

Report and Financial Statements

For the year ended 31st July 2024



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 2023/24:

Michelle Dowse	Principal and CEO; Accounting officer
Nicki Williams	Vice Principal and Deputy Chief Executive Officer (until 31 July 2024)
Claire Heywood	Deputy Principal (until 8 September 2023)
Simon Kibble	Deputy Principal (from 4 December 2023)

Board of Governors

A full list of Governors is given on page 20-21 of these financial statements.

Mrs K Kavanagh and Ms Donna Gibson 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

Barclays Bank PLC
15 Colmore Row
Birmingham
B3 2WN

National Westminster Bank PLC
103 Colmore Row
Birmingham
B3 3MN

Santander Corporate Banking
3rd Floor 1 Cornwall Street
Birmingham
B3 2DX

Solicitors

Harrison Clark Rickerbys Limited
5 Deansway
Worcester
WR1 2JG

CONTENTS

	Page number
Strategic Report	3
Statement of Corporate Governance and Internal Control	20
Statement of Regularity, Propriety and Compliance	29
Statement of the Responsibilities of the Members of the Corporation	30
Independent Auditor's Report to the Corporation of Heart of Worcestershire College	32
Reporting Accountant's Report on Regularity	36
Statement of Comprehensive Income	38
Statement of Changes in Reserves	39
Balance sheet as at 31 July	40
Statement of Cash Flows	41
Notes to the Financial Statements	42-67

STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2024.

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 has been updated to:

Improve lives through learning

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 20 to 21.

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 provides identifiable public benefits through the advancement of education to approximately 5400 learners of which 280 have high needs. The college provides courses without charge to young people, to those who are unemployed and adults taking English and maths course. The college adjusts its courses to meet the needs of local employers and provides training to 600 apprentices. The college is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible regardless of their educational background.

Inspection

The College underwent a full inspection by Ofsted in October 2023. The inspection report judged the College overall effectiveness as "Requires improvement".

As a result the College has embarked on a programme of culture change and quality improvement.

A further monitoring visit was completed on 9 and 10 October 2024, focusing on four themes. The College received "Reasonable progress" against all themes.

The monitoring visit acknowledged a number of strengths through the visit, since the last inspection:

- Leaders and managers have introduced a number of mechanisms and methods to increase the rigour of quality assurance and these focus on key areas of the College that require improvement and inform intervention strategies.
- Leaders have introduced learning walks across the College to help them quickly identify and establish

Heart of Worcestershire College

strengths and areas for improvement across the College. The information from learning walks informs staff training, interventions and the performance management of staff.

- Leaders have set out clear expectations for lessons and staff understand the minimum expectation for the quality of teaching. Teachers are now more open to the challenge provided by leaders and feel empowered to improve.
- Apprenticeship leaders have conducted learning walks on classroom delivery in line with the College approach.

Areas for improvement included:

- Leaders have planned but they have not yet taken place, learning walks on tutors out in the field in apprenticeships.
- Leaders rightly recognise they need to do more to increase their oversight of quality of education provided by subcontractors to increase the rigour of quality assurance methods in line with the College standardised approach. Initial meetings have been set but are yet to take place.

Implementation of the strategic plan

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

The plan is reviewed and updated each year, the current strategic plan period for the 2023 – 2028 period has been formally adopted and agreed at the December 2023 Corporation meeting.

Our Vision

“Heart of Worcestershire College (HoW College) is recognised for nurturing the brilliance of every student and addressing the skills needs of local and regional employers, through innovate and impactful education”

The mission and vision is supported by seven strategic themes and ambitions which detail “how we will achieve our vision” and “when we will know we have achieved this”.

Purpose

Ambition - Providing a high quality curriculum, focused on careers and the delivery of excellent outcomes for all.

Measured by - Top quartile results

Place

Ambition - Delivering from inspirational and safe learning environments.

Measured by - Estates strategy implemented.

People

Ambition - Offering a culture of support, kindness and engagement for staff and students with high expectations of ourselves and others.

Measured by - Recognised in Times Best Companies.

Prosper

Ambition - Focusing on appropriate growth opportunities and efficient and effective delivery.

Measured by - Achieve FE Commission EBIDTA recommendations.

Partnership

Ambition - Being an anchor institution for Worcestershire employers and our communities.

Measured by - Extensive list of employers engaged in every curriculum area for design, development and delivery. Stakeholder feedback.

Potential

Ambition - Preserve and innovate today to thrive tomorrow, ensuring we meet skills needs and have a reputation for technological advancement.

Measured by - Recognised as STRONG for skills and industry leaders in technology.

Planet

Ambition – raising awareness of, and delivering on, our sustainability commitment.

Measured by - Reduce carbon footprint by 50% by 2030, from our base year of 2018/19.

Financial Objectives

The overarching financial objectives for 2023/24 were:

- 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 operating surplus, before pension costs, and seen a reduction in the defined pension obligation from a deficit of £940k at 31 July 2023 to a pension asset at 31 July 2024; however this has not been recognised as an asset and narrative has been included within the Pension Note. After pension year end positive adjustments of £952k, the College is reporting a surplus position of £785k. 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**. Final ratio is slightly below at 1.57.
- Operating at least a break-even operating position (pre restructuring and excluding FRS102 28 Pension adjustments); **MET**.
- Maintaining the gearing ratio below 20%; **MET**

Heart of Worcestershire College

- 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. **MET**

Key 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 remains static from the 2022/23 grading.

FINANCIAL POSITION

Financial Position

The College generated a surplus before other gains and losses in the year of £787,000 (2022/23 deficit – £1,726,000), with total comprehensive income of £773,000, (2022/23 – £19,123,000). The total comprehensive income in 2023/24 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 £348,000 (2022/23 – £410,000 deficit).

The defined benefit obligation, in relation to the Local Government Pension Scheme, at 31 July 2024 decreased by £3.44m, to a £2.5m asset from a £940k deficit. This is following the significant decrease in the deficit experienced at the previous valuation at 31 July 2022, which was largely impacted by the longer term economic position post pandemic. This asset hasn't been recognised in these accounts.

The final outturn position is an improved position over the original deficit budget that was set in July 2023. There are several lines impacting on this improved position and funding that emerged after the budget was set, the most significant being:-

- Increase in the national funding rates for 16-18 learners.
- Increased SEND learners and resulting funding claim.
- Additional non-recurrent project income.
- Additional investment income within year.
- Careful management of staffing spend in non direct delivery areas, and impact of staff vacancies in some hard to recruit areas; despite agency spend being incurred in some areas.

The College has accumulated reserves of £33,571,000 (2022/23 - £32,798,000), including a £0 (2022/23 - £940,000) pension liability and £33,571,000 before this liability (2022/23 - £33,738,000); and cash balances of £11,213,000 (2022/23 - £10,907,000).

Tangible fixed asset additions during the year amounted to £3,035,000. This was split between land and buildings of £2,411,000 and equipment of £624,000. The College has continued to invest resources to

improve its accommodation and equipment which impact positively upon the learner experience.

At the Corporation meeting in March 2022 Governors agreed to approve the sale and disposal of Osprey House, having been mothballed in 2021 after the pandemic; asset values are now reflected as “Assets held for sale” within note 10.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2023/24 the funding bodies provided 80% of the College total income (2022/23 – 82%).

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

Treasury Policies and Objectives

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities.

Cash Flows and liquidity

Net cash inflow from operating cash activities in 2023/24 was £717,000, a decrease on the £2,130,000 during 2022/23.

Borrowings during the year have reduced from £2.1m at 31 July 2023 to £1.9m as at 31 July 2024; 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 remains static from the 2022/23 grading.

Student Numbers

In 2023/24 the College delivered activity that has generated £22,412,000 in funding body grants (2022/23 - £23,057,000) as per note 2 to the Financial Statements.

Student Achievements

Achievement rates at Heart of Worcestershire for learners completing in 2023/24 are to increase (subject to final publication of data in national achievement rate tables (NART) in March 2025).

Achievement rates for learners on Education Programmes for Young People (EPYP), adults, and apprentices have all improved. EPYP achievement has increased to 84% from 74% in the previous year and is above the most recent (NART March 2024) national rate. Adult achievement has increased to 87% from 83%, also above the national rate. The achievement of learners with High Needs remains at 91%. The combined effect on the all age 'education and training' achievement rate is an increase to 82% from 78%.

English and mathematics achievement in both GCSE and Functional skills has improved for learners of all ages except for functional maths for EPYP learners and GCSE English higher grades (4-9) for adult learners.

Retention rates for EPYP learners fell back slightly, to 90% from 91%, reflecting a more rigorous in-year approach to the withdrawal of learners who were not going to achieve and still remaining above the national rate. Adult retention improved to 95% from 93%, maintaining a better than national rate performance.

Apprentice achievement has increased to 59% from 39%, and is now above the national rate.

97% of those who participated in the College destination survey, or for whom the College had access to information from re-enrolments or UCAS data, surveyed, progressed to a positive destination; including employment and higher education.

Future developments

For 2024/25 capital expenditure is planned at £312,000 for projects wholly funded by the College reserves. A further £483K will be spent from the "Further Education Reclassification Capital Allocation" and £1,653k from the "FE Capital Transformation Fund". Both allocations fund building condition improvements across the College campuses including those identified as poor in the Further Education Condition Data Collection.

Financial plan

The College Governors approved the budget and financial plan in July 2024 which set budget targets for the period ending 31 July 2025.

The plan highlighted a potential deficit position of £687k for 2024/25, reflecting higher levels of 16-18 delivery, increasing levels of pay due to National Minimum Wage increases and energy costs remaining at steady levels since October 2021. 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 offer for 2023/24 was planned, delivered and managed through five areas namely:

- Vocational and Technical (Study programmes, Adult Education Budget, Higher Education, Access);
- Inclusive Learning (Study programmes, adult, community);
- Apprenticeships (across vocational areas);
- Management and Professional; and
- Subcontracted delivery of adult skills and apprenticeships.

The College receives significant levels of funding from the ESFA for 16 to 19 delivery including high needs funding. Further funding is received through the Adult Education Budget (AEB) from the ESFA and also direct from the West Midlands Combined Authority (WMCA).

For 2023/24 and future years, the Corporation has in place an Accountability Agreement and Statement which sets out both the overall expectations, and what the College will deliver, in return for ESFA funding.

The College curriculum offer had a number of new programmes provided across apprenticeships, further education and higher education offers in 2023/24.

In Further Education, the College continued the two new T Level programmes. These are in Early Years Education and Digital Technologies. Numbers have been lower than those recorded for other Diploma Level 3 programmes. Through conversations with students and parents, it has been established that this is due to concerns and uncertainty from them about the ongoing value of these qualifications. Those that have participated and achieved their first year, talk about the benefit brought from greater interactions with employers, a more work-focused curriculum and the opportunity to work on projects that are based on and informed by the relevant industry.

Heart of Worcestershire College has a strong partnership record, we have always collaborated within and beyond our own sector and are proud of our activities with our partners working within the county and wider region.

In doing so, the College serves as a 'anchor' institution in Worcestershire, actively employing a collaborative approach to address the skills requirements of the local community and proactively partnering with other organisations to fulfil their objectives. Within our present strategy, the College aims to deepen its commitment to engaging with stakeholders. This includes consultations with employers, employer representative bodies, and fellow education providers. We intend to achieve this through the continuation of industry-specific advisory groups and proactive involvement in local forums. By engaging with organisations of varying sizes, we seek to comprehensively grasp the knowledge, skills, and behaviours essential for enhancing productivity and addressing local needs. Through these endeavours, the College aims to solidify its role as a pivotal partner in promoting local prosperity, particularly within our priority and high-employment sectors.

Our involvement in the realm of blended learning, where we take the lead in a consortium comprising of a more than 100 Further Education (FE) colleges across the United Kingdom, has been maintained. Furthermore, our role has expanded to aid schools and colleges in cultivating their own blended learning capacities. This is part of the collective knowledge gained by educational providers to leverage technology and digital skills.

The Local Skills Improvement Plan (LSIP) builds upon existing intelligence from the work of the Worcestershire Local Enterprise Partnership (WLEP) Skills Advisory Panel (SAP), and Employment and Skills Board (ESB). The College is an active member represented at these boards as well as the LSIP board, senior leaders will continue to actively engage in this activity to ensure our strategies and curriculum offers are tailored to the economic and social needs of the communities we serve, alongside working proactively with employers and other key stakeholders to address regional skills gaps and workforce development needs. In Worcestershire, the lead Employer Representative Body (ERB) is Herefordshire and Worcestershire Chamber of Commerce, who the College has consulted with to identify what key employee skills are a priority for local businesses informing a key part of the objectives listed in our agreement. Other key strategic partners, key to the College in identifying and achieving these priorities, are Worcestershire County Council, Worcestershire Local Enterprise Partnership, Worcester City Council, Redditch Borough Council, Bromsgrove District Council, Malvern Hills Town Council, Worcestershire Training Providers Association, University of Worcester, other FE colleges and a range of employer's representative of priority industries.

There are three other further education colleges in Worcestershire; Kidderminster College (part of Newcastle College Group) and Pershore and Evesham colleges (part of Warwickshire College Group). There is one sixth form college, Worcester 6th Form which is part of Heart of Mercia Multi-Academy Trust.

The College works collaboratively with these partners through the Local Skills Improvement Fund (LSIF), most recently developing a Digital Leadership Hub in Worcester.

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.

The College has continued to invest in capital works which enhance the College estate and to allow the curriculum to develop in response to the identified local and regional priorities. Developments made during 2023/24 have created flexible learning spaces supporting both taught groups and self-study for both FE and HE learners, with zones that include break out spaces, careers zones, and presentation facilities and can be used by staff, students, and employers. These redeveloped facilities within Study Centres have improved facilities for guest speakers, specialist equipment and facilities that will support us in creating stronger partnerships with employers and industry.

Capital investment to develop the Electrical Installation facility at Bromsgrove is complete for teaching in 2024/25.

The College has good links with employers and local stakeholders across a range of government, education and community bodies.

Labour market data is used to review and adapt curriculum as well as via extensive collaboration and partnership work with key stakeholders and employers. The use of this data has been extended to provide leaders and managers with critical analysis of key skill demand within curriculum areas, supporting information, advice and guidance pre and post enrolment and includes both hard and common skill analysis.

The College Accountability Statement outlines the institution's commitment to providing high-quality education, training, and skill development opportunities which align with the priorities set by the Local Enterprise Partnership, West Midlands Combined Authority and the Local Skills Improvement Plan (LSIP) in line with College's strategic objectives.

The College has developed the Personal Development Framework which seeks to enhance the work Readiness, employability skills and life skills for all learner groups. These "5C's"; Creativity, Collaboration, Company Behaviours, Critical Thinking and Communication were identified as a result of employer feedback. All learners study aspects that allow them to clearly articulate the skills they have developed through their studies at the college.

To support businesses the College continues to develop responsive programmes reacting to changes in local demands, and priorities. For example, the College responded quickly and proactively to develop a range 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. It has also developed innovative programmes to address needs identified by County Council funded projects, such as Multiply.

Through its active engagement with the Local Enterprise Partnership (LEP), the West Midlands Combined Authority (WMCA) and the Chamber of Commerce, the College is actively contributing to local and regional priorities. One notable achievement is the successful development of programmes tailored to meet the specific needs of various learner groups. These include individuals with high needs, those at risk of disengagement from employment or education, and segments of society facing challenges in securing sustained employment. Furthermore, the College is addressing priority skill gaps through its curriculum adjustments.

In apprenticeship provision, the College has re-assessed its offer, removing those Standards that were less popular.

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 expanded study areas and new educational programmes, such as "Infinity" and "Advance" which is for those with complex behaviours and cognition

with Autism or Asperger's.

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, across the region. The College has ceased to offer the BA (Hons) Social Work programme.

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 2023 to 31 July 2024, the College paid 96.50% of its invoices within 30 days; this is a decrease from 96.99% in 2022/23. The College incurred no interest charges in respect of late payment for this period.

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 was not formalised during 2023/24, plans are in place for 2024/25.

Events after the end of the reporting period

There are no post balance sheet events.

Developments

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 was received and accepted during the autumn of 2022 and the process is now with the College solicitors and planning departments.

St Wulstans building remains partially mothballed, following the recent successful Skills Development Fund and creation of a “Smart living training centre”. Further collaboration has been completed with Worcestershire County Council to fund refurbished space within the underutilised space in St Wulstans generating additional spaces to provide high quality local SEND provision in Worcestershire, launching National Star @ HoWCollege.

A survey was undertaken In March 2023 by a qualified building surveyor, in line with Government issued guidance on what educational establishments should do to identify evidence of Reinforced Autoclaved Aerated Concrete (RAAC). The survey and report confirmed no RAAC was identified in any of the buildings built or modified in the period identified by the Department for Education.

The College is currently undertaking a full review of its Estates Strategy this will be reviewed by Corporation, at its meeting in December 2024.

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:

- Investment in LED lighting across all College buildings and car parks, following funding from the Public Sector Energy Efficiency Programme via WCC.
- Replacement roofing on a number of College buildings, funded from the ESFA Transformation fund.
- Promotion of the College “Big Switch off” around half term and holiday periods to reduce consumption whilst the College is closed.
- Building opening times reviewed and adjusted where possible.
- Continue to monitor College performance against the plan aligned to the AOC RoadMap.

Heart of Worcestershire College

UK Greenhouse gas emissions and energy use data for the period	Year ended 31 July 2024	Year ended 31 July 2023
Energy consumption used to calculate emissions (kWh)	3,453,716	3,703,677
<u>Scope 1 emissions in metric tonnes CO2e</u>		
Gas consumption	631.68	676.07
Owned transport	9.14	12.00
Total	640.82	688.07
<u>Scope 2 emissions in metric tonnes CO2e</u>		
Purchased electricity	353.48	368.86
<u>Scope 3 emissions in metric tonnes CO2e</u>		
Business travel in employee owned vehicles	6.43	8.08
Total gross emissions in metric tonnes CO2e	1,000.74	1,065.01
<u>Intensity ratio</u>		
Metric tonnes CO2e per		
FTE staff member	2.60608	2.64927
Floor area (m2)	0.02016	0.02146

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 6,000 students. The College’s student population includes 2,689 16-18s, 603 apprentices, 756 higher education students, and 1,547 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 £33.6 million and debt of £1.9 million.

Heart of Worcestershire College

The College employed an average of 532 staff during 2023/24, of whom 321 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.

The main higher risk factors affecting the College are outlined below. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

- Not achieving learner numbers and funding targets
- Changes in Government & Funding Body Policy and provision priorities
- Failure to make sustained improvements against themes in the College Improvement Plan.
- Failure to maintain/improve apprenticeship overall success rates & to obtain timely achievements.
- Failure to ensure learners improve English & Maths skills and progression
- Compliance and accuracy of data & impact on funding claims and reputation
- Financial Performance ratio
- Solvency ratio
- Inability to invoke Data Recovery Plans
- Breaches of Data Security
- Inability to progress approved Accommodation Strategy
- Failure to ensure the College has an effective workforce
- Governor recruitment and retention

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 Partnership;
- 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. 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.

Heart of Worcestershire College

- 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 exemplary, 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.
- 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).
- Specialist Learning Support 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.

Heart of Worcestershire College

- 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 2024
Mean gender pay gap	10.46%
Median gender pay gap	21.11%
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	19.05%	80.95%
2	33.33%	66.67%
3	39.46%	60.54%
4 – Upper quartile	40.82%	59.18%

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

Going Concern

The budget for 2024/25 was approved by the Corporation, with a budgeted deficit position of £687,000; before restructuring or any pension costs.

The budgeted deficit position for 2023/24 was £1,198,000.

The allocation for 16-18 learners saw an increase overall of 149 learners, on the 2023/24 allocation. A further increase in actual student numbers in 2024/25 has been experienced.

Cash balances planned for year ending July 2025 are £8.8m, the lowest point as per the budgeted cashflow forecast in 2023/24 is £8.1 in March 2025.

Projections have been updated in November 2024 to take into account high level financial variances. These have largely been driven by an increase in 16-18 learners, changes to National Insurance Employers threshold and rates, higher than expected levels of National Minimum Wage rates and a reduction in energy costs. Summary headline projections are below:

Heart of Worcestershire College

	2024/25 Budget Jul 24 £000	2024/25 Updated projection Nov 24 £000
Deficit	(687)	(751)
Financial Health	Good	Good
Bank Covenant	2.64 MET	2.48 MET
July closing cash	8,822	8,901
Lowest point cash	8,048	8,901

Based on these current financials the forecast operating deficit is **£751k** for 2024/25 compared to budget of **£687k**. For 2025/26 the current forecast operating deficit is **£1,309k** compared to an agreed forecast of **£1,211k**.

Overall financial health would remain at **“Good”** based on these draft financials for 2024/25, however the forecast increase in deficit position in 2025/26 would reduce financial health to **“Requires improvement”**.

Bank covenants would be **“Met”** at 31 July 2025, however as per the original forecast 31 July 2026 would remain in a **“Breach”** position if there is no improvement in the deficit position. The loan balance as at 31 July 2026 will be £1.54m, current cash forecasts means that the College will have sufficient reserves to settle the loan if required.

Any projections exclude any financial impact of the Osprey House potential sale, which is progressing.

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:

- Additional costs the College will incur to deliver additional 16-18 learner numbers in 2024/25.
- Additional National Insurance Employer costs.
- Additional staffing costs for a potential pay award in year.
- Reduction in energy costs from October 2024.
- 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 12 December 2024 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'David Ash', with a long horizontal flourish extending to the right.

**David Ash
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 2023 to 31 July 2024 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 23/24
David Ash Chair of Corporation (from 01/08/2023)	10/10/2017 Reappointed 05/07/2021	4 years 4 years		Non-Executive	Finance & Resources Committee Governance & Search Committee (Chair)	6 of 6
Chris Hallam Vice Chair of Corporation	01/08/2022	4 years		Non-Executive	Audit Committee (Chair) Governance & Search Committee Remuneration Committee	6 of 6
Michelle Dowse Principal & CEO	24/04/2023	Ex Officio		Principal	Finance & Resources Committee Governance & Search Committee Teaching & Learning Committee	6 of 6
Jane Britton	01/08/2022	4 years		Non-Executive	Teaching & Learning Committee	2 of 6
Helen Butler	01/08/2020	4 years	31/07/2024	Non-Executive	Remuneration Committee	4 of 6
Gaynor Cheshire	01/08/2022	4 years		Non-Executive	Teaching & Learning Committee (Chair) Governance & Search Committee	6 of 6
Phil Colledge	25/04/2024	4 years		Non-Executive	Audit Committee	3 of 6
Vicki Davies	01/08/2022	4 years		Non-Executive	Audit Committee Teaching & Learning Committee	6 of 6

Heart of Worcestershire College

Adam Hall	01/08/2023	4 years		Non-Executive	Audit Committee Finance & Resources Committee	5 of 6
James Hancher	01/08/2023	1 year		Student	Finance & Resources Committee	2 of 5 (only eligible to attend 5)
Paul Hine	25/04/2024	4 years		Staff		3 of 3 (only eligible to attend 3)
Julie Hurlston-McKeown	01/08/2023	4 years		Staff	Teaching & Learning Committee	4 of 5 (only eligible to attend 5)
Anthony King	09/10/18 Reappointed 05/07/22	4 years		Non-Executive	Finance & Resources Committee Governance & Search Committee	6 of 6
Denis Miles *Special Circumstances to extending term of office	01/08/2014 Reappointed 22/05/2018 Reappointed 05/07/2022* Reappointed 11/07/2023*	4 years 4 years 1 year 1 year	 31/07/2024	Non-Executive	Audit Committee Governance & Search Committee Remuneration Committee (Chair)	4 of 6
Stephanie Simcox	01/08/2021	4 years	25/10/2023	Non-Executive		-
Steve Stanier	12/12/2023	4 years		Non-Executive		4 of 5
Evan Whakahau	01/08/2021	4 years	22/01/2024	Staff	Finance & Resources Committee	-
Gary Woodman	01/08/16 Reappointed 01/08/20	4 years 4 years	 31/07/2024	Non-Executive	Audit Committee Remuneration Committee Teaching & Learning Committee	3 of 6

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

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 four years and serve a maximum of two four year terms.

In one instance the Corporation have approved an extension in the term of office for one Governor, for a further year, this is in line with the standing orders.

Corporation Performance

The Corporation continues to operate within its Standing Orders and Instrument and Articles of Government.

At the start of 2024 an external Governance Professional conducted a review of Governance. This was a follow on activity from the previous External Board Review undertaken by Stone King in Spring 2023. The reviewer found that Governance was generally effective, that positive improvements had, and continued to be made. They also made suggestions to minor improvements that were subsequently incorporated into the Governance Improvement Plan. The Corporation will carry out a self-assessment of its own performance in the Spring Term of 2025.

Throughout 2023/24 Corporation continued to receive regular updates at various committees on progress around CEFSS and the ongoing work with the FEC Team. Meetings were held with the external consultants that are progressing the Estates Strategy Review for the College and Governors are clear that further input will be required as the review progresses.

Under the Governor Insight Scheme Governors continued to participate in a number of activities across College that provided them with additional assurance, outside of their scheduled governance meetings. Activities included departmental scrutiny reviews, learning walks and learner voice events. Continued participation in additional activities develops Governors knowledge and understanding of life within College outside of Governance.

Outside of the meeting cycle presentations and briefings are shared with Governors. Regular updates are provided by the Principal. The Triumvirate regularly share updates from their respective networks and share examples of best practice or guidance when appropriate.

The Corporation board also has access to the ETF Training Programme, which includes a wide variety of online learning/training for Governors. The Clerk to the Corporation is working towards the FEGP Award or

equivalent qualification and has extensive support that can be called upon particularly with regards to legal and financial queries. The Clerk continues to undertake extensive training and is developing contacts across various networks.

Meeting Structure

Following the recommendations from the External Board Review the Corporation moved to a traditional Corporation structure which was implemented in September 2023. This saw the introduction of a new Teaching and Learning Committee and a new Finance & Resources Committee. This increased the number of Committees to six:

- Appeals Committee
- Audit Committee
- Finance and Resources Committee
- Governance and Search Committee
- Remuneration Committee
- Teaching and Learning Committee

The effectiveness of the new committees was reviewed at the final meeting for each Committee, and each committee reviewed what had been covered in the first years cycle of business.

It was agreed that the new structure was effective and had reduced some of the burden on the main Corporation meetings. The recommendation was made to Corporation to approve and continue with the structure. Corporation acknowledged that the scrutiny and review of items by the new committees provided the wider Corporation with the assurance that the committees were operating within our own process and guidelines.

All Committees have their own cycle of business and terms of reference. Terms of Reference for all committees were updated to include a reference to Managing Public Money when the College Financial Handbook was launched.

The Governance & Search Committee reviewed the membership of all the Committees and amendments were made to the memberships that better aligned and maximised the skills sets and experience of Governors.

The calendar for 2023/24 included a Strategic Planning Day, the focus of the day included sessions that gave Corporation a view of the national landscape from a speaker from the AoC, as well as sessions that gave Governors the opportunity to ask questions about the curriculum planning process, how we meet the statutory requirements of the Local Needs Duty (Accountability Statement), the College Strategy and Values, the Post Inspection Plan and the Estates Strategy. The shift to the day having a more strategic focus ensured that Governors were receiving up to date information, could ask questions and make challenge where appropriate.

The longstanding Committees (Audit, Governance and Search, and Remuneration) operated as usual in 2023/24 and continued to follow their usual cycles of business and providing their usual assurances to Corporation.

There were no meetings of the Appeals Committee during 2023/2024.

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 2024 are set out in note 6 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 2024. The members of the committee and their attendance records are shown below.

Committee member	Meetings attended
Chris Hallam	3 of 3
Phil Colledge	1 of 3
Vicki Davies	3 of 3
Adam Hall	2 of 3
Denis Miles	3 of 3
Gary Woodman	1 of 3

Attendance for the Audit Committee for 2023/24 was 87%.

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 she is personally responsible, in accordance with the responsibilities assigned to her in the Funding Agreements between the College and the funding bodies. She 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 2024 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 2024 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

Heart of Worcestershire College

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.

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 2022/23 and the Risk Management Plan 2023/24 at its meeting on 12 December 2023. On 5 March 2024 the Audit Committee monitored the Spring Term College Strategic Risk Register. On 18 June 2024 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 2024 and up to the date of approval of the annual report and accounts.

Control weaknesses identified

During 2023/24 the internal audit team conducted work in accordance with the audit plan.

The Audit Committee revisit all audit recommendations to seek assurance that progress against recommendations are addressed. This was introduced as a standing item on each committee agenda, as such the Audit Committee can be satisfied that action is taken and that it is sufficient to address any control weakness. The internal audit team also conduct a follow up review of recommendations to provide external assurance and this is in turn reported formally to the Audit Committee.

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.

The Department for Education and Education and Skills Funding Agency introduced new controls for the College on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a College Financial Handbook in 2024. The College has reviewed its policies, procedures and approval processes in line with these new requirements to ensure there

are systems in place to identify and handle any transactions for which DfE approval is required. Revised financial regulations were approved at the 12 December 2023 Corporation meeting.

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 2023/24 and up to the date of the approval of the financial statements are:

- Learner Number Systems
- Student Support Arrangements – Bursaries
- Framework for Compliance with Legal Requirements – Health and Safety
- IT Disaster Recovery Arrangements and Cyber Security Controls Review
- Follow up

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 2024 meeting the Corporation carried out the annual assessment for the year ended 31 July 2024 by considering documentation from the Senior Leadership Team, Audit Committee and Internal Auditors, and taking account of events since 31 July 2024.

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 corporate body and the safeguarding of their assets”.

Approved by order of the members of the Corporation on 12 December 2024 and signed on its behalf by:-

A handwritten signature in black ink that reads "David Ash". The signature is written in a cursive style with a long, sweeping underline.

David Ash
Chair

A handwritten signature in black ink that reads "Michelle Dowse". The signature is written in a cursive style.

Michelle Dowse
Principal

Statement of Regularity, Propriety and Compliance

As accounting officer I confirm that the corporation has had due regard to the framework of authorities governing regularity, priority and compliance, and the requirements of the College's accountability agreement, funding agreements and contracts with ESFA and DfE, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

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

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



Michelle Dowse
Accounting Officer
12 December 2024

Statement of the Chair of Governors

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



David Ash
Chair of Governors
12 December 2024

Statement of the Responsibilities of the Members of the Corporation

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

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

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Corporation 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(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, DfE, and any other public funds, are used only in accordance with the accountability agreement, funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the Corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economic, 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 ESFA, DfE and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 12 December 2024 and signed on its behalf by:-

A handwritten signature in black ink, appearing to read 'David Ash', with a long horizontal flourish extending to the right.

David Ash
Chair of Governors
12 December 2024

Opinion

We have audited the financial statements of Heart of Worcestershire College (the 'college') for the year ended 31 July 2024 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 2023 to 2024.

In our opinion, the financial statements:

- give a true and fair view of the state of the college's affairs as at 31 July 2024 and of the college'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 2023 to 2024 and the Office for Students' Accounts Direction.

Basis for opinion

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

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 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.

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 college's 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.

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion:

- funds from whatever source administered by the corporation for the specific purposes have been applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Office for Students ('OfS') and Research England have been applied in accordance with the relevant terms and conditions and any other terms and conditions attached to them.

We have nothing to report in respect of the following matters in relation to which the Office for Students' Accounts Direction requires us to report to you if, in our opinion:

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

Responsibilities of the corporation

As explained more fully in the Statement of Responsibilities of the Members of the corporation set out on page 30, 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. 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:

- the nature of the sector, control environment and the college's performance;
- results of our enquiries of management and the members, including the committees charged with governance over the college's finance and control, about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the college'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 college ensured it met its obligations arising from it being financed by and subject to the governance requirements of the ESFA and OfS, and as such material compliance with these obligations is required to ensure the college 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 college 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 college 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 Office for Students' Accounts Direction, and the FE HE SORP.

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 and OfS;
- 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.

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

Heart of Worcestershire College

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

17 December 2024

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 4 August 2024 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 2023 to 31 July 2024 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 2023 to 31 July 2024 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:

- 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");

Heart of Worcestershire College

- 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 understanding the control environment that the College has policies and delegated authorities in respect of procurement; 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 2023 to 31 July 2024 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

17 December 2024

Heart of Worcestershire College

Statement of Comprehensive Income for the year ended 31 July 2024

	Note	Year ended 31 July 2024	Year ended 31 July 2023
		£'000	£'000
<u>Income</u>			
Funding body grants	2	23,881	24,252
Tuition fees and education contracts	3	4,308	3,713
Other income	4	1,162	1,365
Investment income	5	483	171
Total income		29,834	29,501
<u>Expenditure</u>			
Staff costs	6	17,367	18,083
Other operating expenses	7	8,962	9,695
Depreciation	10	2,687	2,647
Interest and other finance costs	8	31	802
Total expenditure		29,047	31,227
Surplus / (Deficit) before other gains and losses		787	(1,726)
Gain / (Loss) on disposal of assets		(2)	10
Surplus / (Deficit) before tax		785	(1,716)
Taxation		-	-
Surplus / (Deficit) for the year		785	(1,716)
Actuarial (Loss) / Gain in respect of pension scheme	21	(12)	20,839
Total Comprehensive Income for the year		773	19,123

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 2024

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2022	6,092	7,583	13,675
Deficit from the income and expenditure account	(1,716)	-	(1,716)
Other comprehensive income	20,839	-	20,839
Transfers between revaluation and income and expenditure reserves	188	(188)	-
	19,311	(188)	19,123
Balance at 31 July 2023	25,403	7,395	32,798
Surplus from the income and expenditure account	785		785
Other comprehensive income	(12)		(12)
Transfers between revaluation and income and expenditure reserves	188	(188)	-
	961	(188)	773
Total comprehensive income for the year			
Balance at 31 July 2024	26,364	7,207	33,571

Heart of Worcestershire College

Balance Sheet as at 31 July 2024

	Note	College 2024 £'000	College 2023 £'000
Non current assets			
Tangible fixed assets	10	43,720	43,374
Investments	11	-	-
		<u>43,720</u>	<u>43,374</u>
Current assets			
Stocks	-	19	44
Trade and other receivables	12	2,400	1,396
Cash and cash equivalents	17	11,213	10,907
		<u>13,632</u>	<u>12,347</u>
Less: Creditors - amounts falling due within one year	13	<u>(9,850)</u>	<u>(9,256)</u>
Net current assets		<u>3,782</u>	<u>3,091</u>
Total assets less current liabilities		47,502	46,465
Less: Creditors - amounts falling due after more than one year	14	(13,931)	(12,727)
Provisions			
Defined benefit obligations	16	-	(940)
Total net assets		<u>33,571</u>	<u>32,798</u>
Unrestricted reserves			
Income and expenditure account		26,364	25,403
Revaluation reserve		7,207	7,395
Total unrestricted reserves		<u>33,571</u>	<u>32,798</u>

The financial statements on pages 38 to 67 were approved and authorised for issue by the Corporation on 12 December 2024 and were signed on its behalf by;



David Ash
Chair



Michelle Dowse
Principal and Accounting Officer

Statement of Cash Flows
for the year ended 31 July 2024

	Note	2024 £'000	2023 £'000
Cash inflow from operating activities			
Surplus / (Deficit) for the year		785	(1,716)
Adjustment for non-cash items			
Depreciation		2,687	2,647
Capital grants released to income		(979)	(800)
(Increase) / Decrease in stocks		25	(8)
(Increase) / Decrease in debtors		(1,004)	(411)
Increase in creditors due within one year		506	1,635
Decrease in other provisions		-	-
Pension costs less contributions payable		(952)	860
Adjustment for investing or financing activities			
Investment income		(483)	(171)
Interest payable		130	104
(Gain) / Loss on sale of fixed assets		2	(10)
Net cash flow from operating activities		<u><u>717</u></u>	<u><u>2,130</u></u>
Cash flows from investing activities			
Investment income		483	171
Proceeds from sale of fixed assets		(2)	10
Payments made to acquire fixed assets		(3,035)	(1,317)
New capital grants received		2,519	773
		<u>(35)</u>	<u>(363)</u>
Cash flows from financing activities			
Interest paid		(130)	(104)
Repayments of amounts borrowed		(246)	(273)
		<u>(376)</u>	<u>(377)</u>
Increase in cash and cash equivalents in the year		<u><u>306</u></u>	<u><u>1,390</u></u>
Cash and cash equivalents at beginning of the year	17	10,907	9,517
Cash and cash equivalents at end of the year	17	11,213	10,907

Notes to the financial statements
for the year ended 31 July 2024

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 2023/24 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 2024 and 31 July 2023, 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 2024.

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:

- Additional costs the College will incur to deliver additional 16-18 learner numbers in 2024/25.
- Additional National Insurance Employer costs.
- Additional staffing costs for a potential pay award in year.
- Reduction in energy costs from October 2024.
- Potential sale of Osprey House and proceeds received will improve cash position, currently excluded from projections.

Notes to the financial statements
for the year ended 31 July 2024

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.

Notes to the financial statements
for the year ended 31 July 2024

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 2024**

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 2024

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.

Notes to the financial statements
for the year ended 31 July 2024

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 or asset 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 21, 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 2022 has been used by the actuary in valuing the pensions liability at 31 July 2024. 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. If the scheme is reported by the actuary as an asset, it is not recognised as such because it doesn't meet the definition of an asset under UK GAAP as it is not recoverable either by reduced contributions or a refund.

Notes to the financial statements
for the year ended 31 July 2024

2 Funding body grants

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Recurrent grants		
ESFA – adult	1,823	1,733
ESFA – 16-18	15,839	15,579
ESFA – apprenticeships	1,414	1,282
ESFA – Consortium partners - adult*	169	185
ESFA – Consortium partners – apprenticeships *	293	298
ESFA – College share of consortium* partners	65	97
West Midlands Combined Authority	1,516	1,570
Greater London Authority	-	-
College share of Management fee on Combined Authority	218	220
Income		
The Office for Students	510	482
Specific grants		
ESFA	510	381
Skills Development Fund	55	1,229
Releases of government capital grants	979	800
ESFA - Teacher Pension Scheme Contribution Grant	490	395
	23,881	24,252

* 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 2024 £'000	Year ended 31 July 2023 £'000
ESFA	527	580
Payments to non College partners	(462)	(483)
Net Income	65	97

**Notes to the financial statements
for the year ended 31 July 2024**

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 2024 £'000	Year ended 31 July 2023 £'000
Grant income from the Office for Students	599	550
Grant income from other bodies	23,282	23,702
Fee income for taught awards (exclusive of VAT)	1,146	1,097
Fee income from non-qualifying courses (exclusive of VAT)	3,162	2,616
Total	28,189	27,965

3 Tuition fees and education contracts

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Adult education fees	380	408
Apprenticeship fees and contracts	14	15
Fees for FE loan supported courses	264	335
Fees for HE loan supported courses	1,146	1,097
Total tuition fees	1,804	1,855
Education Contracts	2,504	1,858
Total	4,308	3,713

4 Other income

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Catering and residences	152	239
Other income generating activities	1,010	1,126
Total	1,162	1,365

**Notes to the financial statements
for the year ended 31 July 2024**

5 Investment income

	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Other interest receivable	483	171
Total	483	171

6 Staff numbers and costs

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

	2024	2023
Teaching staff	321	342
Non-teaching staff	211	232
	532	574
Staff costs for the above persons	£'000	£'000
Wages and salaries	13,248	13,246
Social security costs	1,245	1,206
Other pension costs <i>(including FRS102 (28) pension adjustment of £853,000 (2022/23: £162,000))</i>	2,359	3,186
Payroll sub total	16,852	17,638
	16,852	17,638
Other restructuring costs - Contractual	515	445
Total Staff costs	17,367	18,083

The restructuring costs relate to 8 members of staff in 2023/24 (32 in 2022/23) and will include any contractual actuarial strain.

**Notes to the financial statements
for the year ended 31 July 2024**

6 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 & Chief Executive, Vice Principal and Deputy Chief Executive Officer and Deputy Principal.

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

	2024	2023
The number of key management personnel including the Accounting Officer was:	4	4

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	
	2024	2023	2024	2023
£1 to £5,000	-	-	2	-
£35,001 to £40,000	-	1	-	-
£60,000 to £65,000	2	-	1	1
£65,001 to £70,000	-	-	1	1
£70,001 to £75,000	-	-	-	1
£75,001 to £80,000	-	-	2	2
£80,001 to £85,000	-	-	1	1
£95,001 to £100,000	-	2	-	-
£120,001 to £125,000	1	-	-	-
£140,001 to £145,000	-	1	-	-
£150,001 to £155,000	1	-	-	-
	4	4	7	6

Key management personnel compensation is made up as follows:

	2024	2023
	£'000	£'000
Salaries	394	375
Employers National Insurance	51	48
Benefits in kind	5	4
	450	427
Pension contributions	67	78
	517	505

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 2023**

6 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:

	2024	2023
	£'000	£'000
Basic salary	150	183
Performance related pay and bonus	0	0
Other including benefits in kind	2	1
	152	184
 Pension contributions	 29	 42

The Accounting Officer joined the College in April 2023.

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. Benchmarking information was considered in 2022/23 during the Principal recruitment process. 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: -

	2024	2023
	£'000	£'000
Principal/Chief Executive basic salary as a multiple of the median of all staff	1:4.93	1:5.01
Principal/Chief Executive total remuneration (including pension) as a multiple of the median of all staff	1:4.93	1:5.01

The Principal and Chief Executive's basic salary is 4.93 times (2022/23: 5.01) 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 Principal and Chief Executive's total remuneration, which includes employer pension costs, is 4.93 times (2022/23 5.01) 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 2024**

6 Staff numbers and costs (continued)

Compensation for loss of office paid to former key management personnel

	2024	2023
	£'000	£'000
Compensation paid to the former post-holder - contractual	19	0
Estimated value of other benefits, including provisions for pension benefits - contractual	418	0
	437	0

The severance payment and contractual actuarial strain was recommended by Remuneration Committee for full board approval.

Compensation for loss of office paid to Other Staff paid over £60,000

	2024	2023
	£'000	£'000
Compensation paid to the former post-holder - contractual	39	18
Estimated value of other benefits, including provisions for pension benefits - contractual	45	0
	84	18

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.

Severance payments for all staff

The College paid 9 severance payments in the year. 8 payments were contractual and a result of restructuring and redundancy, 1 was a non-contractual severance payment, payments are disclosed in the following bands:-

£0 - £25,000	6
£25,0001 - £50,000	1
£50,001 - £100,000	1
£100,001 - £150,000	-
Over £150,000	1

Included in non-teaching costs are special severance payments totalling £20,000 (2023: £4,000). The payment was to one individual.

**Notes to the financial statements
for the year ended 31 July 2024**

7 Other operating expenses

	Year ended 31 July 2024	Year ended 31 July 2023
	£'000	£'000
Teaching costs	2,264	1,841
Non teaching costs	3,872	4,944
Premises costs	2,826	2,910
Total other operating expenses	8,962	9,695

Other operating expenses include:

Auditors remuneration:

- financial statements audit	46	44
- internal audit	30	22
- other services provided by the financial statements auditors	3	1

Depreciation	2,687	2,647
Hire of plant and machinery - operating leases	78	63
	78	63

7a Access and participation spending

	Year ended 31 July 2024	Year ended 31 July 2023
	£'000	£'000
Access investment	77	103
Financial support to students	35	44
Disability support	23	20
Total other operating expenses as included in note 7 above	135	167

The College Access and Participation Plan can be found here

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

7b Write offs, losses, guarantees, letters of comfort, compensation

The value of debts written off in 2023/24 are £20k, (2023: £41k).

One debt, where the value was £5,000 or more, proceeded to legal action but were written off for the following reasons:-

£5,039 – HCEO inability to claim

**Notes to the financial statements
for the year ended 31 July 2024**

8 Interest and other finance costs

	2024	2023
	£'000	£'000
On bank loans	130	104
	104	104
Net interest on defined pension liability (note 21)	(99)	698
	31	802

9 Taxation

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

10 Tangible fixed assets

	Land and freehold buildings	Equipment	Assets held for sale	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2023	78,961	9,493	3,375	91,829
Additions	2,411	624	-	3,035
Disposals	(125)	(107)	-	(232)
At 31 July 2024	81,247	10,010	3,375	94,632
Depreciation				
At 1 August 2023	38,692	8,711	1,052	48,455
Charge for the year	2,175	420	92	2,687
Eliminated in respect of disposals	(125)	(105)	-	(230)
At 31 July 2024	40,742	9,026	1,144	50,912
Net book value at 31 July 2024	40,505	984	2,231	43,720
Net book value at 31 July 2023	40,269	782	2,323	43,374

**Notes to the financial statements
for the year ended 31 July 2024**

11 Investments in subsidiary

	2024	2023
	£	£
Investment in subsidiary companies	4	4
	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.

12 Trade and other receivables

Amounts falling due within one year:	2024	2023
	£'000	£'000
Trade receivables	1,286	449
Prepayments and accrued income	831	486
Amounts owed by Combined Authorities	283	461
Total	2,400	1,396
	2,400	1,396

13 Creditors: amounts falling due within one year

	2024	2023
	£'000	£'000
Bank loans	182	246
Payments received on account	3,153	2,579
Trade payables	765	689
Other taxation and social security	677	658
Accruals and deferred income	1,904	1,994
Deferred income – government capital grants	1,035	881
Amounts owed to the ESFA	2,134	2,209
Total	9,850	9,256
	9,850	9,256

14 Creditors: amounts falling due after one year

	2024	2023
	£'000	£'000
Bank loans	1,680	1,862
Deferred income – government capital grants	12,251	10,865
Total	13,931	12,727
	13,931	12,727

**Notes to the financial statements
for the year ended 31 July 2024**

15 Maturity of debt

Bank loans are repayable as follows:

	2024	2023
	£'000	£'000
In one year or less	182	246
Between one and two years	140	182
Between two and five years	420	420
In five years or more	1,120	1,260
Total	1,862	2,108

The College has loan facilities with Santander and Natwest.

As at 31st July 2024 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.

16 Provisions

	Defined benefit obligations	Total
	£'000	£'000
At 1 August 2023	940	940
Expenditure in the period	2,002	2,002
Additions in the period charged to Income and Expenditure account	(424)	(424)
Derecognition of surplus	(2,518)	(2,518)
At 31 July 2024	0	0

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 21.

**Notes to the financial statements
for the year ended 31 July 2024**

17 Cash and cash equivalents

	At 1 August 2023	Cash flows	At 31 July 2024
	£'000	£'000	£'000
Cash and cash equivalents	10,907	306	11,213
Total	10,907	306	11,213

18 Capital commitments

	2024 £'000	2023 £'000
Commitments contracted for at 31 July	50	63
Total	50	63

19 Lease obligations

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

	2024 £'000	2023 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	36	36
Later than one year and not later than five years	14	50
	50	86
Other		
No later than one year	77	77
Later than one year and not later than five years	42	117
	119	194

20 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 Brazel case, and awaiting the outcome of the consultation. Any changes to working practices will then be communicated and implemented. Estimates of potential liability could be £67,100 for a two year period.

**Notes to the financial statements
for the year ended 31 July 2024**

21 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

	2024	2023
	£’000	£’000
Teachers’ Pension Scheme: contributions paid	1,224	1,060
Local Government Pension Scheme:		
Contributions paid	1,966	1,959
FRS 102 (28) charge	(853)	162
Charge to the Statement of Comprehensive Income	1,113	2,121
Total Pension Cost for Year within staff costs (as per Note 6)	2,337	3,181

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

Contributions amounting to £392,401 (2022/23 £338,205) were payable to the schemes at the end of the financial year, and are included within creditors.

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.

Notes to the financial statements
for the year ended 31 July 2024

21 Defined benefit obligations (continued)

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 Department for Education published the 2020 teacher pension valuation on Friday 27th October 2023. This highlighted a significant increase in the employer contribution rate to 28.68% from April 2024 and will last three years until March 2027.

The main cause of the increase is the lower discount rate (reduced from CPI+2.4% to CPI+1.7%, i.e. a long-term rate of 3.7%) used in the 2020 valuation. The change in the discount rate over the last three valuations (an 8 year period) has made the employer contribution rate 15.6% higher than it would have been if there had been no change.

DfE consolidated teacher pension funding for schools into the national funding formula a few years ago but has continued to pay a separate Teacher Pension Employer Contribution Grant to colleges. Officials say this will continue.

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 £1,223,997 (2022/23: £1,060,000).

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 2024 were £2,441,614 of which employers' contributions totalled £1,475,491; employees' contributions totalled £474,995 and lump sum deficit payments of £491,128.

The agreed contribution rate for the coming year is 19.6% until 31 March 2035 for employers, this rate includes a provision for potential impact of McCloud. The planned lump sum deficit payments have decreased to £506,000 per annum from April 2024. 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.

**Notes to the financial statements
for the year ended 31 July 2024**

21 Defined benefit obligations (continued)

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2024 by a qualified independent actuary.

	At 31 July 2024	At 31 July 2023
CPI inflation / CARE benefits revaluation (incl in line 3)	2.75%	2.70%
Rate of increase in salaries	4.25%	4.20%
Rate of increase for pensions in payment / deferment	2.75%	2.80%
Discount rate for scheme liabilities	5.00%	5.10%
Commutation of pensions to lump sums	50%	50%

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 2024	At 31 July 2023
<i>Retiring today/current pensioners</i>		
Males	21.2 years	21.5 years
Females	23.6 years	23.8 years
<i>Retiring in 20 years/future pensioners</i>		
Males	22.5 years	22.8 years
Females	25.4 years	25.6 years

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

	At 31 July 2024	At 31 July 2023
	£'000	£'000
Discount rate - 0.1%	1,288	
Discount rate + 0.5%		(4,983)
Inflation +0.1%	1,281	
Inflation +0.25%		2,647
Pay growth + 0.1%	32	
Pay growth + 0.25%		300
Increase in life expectancy 1 year	2,682	1,425

**Notes to the financial statements
for the year ended 31 July 2024**

21 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 2024		Fair Value at 31 July 2023
		£'000		£'000
Equities	42%	29,217	41%	26,009
Government Bonds		-		-
Other Bonds	38%	26,435	37%	23,225
Property (And 'Other' for 2024)	19%	13,217	8%	4,873
Cash	1%	696	1%	570
Other		-	14%	8,607
Total fair value of plan assets		69,565		63,284
Actual return on plan assets		2,754		644

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

	2024 £'000	2023 £'000
Fair value of plan assets	69,565	63,284
Present value of plan liabilities	(67,047)	(64,224)
Derecognition of surplus	(2,518)	-
Net pensions (liability)/asset (Note 16)	0	(940)

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

	2024 £'000	2023 £'000
Amounts included in staff costs		
Current service cost	1,124	2,092
Curtailments and settlements	25	16
Administration expenses	-	31
Total	1,149	2,139
Amounts included in interest and other finance costs		
Net interest on pension liability	(99)	698
Total	(99)	698
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	2,754	(998)
Experience gain (losses) arising on defined benefit obligations	442	(1,778)
Changes in assumptions underlying the present value of plan liabilities	(690)	23,615
Derecognition of surplus	(2,518)	-
Amount recognised in Other Comprehensive Income	(12)	20,839

**Notes to the financial statements
for the year ended 31 July 2024**

21 Defined benefit obligations (continued)

Movement in net defined benefit liability during year	2024	2023
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(940)	(20,919)
Movement in year:		
Current service cost	(1,124)	(2,092)
Employer contributions	2,002	1,977
Curtailments and settlements	(25)	(16)
Administration expenses	-	(31)
Net Interest on the defined liability	99	(698)
Actuarial gain	2,506	20,839
Derecognition of surplus	(2,518)	-
Net defined (liability)/asset at 31 July	0	(940)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	2024	2023
	£'000	£'000
Defined benefit obligations at start of period	64,224	82,342
Current service costs	1,124	2,092
Interest costs	3,136	2,861
Contributions by Scheme participants	475	495
Experience (gains) and losses on defined benefit obligations	(442)	1,778
Changes in financial assumptions	690	(23,615)
Estimated benefits paid	(2,185)	(1,745)
Curtailments and settlements	25	16
Defined benefit obligations at end of period	67,047	64,224

Changes in fair value of plan assets

Fair value of plan assets at start of period	63,284	61,423
Interest on plan assets	3,235	2,163
Return on plan assets	2,754	(998)
Employer contributions	2,002	1,977
Administration expenses	-	(31)
Contributions by scheme participants	475	495
Estimated benefits paid	(2,185)	(1,745)
Fair value of plan assets at end of period	69,565	63,284
Derecognition of surplus	(2,518)	-
Fair value of plan assets at end of period	67,047	63,284

The defined benefit obligation, in relation to the Local Government Pension Scheme, at 31 July 2024 decreased by £3.44m, to a £2.5m asset from a £940k deficit. This asset has not been recognised in the accounts, inline with the accounting policy stated within note 1, the amount has been labelled as "Derecognition of surplus" through this note with a value of £2,518,000.

Notes to the financial statements
for the year ended 31 July 2024

22 Events after the reporting period

There are none to report.

23 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 £333 (2022/23: £130). 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 (2021/22: None).

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

£1,899 expenditure for the BID levy, (2022/23: £1899)
£0 invoiced by the College (2022/23: £550)

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

£269,467 expenditure in respect of services during the year (2022/23: £20,000)
£32,349 invoiced by the College in respect of funding and services provided to the Council (2022/23: £297,398)
£0 due to the College at year end (2022/23 £8,049)
£0 committed by the College at year end (2022/23 £3,150)

Worcestershire LEP – an organisation in which Gary Woodman, Governor, is Chief Executive, along with the following Governors:- Anthony King, Stephanie Simcox, Chris Hallam and Jane Britton.

£0 due to the College at year end (2022/23: £49)

University of Worcester –an organisation in which Jane Britton, is Pro Vice Chancellor Communications & External Affairs (Educational Partnership)

£176,333 expenditure for accreditation fees, (2022/23: £211,099)
£12,100 invoiced by the College for project income (2022/23: £18,178)
£0 due to the University at year end (2022/23 £0)

Notes to the financial statements
for the year ended 31 July 2024

24 Amounts disbursed as agent

Learner support funds	Year ended 31 July 2024 £'000	Year ended 31 July 2023 £'000
Funding body grants – 16-19 Discretionary Bursary	527	499
Funding body grants – Adult Discretionary Bursary	72	99
Funding body grants – Advanced Learner Loan Bursary	110	68
	<hr/> 709	<hr/> 666
Disbursed to students	(649)	(562)
Excess claim - Advanced Learner Loan Bursary	(30)	(13)
Administration costs	(32)	(25)
	<hr/> (711)	<hr/> (600)
 Balance unspent at 31 July included in creditors	 <hr/> (2)	 <hr/> 66

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.