ended 31 July 2022 which comprise the 'Statement of Comprehensive Income'; the 'Statement of Changes in Reserves'; the 'Balance Sheet', the 'Statement of Cash Flows' and the 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), the Statement of Recommended Practice: Accounting for Further and Higher Education (the 'FE HE SORP') and the College Accounts Direction for 2021 to 2022.

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation's affairs as at 31 July 2022 and of the corporation's income and expenditure, gains and losses, changes in reserves and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the FE HE SORP, and College Accounts Direction 2021 to 2022.

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 corporation 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.

Conclusion relating to going concern

In auditing the financial statements, we have concluded that the members' 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 [group and parent] corporation'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 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 and Financial Statements, other than the financial statements and our auditor's report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's report to the Corporation of Heart of Worcestershire College

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the corporation, or returns adequate for our audit have not been received from branches not visited by us; or
- the corporation financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the corporation

As explained more fully in the Statement of Responsibilities of the Members of the corporation set out on pages 24 to 25, 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 determines 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 corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the corporation either intend to liquidate the corporation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

Independent Auditor's report to the Corporation of Heart of Worcestershire College

- the nature of the sector, control environment and the corporation's performance;
- results of our enquiries of management and the members, including the committees charged with governance over the corporation's finance and control, about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the corporation's documentation of their policies and procedures relating to: identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- how the corporation ensured it met its obligations arising from it being financed by and subject to the governance requirements of the ESFA, and as such material compliance with these obligations is required to ensure the corporation will continue to receive its public funding and be authorised to operate, including around ensuring there is no material unauthorised use of funds and expenditure;
- how the corporation ensured it met its obligations to its principal regulator, the Secretary of State for Education; and
- the matters discussed among the audit engagement team and involving relevant internal corporation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. We also obtained an understanding of the legal and regulatory frameworks that the corporation operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the College Accounts Direction, the FE HE SORP, and the UK Companies Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the corporation's ability to operate or to avoid a material penalty. These included safeguarding regulations, data protection regulations, occupational health and safety regulations, education and inspections legislation, and employment legislation.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- reviewing the financial statement disclosures and testing to supporting documentation to assess the recognition of revenue;
- enquiring of corporation's management and members concerning actual and potential litigation and claims;
- performing procedures to confirm material compliance with the requirements of the ESFA;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of the members and reviewing internal control reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's report to the Corporation of Heart of Worcestershire College

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 our report

This report is made solely to the corporation, 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 it 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 corporation, for our audit work, for this report, or for the opinions we have formed.



Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
1 - 3 College Yard
Worcester
WR1 2LB
Date: 28/04/2023

Heart of Worcestershire College

Reporting accountant's assurance report on regularity to the Corporation of Heart of Worcestershire College ("the College") and Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 11th June 2021 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 Heart of Worcestershire College during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Heart of Worcestershire College and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Heart of Worcestershire 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 Heart of Worcestershire College and ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Heart of Worcestershire College and the reporting accountant

The Corporation of Heart of Worcestershire 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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 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 jointly by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

The work undertaken to draw our conclusion includes:

Heart of Worcestershire College

Reporting accountant's assurance report on regularity to the Corporation of Heart of Worcestershire College ("the College") and Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

- An assessment of the risk of material irregularity and impropriety across the College's activities;
- Evaluation and validation of the processes and controls in place to ensure regularity and propriety for the use of public funds, including the consideration of the College's self-assessment questionnaire (SAQ);
- Testing transactions with related parties;
- Sample testing of income to ensure that funds have been applied for the purposes that they were awarded, focused on areas assessed as high risk;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referenced to our regularity report.

The list is not exhaustive, and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Code.

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 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, and that the financial transactions do not conform to the authorities that govern them.



Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
1-3 College Yard,
Worcester,
WR1 2LB

Date: 28/04/2023

Heart of Worcestershire College

Statement of Comprehensive Income for the year ended 31 July 2022

	Note	Year ended 31 July 2022	Year ended 31 July 2021
		£'000	£'000
Income			
Funding body grants	2	22,419	22,841
Tuition fees and education contracts	3	4,808	4,604
Other grants and contracts	4	-	346
Other income	5	1,133	1,208
Investment income		23	9
Total income		28,383	29,008
Expenditure			
Staff costs	7	18,463	18,808
Fundamental restructuring costs	7	-	401
Other operating expenses	8	8,919	8,521
Depreciation	11	2,665	2,798
Interest and other finance costs	9	704	696
Total expenditure		30,751	31,224
Deficit before other gains and losses		(2,368)	(2,216)
Loss on disposal of assets		(2)	(84)
Deficit before tax		(2,370)	(2,300)
Taxation		-	-
Deficit for the year		(2,370)	(2,300)
Actuarial gain in respect of pension scheme	23	23,939	2,339
Total Comprehensive Income for the year		21,569	39

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

Heart of Worcestershire College

Statement of Changes in Reserves for the year ended 31 July 2022

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2020	(15,892)	7,959	(7,933)
Deficit from the income and expenditure account	(2,300)	-	(2,300)
Other comprehensive income	2,339	-	2,339
Transfers between revaluation and income and expenditure reserves	188	(188)	-
	227	(188)	39
Balance at 31 July 2021	(15,665)	7,771	(7,894)
Deficit from the income and expenditure account	(2,370)	-	(2,370)
Other comprehensive income	23,939	-	23,939
Transfers between revaluation and income and expenditure reserves	188	(188)	-
	21,757	(188)	21,569
Total comprehensive income for the year			
Balance at 31 July 2022	6,092	7,583	13,675

Heart of Worcestershire College

Balance Sheet as at 31 July 2022

	Note	College 2022 £'000	College 2021 £'000
Non current assets			
Tangible fixed assets	11	44,704	45,995
Investments	12	-	-
		<u>44,704</u>	<u>45,995</u>
Current assets			
Stocks		36	37
Trade and other receivables	13	985	1,260
Investments	14	-	-
Cash and cash equivalents	19	9,517	8,524
		<u>10,538</u>	<u>9,821</u>
Less: Creditors - amounts falling due within one year	15	<u>(7,522)</u>	<u>(7,132)</u>
Net current (liabilities) / assets		<u>3,016</u>	<u>2,689</u>
Total assets less current liabilities		47,720	48,684
Less: Creditors - amounts falling due after more than one year	16	(13,127)	(14,002)
Provisions			
Defined benefit obligations	18	(20,919)	(42,490)
Other provisions	18	-	(86)
Total net (liabilities) / assets		<u><u>13,674</u></u>	<u><u>(7,894)</u></u>
Unrestricted reserves			
Income and expenditure account		6,091	(15,665)
Revaluation reserve		7,583	7,771
Total unrestricted reserves		<u>13,674</u>	<u>(7,894)</u>

The financial statements on pages 40 to 70 were approved and authorised for issue by the Corporation on 18 April 2023 and were signed on its behalf by;



N Bucktin
Chair



S M Laverick
Principal

Statement of Cash Flows
for the year ended 31 July 2022

	Note	2022 £'000	2021 £'000
Cash inflow from operating activities			
Deficit for the year		(2,370)	(2,300)
Adjustment for non-cash items			
Depreciation		2,665	2,798
Capital grants released to income		(786)	(772)
Decrease in stocks		1	6
Decrease in debtors		275	49
Increase in creditors due within one year		391	813
(Decrease) / Increase in other provisions		(86)	86
Pension costs less contributions payable		2,368	2,500
Adjustment for investing or financing activities			
Investment income		(23)	(9)
Interest payable		40	33
Loss on sale of fixed assets		2	165
Net cash flow from operating activities		<u>2,477</u>	<u>3,369</u>
Cash flows from investing activities			
Investment income		23	9
Proceeds from sale of fixed assets		3	1
Payments made to acquire fixed assets		(1,378)	(2,263)
New capital grants received		180	1,372
		<u>(1,172)</u>	<u>(881)</u>
Cash flows from financing activities			
Interest paid		(40)	(33)
Repayments of amounts borrowed		(272)	(271)
		<u>(312)</u>	<u>(304)</u>
Increase in cash and cash equivalents in the year		<u>993</u>	<u>2,184</u>
Cash and cash equivalents at beginning of the year	19	8,524	6,340
Cash and cash equivalents at end of the year	19	9,517	8,524

Notes to the financial statements
for the year ended 31 July 2022

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 2021/22 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.

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.

Basis of consolidation

The financial statements include only the results of the College. Its subsidiaries Molinna Limited and North East Worcestershire College Limited ('NEWCEL') did not trade during the periods ending 31 July 2022 and 31 July 2021, they are not consolidated as the balance sheet is not material. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2022.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in this Annual Report. The financial position of the College, its cash flows, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, the College will have sufficient funds to meet its liabilities as they fall due over the period of at least 12 months from the date of approval of the financial statements.

In reaching this conclusion the Corporation has taken the following factors into account:

- The lasting impact COVID-19 has on apprenticeship recruitment and income generated from this funding stream;
- Additional costs the College has and will continue to incur through energy prices from October 2022.

Notes to the financial statements
for the year ended 31 July 2022

1 Statement of accounting policies and estimation techniques (continued)

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Recognition of income

Revenue grant funding

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

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

Grants 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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-government, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Fee income

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

Investment income

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

1 Statement of accounting policies and estimation techniques (continued)

Accounting for post-employment benefits

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

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

Worcestershire Local Government Pension Scheme (LGPS)

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

Net interest on the net defined benefit liability/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 in interest and other finance costs.

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

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The College operates an annual leave year in line with the financial year end, employees are unable to carry forward any unused leave and as such we have no ongoing accruals for any unused benefits.

Non-current Assets - Tangible fixed assets

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

1 Statement of accounting policies and estimation techniques (continued)

Land and buildings

The College's buildings are specialised buildings and therefore, in general, it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at 1992 incorporation valuations on the basis of depreciated replacement cost as the open market value for existing use is not readily available, this has become the deemed cost, except for one property where the open market value was available as at 31 July 1998. Land and buildings are not being reassessed and valuations would probably need to be uplifted in the event of a valuation. Land and buildings acquired and building improvements made 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 50 years, freehold buildings purchased by Worcester College of Technology previous to 1 August 2014 are depreciated over 40 years and two freehold buildings purchased by North East Worcestershire College are being depreciated over 30 years; all inherited buildings are depreciated over 40 years. The College has a policy of depreciating major adaptations to buildings on a straight-line basis over a 15-year useful economic life.

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 within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year. Where a grant relates to leased premises the depreciation and grant are charged over the period to the first lease break clause.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, of which one property was revalued in 1998, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to the income and expenditure account 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.

**Notes to the financial statements
for the year ended 31 July 2022**

1 Statement of accounting policies and estimation techniques (continued)

Equipment

Equipment costing less than £1,500 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment purchased after 1st August 2014 is depreciated over its useful economic life as follows:

General equipment	3 years on a straight-line basis
Computer equipment & software	3 years on a straight-line basis
Long term equipment / motor vehicles	7 years on a straight-line basis
Fixtures & fittings	7 years on a straight-line basis

The useful economic lives (UELs) estimated by the two predecessor colleges for all assets that the College owned at the date of merger have been retained since the estimates used by the predecessor colleges continue to be appropriate. The UELs for all new assets purchased after the date of the merger have been separately assessed.

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

Borrowing costs

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

Leased assets

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

Notes to the financial statements
for the year ended 31 July 2022

1 Statement of accounting policies and estimation techniques (continued)

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

All loans, investments and short term deposits held by the 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 College 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.

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 VAT charged on its inputs. Irrecoverable VAT on inputs is included in the cost of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

1 Statement of accounting policies and estimation techniques (continued)

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 Statement of Comprehensive Income where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. The College does normally retain 5% of the grant received to cover administration costs relating to disbursement of the funds.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by 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 College's tangible assets. 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.

1 Statement of accounting policies and estimation techniques (continued)

Other key sources of estimation uncertainty

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Local Government Pension Scheme - The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**Notes to the financial statements
for the year ended 31 July 2022**

2 Funding body grants

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Recurrent grants		
ESFA – adult	1,671	2,328
ESFA – 16-18	14,671	14,461
ESFA – apprenticeships	1,422	1,609
ESFA – Consortium partners - adult*	258	213
ESFA – Consortium partners – apprenticeships *	462	443
ESFA – College share of consortium* partners	126	107
West Midlands Combined Authority	1,250	1,164
Greater London Authority	14	59
College share of Management fee on Combined Authority	214	177
Income		
The Office for Students	559	642
Specific grants		
ESFA	640	486
Releases of government capital grants	786	772
ESFA - Teacher Pension Scheme Contribution Grant	346	362
ESFA - Advanced Learning Loan (clawback policy change)	0	18
	22,419	22,841

** The College is the lead partner in a consortium to deliver Adult Skills in the West Midlands Region. The income shown above represents that earned by the College in its capacity both as a provider and as the consortium lead, and that earned by partners.*

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
ESFA	846	763
Payments to non College partners	(720)	(656)
Net Income	126	107

**Notes to the financial statements
for the year ended 31 July 2022**

2a Grant and fee income

OFS registered colleges are required to include a note analysing grant and fee income received in a single additional table. OfS's requirements overlap with the existing structure of ESFA's finance record.

Any income relating to courses at Level 4 and above are included in the "fee income for taught awards" line, all other fee income is included within the "fee income for non-qualifying courses" line.

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Grant income from the Office for Students	625	707
Grant income from other bodies	21,794	22,480
Covid Support Office for Students	-	32
Fee income for taught awards (exclusive of VAT)	1,282	1,510
Fee income from non-qualifying courses (exclusive of VAT)	3,256	3,094
Total	27,227	27,823

3 Tuition fees and education contracts

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Adult education fees	456	433
Apprenticeship fees and contracts	21	22
Fees for FE loan supported courses	485	462
Fees for HE loan supported courses	1,282	1,510
Total tuition fees	2,244	2,427
Education Contracts	2,564	2,177
Total	4,808	4,604

4 Other grants and contracts

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Coronavirus Job Retention Scheme grant	-	346
Total	-	346

The Corporation previously furloughed staff within some business support roles, in areas where income was not grant funded and was adversely affected. For example, Catering and Nursery staff, IT and Facilities staff. The funding received, during 2020/21, of £346,000 relates to staff costs which are included within the staff cost note. This scheme was not available or required during 2021/22.

**Notes to the financial statements
for the year ended 31 July 2022**

5 Other income

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Catering and residences	240	97
Other income generating activities	893	1,111
Total	1,133	1,208

6 Investment income

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Other interest receivable	23	9
Total	23	9

7 Staff numbers and costs

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

	2022	2021
Teaching staff	348	349
Non-teaching staff	241	282
	589	631

Staff costs for the above persons

	2021 £'000	2021 £'000
Wages and salaries	12,777	13,108
Social security costs	1,151	1,131
Other pension costs <i>(including FRS102 (28) pension adjustment of £1,704,000 (2020/21: £1,837,000))</i>	4,483	4,522
Payroll sub total	18,411	18,761
Contracted out staffing services	29	47
	18,440	18,808
Fundamental restructuring costs – Contractual	-	401
Other restructuring costs - Contractual	23	-
Total Staff costs	18,463	19,209

The restructuring costs relate to 3 members of staff in 2021/22 (43 in 2020/21).

**Notes to the financial statements
for the year ended 31 July 2022**

7 Staff numbers and costs (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal and Chief Executive, Vice Principal and Deputy Chief Executive Officer and Deputy Principal.

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

	2022	2021
The number of key management personnel including the Accounting Officer was:	3	3

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	
	2022	2021	2022	2021
£60,000 to £65,000	-	-	1	2
£65,001 to £70,000	-	-	1	1
£70,001 to £75,000	-	-	2	1
£80,001 to £85,000	-	1	-	-
£90,001 to £95,000	1	-	-	-
£95,001 to £100,000	1	1	-	-
£140,001 to £145,000	1	1	-	-
	3		4	

Key management personnel compensation is made up as follows:

	2022	2021
	£'000	£'000
Salaries	331	321
Employers National Insurance	43	41
Benefits in kind	2	2
	376	
Pension contributions	67	64
	443	
Total key management personnel compensation	443	428

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

**Notes to the financial statements
for the year ended 31 July 2022**

7 Staff numbers and costs (continued)

The above compensation includes amounts payable to the Principal and Chief Executive who is the accounting officer and who is also the highest paid member of staff. The pay and remuneration for the Principal and Chief Executive is as follows:

	2022	2021
	£'000	£'000
Basic salary	144	144
Performance related pay and bonus	0	0
Other including benefits in kind	0	0
	144	144
Pension contributions	34	34

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess future pay in line with its principles.

The Principal and Chief Executive reports to the Chair of the Corporation, who undertakes an annual review of performance against agreed RAG rated objectives using both qualitative and quantitative measures of performance.

The remuneration package of key management personnel, including the accounting officer, is recommended to the Corporation by the Remuneration Committee which considers a range of factors, including pay awards granted to all staff in the College and performance against agreed RAG rated objectives. No benchmarking information was considered in 2021/22 other than staff pay awards. The Remuneration Committee's view is that the key management personnel's, including the accounting officer's, emoluments are justified in terms of the value they add to the College and the effectiveness of their performance.

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

	2022	2021
	£'000	£'000
Principal/Chief Executive basic salary as a multiple of the median of all staff	1:5.08	1: 5.43
Principal/Chief Executive total remuneration (including pension) as a multiple of the median of all staff	1:5.08	1: 5.87

The Principal and Chief Executive's basic salary is 5.08 times (2020/21: 5.43) the median pay of all staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the College to its staff. The same median of £28,352 is used for both calculations.

The Principal and Chief Executive's total remuneration, which includes employer pension costs, is 5.08 times (2020/21: 5.87) the median pay of all staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the College to its staff.

This calculation excludes any staff paid via agency or Protocol.

**Notes to the financial statements
for the year ended 31 July 2022**

7 Staff numbers and costs (continued)

No compensation for loss of office has been paid to former key management personnel during the reporting periods.

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

8 Other operating expenses

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Teaching costs	1,601	1,399
Non teaching costs	4,842	4,817
Premises costs	2,476	2,305
Total other operating expenses	8,919	8,521
Other operating expenses include:	2022	2021
	£'000	£'000
Auditors remuneration:		
- financial statements audit	38	35
- internal audit	27	20
- other services provided by the financial statements auditors	1	-
Loss on disposal of tangible fixed assets	2	84
Depreciation	2,665	2,798
Hire of plant and machinery - operating leases	58	57

8a Access and participation spending

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Access investment	78	86
Financial support to students	40	44
Disability support	9	18
Total other operating expenses as included in note 8 above	127	148

The College Access and Participation Plan can be found here

<https://www.howcollege.ac.uk/about/legal/policies-and-documents/>

Notes to the financial statements
for the year ended 31 July 2022**9 Interest and other finance costs**

	2022	2021
	£'000	£'000
On bank loans	40	33
	40	33
Net interest on defined pension liability (note 23)	664	663
	704	696

10 Taxation

The Members of the Corporation do not believe the College was liable for corporation tax arising out of its activities during the year.

**Notes to the financial statements
for the year ended 31 July 2022**

11 Tangible fixed assets

	Land and freehold buildings	Equipment	Asset held for sale	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	81,121	11,048	-	542	92,711
Transfers	(2,833)	-	3,375	(542)	-
Additions	557	248	-	573	1,378
Disposals	(489)	(338)	-		(827)
At 31 July 2022	78,356	10,958	3,375	573	93,262
Depreciation					
At 1 August 2021	36,981	9,735	-	-	46,716
Transfers	(959)	-	959	-	-
Charge for the year	2,078	494	93	-	2,665
Eliminated in respect of disposals	(485)	(338)	-	-	(823)
At 31 July 2022	37,615	9,891	1,052	-	48,558
Net book value at 31 July 2022	40,741	1,067	2,323	573	44,704
Net book value at 31 July 2021	44,140	1,313	-	542	45,995

12 Investments in subsidiary

	2022 £	2021 £
Investment in subsidiary companies	4	4
	4	4

The College owns 100% of the issued ordinary £1 shares of Molinna Limited, a company incorporated in England & Wales. Molinna was dormant throughout the year.

The College owns 100% of the issued ordinary £1 shares of North East Worcestershire College Enterprises Limited (NEWCEL), a company incorporated in England and Wales. NEWCEL was dormant throughout the year.

Notes to the financial statements
for the year ended 31 July 2022

13 Trade and other receivables

Amounts falling due within one year:	2022	2021
	£'000	£'000
Trade receivables	552	300
Prepayments and accrued income	433	958
Amounts owed by Combined Authorities	-	2
Total	985	1,260

14 Current investments

	2022	2021
	£'000	£'000
Short term deposits	-	-
Total	-	-

15 Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Bank loans	272	272
Payments received on account	1,077	1,161
Trade payables	770	946
Other taxation and social security	603	583
Accruals and deferred income	2,033	1,759
Deferred income – government capital grants	754	755
Amounts owed to the ESFA	2,013	1,656
Total	7,522	7,132

16 Creditors: amounts falling due after one year

	2022	2021
	£'000	£'000
Bank loans	2,108	2,379
Deferred income – government capital grants	11,019	11,623
Total	13,127	14,002

**Notes to the financial statements
for the year ended 31 July 2022**

17 Maturity of debt

Bank loans are repayable as follows:

	2022	2021
	£'000	£'000
In one year or less	272	272
Between one and two years	246	272
Between two and five years	462	567
In five years or more	1,400	1,540
Total	2,380	2,651

The College has loan facilities with Santander and Natwest.

As at 31st July 2022 the College met the covenant test in place with Santander. No covenants are in place which require testing for Natwest.

Remaining bank loans are repayable by monthly or quarterly instalments until 2024, 2025 and 2037. Interest is payable at negotiated margins (between 0.62% and 1.45%) above base in addition to a credit adjustment spread of 0.08%, over the life of the currently variable rate loans. Loan liabilities are secured on parts of the freehold land and buildings of the College.

18 Provisions

	Defined benefit obligations	Other	Total
	£'000	£'000	£'000
At 1 August 2021	42,490	86	42,576
Expenditure in the period	1,775	(86)	1,689
Additions in the period	(23,346)		(23,346)
At 31 July 2022	20,919	-	20,919

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

A provision has been made during 2020/21 to cover dilapidation costs at a leased property which was vacated during the year; this has been resolved within 2021/22.

**Notes to the financial statements
for the year ended 31 July 2022**

19 Cash and cash equivalents

	At 1 August 2021	Cash flows	At 31 July 2022
	£'000	£'000	£'000
Cash and cash equivalents	8,524	993	9,517
Total	8,524	993	9,517

20 Capital commitments

	2022 £'000	2021 £'000
Commitments contracted for at 31 July	67	134
Total	67	134

21 Lease obligations

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

	2022 £'000	2021 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	34	31
Later than one year and not later than five years	86	12
	120	43
Other		
No later than one year	76	55
Later than one year and not later than five years	182	166
	258	221

22 Contingent Liabilities

The College is reviewing its position on the calculation of holiday pay for part year workers, in view of the Harpur Trust vs Bazel case. This review will conclude in the spring of 2023 and any changes to working practices will then be communicated and implemented. Estimates of potential liability could be £53,000 for a two year period.

**Notes to the financial statements
for the year ended 31 July 2022**

23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Worcestershire County Council.

Both are multi-employer defined benefit schemes.

Total pension cost for the year

	2022	2021
	£'000	£'000
Teachers' Pension Scheme: contributions paid	1,008	993
Local Government Pension Scheme:		
Contributions paid	1,775	1,692
FRS 102 (28) charge	1,704	1,837
 Charge to the Statement of Comprehensive Income	 3,479	 3,529
 Total Pension Cost for Year within staff costs (as per Note 7)	 4,487	 4,522

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

Contributions amounting to £315,622 (2020/21 £302,514) were payable to the schemes at the end of the financial year, and are included within creditors.

Notes to the financial statements
for the year ended 31 July 2022

23 Defined benefit obligations (continued)

Teachers' Pension Scheme

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

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19) The DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021/2 academic year.

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

The pension costs paid to TPS in the year amounted to £1,008,000 (2020/21: £993,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Worcestershire County Council. The total contributions made for the year ended 31 July 2022 was £2,254,000 of which employers' contributions totalled £1,360,000; employees' contributions totalled £479,000 and lump sum deficit payments of £415,000.

Notes to the financial statements
for the year ended 31 July 2022

23 Defined benefit obligations (continued)

The agreed contribution rate for the coming year is 18.3% until 31 March 2023 for employers, this rate includes a provision for potential impact of McCloud. The planned lump sum deficit payments have increased to £488,000 per annum from April 2022. The employers contribution rate and deficit payment for the 12 months proceeding have been agreed. Employee contribution rates range from 5.5% to 12.5% depending on full time equivalent salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 by a qualified independent actuary.

	At 31 July 2022	At 31 July 2021
CPI inflation / CARE benefits revaluation	2.70%	2.60%
Rate of increase in salaries	4.20%	4.10%
Rate of increase for pensions in payment / deferment	2.80%	2.70%
Discount rate for scheme liabilities	3.50%	1.60%
Commutation of pensions to lump sums	50%	50%

Due to the very high levels of current inflation, the impact of actual CPI since September 2021 (which will impact the April 2023 pension increase but is not reflected in the assumptions above) will be allowed for as an experience loss alongside the impact of the 2022 pension increase in most cases.

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 2022	At 31 July 2021
<i>Retiring today/current pensioners</i>		
Males	22.6 years	22.7 years
Females	25.0 years	25.1 years
<i>Retiring in 20 years/future pensioners</i>		
Males	24.1 years	24.4 years
Females	27.0 years	27.1 years

The sensitivity analysis below models the change in assumptions and the resulting potential increase or (decrease) in deficit position.

	At 31 July 2022	At 31 July 2021
	£'000	£'000
Discount rate + 0.1%	(1,547)	(1,978)
Inflation +0.1%	1,576	2,016
Pay growth + 0.1%	66	112
Increase in life expectancy 1 year	1,949	3,393

**Notes to the financial statements
for the year ended 31 July 2022**

23 Defined benefit obligations (continued)

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

	Fair Value at 31 July 2022	Fair Value at 31 July 2021
	£'000	£'000
Equities	24,139	28,086
Government Bonds	-	-
Other Bonds	23,894	23,624
Property	4,914	3,456
Cash	-	-
Other	8,476	7,665
Total fair value of plan assets	61,423	62,831
Actual return on plan assets	(2,456)	7,095

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

	2022 £'000	2021 £'000
Fair value of plan assets	61,423	62,831
Present value of plan liabilities	(82,342)	(105,321)
Net pensions liabilities (Note 18)	(20,919)	(42,490)

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	3,449	3,391
Curtailments and settlements	-	244
Administration expenses	30	32
Total	3,479	3,667
Amounts included in interest and other finance costs		
Net interest on pension liability	664	663
Total	664	663
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(3,471)	6,208
Experience gain (losses) arising on defined benefit obligations	(6,805)	2,056
Changes in assumptions underlying the present value of plan liabilities	34,215	(5,925)
Amount recognised in Other Comprehensive Income	23,939	2,339

**Notes to the financial statements
for the year ended 31 July 2022**

23 Defined benefit obligations (continued)

Movement in net defined benefit liability during year	2022	2021
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(42,490)	(42,329)
Movement in year:		
Current service cost	(3,449)	(3,391)
Employer contributions	1,775	1,830
Curtailments and settlements	-	(244)
Administration expenses	(30)	(32)
Net Interest on the defined liability	(664)	(663)
Actuarial gain / (loss)	23,939	2,339
Net defined liability at 31 July	(20,919)	(42,490)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	2022	2021
	£'000	£'000
Defined benefit obligations at start of period	105,321	97,442
Current service costs	3,449	3,391
Interest costs	1,678	1,550
Contributions by Scheme participants	479	511
Experience (gains) and losses on defined benefit obligations	6,805	(2,056)
Changes in financial assumptions	(34,215)	5,925
Estimated benefits paid	(1,175)	(1,686)
Curtailments and settlements	-	244
Defined benefit obligations at end of period	82,342	105,321

Changes in fair value of plan assets

Fair value of plan assets at start of period	62,831	55,113
Interest on plan assets	1,014	887
Return on plan assets	(3,471)	6,208
Employer contributions	1,775	1,830
Administration expenses	(30)	(32)
Contributions by scheme participants	479	511
Estimated benefits paid	(1,175)	(1,686)
Fair value of plan assets at end of period	61,423	62,831

Notes to the financial statements
for the year ended 31 July 2022

24 Events after the reporting period

There are none to report.

25 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 £31 (2020/21: £60). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and training events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020/21: None).

Worcester Business Improvement District – an organisation in which Nicki Williams Vice Principal and Deputy Chief Executive Officer, is a Director.

£3,798 paid in the year for the BID levy, £3,633 received in the year for various courses (2020/21: £9,495 paid by the College, £5,230 received).

National Association for Managers of Student Services – an association in which Julia Breakwell, Vice Principal – Student Experience and Stakeholder Engagement, is an Executive Member.

£250 paid by the College in respect of membership and conference fees (2020/21: £250 paid by the College).

Worcestershire County Council – an organisation in which Stephanie Simcox is Head of Finance/Deputy Chief Financial Officer.

£15,160 paid by the College in respect of services during the year (2020/21: £122,355 paid by the College)

£30,873 received by the College in respect of funding and services provided to the Council (2020/21: £648,340 received by the College)

£17,860 due to the College at year end (2020/21: £6,580 due to the College at year end).

Worcestershire LEP – an organisation in which Gary Woodman, Governor, is Chief Executive, Stuart Laverick, Principal and CEO, is a sub-committee/board member along with the following Governors:- Anthony King, Stephanie Simcox, Chris Hallam and Jane Britton.

£74 due to the College at year end in respect of room hire charges (2020/21: £0 due to the College at year end).

Notes to the financial statements
for the year ended 31 July 2022

25 Related party transactions (continued)

Chamber of Commerce (H&W) - an organisation that Worcestershire LEP contracts through, in which Gary Woodman, Governor, is Chief Executive.

£1,920 received by the College (2020/21: £2,313).

Platform Housing Group - an organisation in which Anthony King, Governor, is a Non Executive Director.

£1,639 received by the College (2020/21: £1,979).

Coventry College – an organisation that Kay Kavanagh, Clerk, is Head of Governance.

£5,000 received by the College in respect of charges, (2020/21: NIL).

Borwell Limited – an organisation that Andrea Borwell-Fox Governor, is a Director.

£1,000 paid by the College in respect of IT equipment (2020/21: NIL).

University of Worcester – and organisation that Jane Britton Governor, is Director of Communications and External Affairs.

£126,825 paid by the College in respect of accreditation fees.

£10,721 received by the College in respect of various charges.

Worcestershire Training Providers Association – an organisation that Tony Green, Assistant Principal, is a Director.

£600 paid by the College in respect of membership fees.

University of Birmingham - an organisation in which Helen Butler, Governor, is Head of Data Governance.

£0 paid by the College (2020/21: £3,300)

**Notes to the financial statements
for the year ended 31 July 2022**

26 Amounts disbursed as agent

Learner support funds	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Funding body grants – 16-19 Discretionary Bursary	491	444
Funding body grants – Adult Discretionary Bursary	80	93
Funding body grants – Advanced Learner Loan Bursary	128	189
Other Funding body grants – OFS Covid allocation	-	32
	<hr/> 699	<hr/> 758
Disbursed to students	(502)	(550)
Excess claim - Advanced Learner Loan Bursary	(22)	(27)
Administration costs	(30)	(30)
Change to ESFA clawback guidance - Advanced Learner Loan Bursary	-	(19)
	<hr/> (554)	<hr/> (626)
 Balance unspent at 31 July included in creditors	 <hr/> 145	 <hr/> 132

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.