

Report and Financial Statements

For the year ended 31st July 2025



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 2024/25:

Michelle Dowse	Principal and CEO; Accounting officer
Simon Kibble	Deputy Principal

Board of Governors

A full list of Governors is given on page 19-20 of these financial statements.

Ms Donna Gibson acted as Clerk to the Corporation during the period.

Professional advisors

Financial statement auditors and reporting accountants

Bishop Fleming Audit Ltd
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

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STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2025.

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 is 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 19 to 20.

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.

Heart of Worcestershire College is a large General Further Education College serving approximately 6,000 learners across Worcestershire. The College's provision is distinctly vocational, technical, and adult-skills focused, with a strong emphasis on meeting local and regional skills needs. Young people study a wide range of programmes, with 33% at Entry/Level 1 (significantly above the national average including a high proportion of SEND learners), 27% at Level 2, and 40% at Level 3. Around 600 apprentices are enrolled, with 54% at Intermediate Level, 40% at Advanced Level, and 6% at Higher Level. Adult learners access provision from Entry Level to Higher Education, with 13% at Entry Level, 15% at Level 1, 34% at Level 2, and 38% at Level 3+.

Since its last Ofsted inspection, Heart of Worcestershire College has undergone a remarkable cultural shift. Under the leadership of a new Principal and restructured Executive Team, the College now thrives with renewed purpose, clarity, and ambition. Staff work collaboratively in an accountable environment shaped by #HoWCares values, with open communication and regular celebration of success.

Learner and apprentice achievement rates have risen significantly to above national averages, staff engagement has jumped from 88% to 94% (well above sector norms) in just one year, and the College has returned to financial surplus. Governance is stronger, employer partnerships are flourishing, and every student now benefits from meaningful work encounters.

This isn't just progress—it's a transformation in how the College supports its community and delivers on its mission to improve lives through learning.

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 transformative 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 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 where required, 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 EBITDA 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 2024/25 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 has seen a reduction in the defined pension obligation from an asset of £2.5m at 31 July 2024 to a pension asset of £13.7m at 31 July 2025; 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 £836k, the College is reporting a surplus position of £889k. 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; **MET**.
- Operating at least a break-even operating position (pre restructuring and excluding FRS102 28 Pension adjustments); **MET**.
- Maintaining the gearing ratio below 20%; **MET**
- Achieve a positive net operating cash inflow; **NOT MET**. This was largely driven by the decrease in Creditors within the year.
- 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 against the agreed strategy, 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 Department for Education (DfE). The College is assessed by the DfE as having a “Good” financial health grading which remains static from the 2023/24 grading.

FINANCIAL POSITION

Financial Position

The College generated a surplus before other gains and losses in the year of £889,000 (2023/24 – £787,000), with total comprehensive income of £53,000, (2023/24 – £773,000). The total comprehensive income in 2024/25 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 £105,000 (2023/24 – £348,000).

The defined benefit obligation, in relation to the Local Government Pension Scheme, at 31 July 2025 increased by £11.2m, to a £13.7m asset from a £2.5m asset. This asset hasn't been recognised in these accounts.

Heart of Worcestershire College

The final outturn position is an improved position over the original deficit budget that was set in July 2024. There are several lines impacting on this improved position and funding that emerged after the budget was set, the most significant being:-

- Increase in funding from OFS
- Increased SEND learners and resulting funding claim.
- 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 £33,624,000 (2023/24 - £33,571,000), and cash balances of £10,884,000 (2023/24 - £11,213,000).

Tangible fixed asset additions during the year amounted to £2,072,000. This was split between land and buildings of £1,615,000 and equipment of £457,000. 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 2024/25 the funding bodies provided 83% of the College total income (2023/24 – 80%).

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 outflow from operating cash activities in 2024/25 was £225,000, a decrease on the £717,000 inflow during 2023/24. This largely due to the decrease in Creditors within the year.

Borrowings during the year have reduced from £1.9m at 31 July 2024 to £1.7m as at 31 July 2025; 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".

Financial health

The College is assessed by the DfE as having a “Good” financial health grading which remains static from the 2023/24 grading.

Student Numbers

In 2024/25 the College delivered activity that has generated £24,422,000 in funding body grants (2023/24 - £22,412,000) as per note 2 to the Financial Statements.

Student Achievements

Achievement rates at Heart of Worcestershire for learners completing in 2024/25 have increased again.

Achievement rates for learners on Education Programmes for Young People (EPYP), adults, and apprentices have all improved. EPYP achievement has increased to 82% from 79% in the previous year. Adult achievement has increased to 91% from 90%, above the national rate. The achievement of learners with High Needs has increased to 94% from 91%. The combined effect on the all age ‘education and training’ achievement rate is an increase to 86% from 85%.

English and mathematics achievement in GCSE for learners of all ages remains above national rates. Achievement in functional maths has improved for 16-18 and adult learners. Achievement in functional English has fallen for 16-18 learners whilst remaining static for adult learners.

Retention rates for EPYP learners improved, to 92% from 90%, widening the gap above the national rate. Adult retention remains at 95%, maintaining a better than national rate performance.

Apprentice achievement has increased to 68% from 59%, and is now 7.5% above the national rate 23/24.

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, progressed to a positive destination; including employment and higher education.

Financial plan

The College Governors approved the budget and financial plan in July 2025 which set budget targets for the period ending 31 July 2026.

The plan highlighted a potential surplus position of £19k for 2025/26, 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. The financial health rating would continue to be “Good”. The College objectives are to reduce any level of deficit where possible.

Curriculum Development

The curriculum offer for 2024/25 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.

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The College receives funding from the DFE for 16 to 19 delivery including high needs funding. Further funding is received through the Adult Skills Budget (ASF) from the DFE and also direct from the West Midlands Combined Authority (WMCA).

The Corporation has in place an 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; and what the College will deliver, in return for DFE funding.

The College curriculum offer had a number of new programmes provided across apprenticeships, further education and higher education offers in 2024/25.

The College continued to enrol the two existing T Level programmes; Early Years Education and Digital Technologies. Numbers are increasing but still remain comparatively lower than those recorded for other Diploma Level 3 programmes. The College has developed and promoted a new T Level Health over the course of the 2024/25 year to commence enrolments in 2025/26.

Heart of Worcestershire College has a strong partnership record, we collaborate within and beyond our own sector and are proud of our activities with our partners working within the county and wider region. The number and range of subcontractors remained constant in 2024/25 although a new formal partnership with Redditch United Football Club was launched this year ready for 2026/27 academic year.

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 shared objectives. The College's strategy to work with partners was advanced in 2024/25 through the use of Strategic Partnerships. There are currently three strategic partners with employers which enriches the curriculum and student experience. We will continue to engage 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.

The College is the lead in a consortium comprising of a more than 93 Further Education (FE) colleges across the United Kingdom, for the creation and expansion of Blended Learning. Furthermore, our role has expanded to aid other institutions 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)), 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 activity 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, University of Worcester, other FE colleges and a range of employer's representative of priority industries.

There were 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 has good links with employers and local stakeholders across a range of government, education and community bodies and works at local, regional and national level to support students, employers and the sector

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 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 continues to respond quickly and proactively to develop a range of Sector Work Academy Programmes (SWAPs) designed to support employment into learning support roles, digital, marketing and computing related careers in response to Department for Work and Pensions requests. The College has also developed individual training packages for employees and organisations through the use of Tailored Learning.

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 learner groups with additional needs. 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 and reviewing the arrangements with partners.

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. 2024/25 also saw the launch of the College partnership with National Star delivering high quality, local SEND provision, on site in Worcester.

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.

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 2024 to 31 July 2024, the College paid 98.65% of its invoices within 30 days; this is an increase from 96.50% in 2023/24. 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
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2	0.14
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Percentage of time	Number of employees
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0%	0
1-50%	2
51-99%	0
100%	0

Total cost of facility time	£4k
Total pay bill	£18,205k
Percentage of total bill spent on facility time	0.0002%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Events after the end of the reporting period

During August 2025 Peakman block in Redditch suffered a significant flood as a result of building work. As the leak occurred on the top floor it impacted the majority of the building, with only a few rooms at each side of the building saved from damp and water damage. Portacabins were organised to provide teaching space for the new 2025/26 academic year and works are due to start during term 1 to reinstate the building. A significant portion of the costs will be recovered through an insurance claim, however there will be a portion that is College funded. The College has taken the opportunity to renew and update some areas within the building, whilst it is out of action. The building is expected to be open before Easter 2026.

Developments

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.

For 2025/26 capital expenditure is planned at £800,000 for projects wholly funded by the College reserves. A further £332k from the “FE Capital Transformation Fund” and £323k from the ‘FE College Condition Allocation”. Both allocations fund building condition improvements across the College campuses including those identified as poor in the Further Education Condition Data Collection.

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 pending completion. A small amount of activity is being now being delivered within St Wulstans but the majority of the building remains unsured.

During the year, the College advanced its long-term Property Strategy to ensure the estate remains fit for purpose and aligned with our educational and operational objectives. Following extensive analysis of utilisation, condition, and future curriculum needs, the Corporation approved the strategic direction in July 2024.

This approval marked the culmination of a comprehensive review process, including scenario modelling and stakeholder engagement, with the ambition to enhance learner experience, community impact whilst improving financial sustainability.

The approved strategy sets out a phased plan to rationalise and modernise the estate, improve energy efficiency, and create flexible learning environments that support growth in priority sectors. The strategy is designed to deliver long-term value, ensuring the College estate underpins our mission and remains resilient in a changing educational landscape.

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:

- Replacement roofing on a number of College buildings, funded from the DFE Transformation fund.
- Promotion of the College “Big Switch off” around half term and holiday periods to reduce consumption whilst the College is closed.
- Continue to monitor College performance against the plan aligned to the AOC RoadMap.

UK Greenhouse gas emissions and energy use data for the period	Year ended 31 July 2025	Year ended 31 July 2024
Energy consumption used to calculate emissions (kWh)	3,472,864	3,453,716
<u>Scope 1 emissions in metric tonnes CO2e</u>		
Gas consumption	635.19	631.68
Owned transport	7.54	9.14
Total	642.73	640.82
<u>Scope 2 emissions in metric tonnes CO2e</u>		
Purchased electricity	363.47	353.48
<u>Scope 3 emissions in metric tonnes CO2e</u>		
Business travel in employee owned vehicles	7.23	6.43
Total gross emissions in metric tonnes CO2e	1,013.44	1,000.74
<u>Intensity ratio</u>		
Metric tonnes CO2e per		
FTE staff member	2.64605	2.60608
Floor area (m2)	0.02042	0.02016

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 learners during 2024/25.

Tangible resources include two modern campuses at Redditch and Bromsgrove, various buildings in Deansway Worcester, Duckworth Centre, St Dunstan’s building in Worcester, two Construction Centres at Alliance House Redditch and Spring Lane Malvern, and Osprey House also in Redditch.

The College has a net asset position within the balance sheet of £33.6 million and debt of £1.7 million.

The College employed an average of 542 staff during 2024/25, of whom 332 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.

- Declining Higher Education numbers
- Inability to operate business as usual – caused by potential cyber attacks / business and building disruption / data breaches

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- Failure to deliver high quality teaching and learning / student experiences
- The College experiences Financial Challenges
- Inefficient / Ineffective estate that is not fit for purpose

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;
- Local authorities;
- Employer Representative Bodies;
- 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.

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- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it - Reasonable adjustments are provided for learners, staff and customers who may be experiencing barriers due to their disability. The recruitment, retention and achievement of learners are monitored by protected characteristics to identify any trends enabling the College to respond effectively.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it - The College ensures that Equality and Diversity is a natural part of the curriculum to raise awareness and understanding. All College processes are continually reviewed to ensure that the College is accessible and fair in all of its functions. Our customer service will be unbiased and welcoming to all.

The specific duties of the Equality Act 2010 are to:

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

Meeting the needs of learners

The Heart of Worcestershire College strives to be an 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, British Values, Equality and Diversity 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 team work closely with local authorities to ensure the College can meet the needs of students with Educational Health Care Plans (EHCPs).

Heart of Worcestershire College

- Learners with an EHCP receive in class support delivered by a Learning Support Assistant. Learners with a declared learning disability or difficulty can receive support from the Academic Skills and Support Mentor team.
- Personal Tutors support learners to achieve their academic goals and meet their set targets.
- Financial support is available to assist learners who may have difficulties in completing their course due to financial reasons.
- The Wellbeing team offer tailored wellbeing support to learners experiencing difficulties with their home or college life.
- The Learner Voice continues to be a crucial mechanism for understanding and responding to the learner experience to ensure that the College is inclusive in all aspects of the service it delivers.
- The Careers team offer specialist careers guidance sessions for all learners.

Gender pay gap reporting

	Year ending 31 March 2025
Mean gender pay gap	6.4%
Median gender pay gap	17.5%
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	23.66%	76.34%
2	31.06%	68.94%
3	36.36%	63.64%
4 – Upper quartile	39.39%	60.61%

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

Going Concern

The budget for 2025/26 was approved by the Corporation, with a budgeted surplus position of £19,000; before restructuring or any year end pension accounting adjustments.

The budgeted deficit position for 2024/25 was £687,000.

The allocation for full time numbers saw an increase overall of 84 learners (2579 vs 2495).

Cash balances planned for year ending July 2026 are £10.1m, the lowest point as per the budgeted cashflow forecast in 2025/26 is £9.8m in March 2026

Projections have been updated in September 2025 to take into account high level financial variances. These have largely been driven by increased costs due to an increase in 16-18 learners and a reduction in OFS funding.

Summary headline projections are below:

	2025/26 Budget Jul 25 £000	2025/26 Updated projection September 25 £000
Surplus/(Deficit)	19	(474)
Financial Health	Outstanding	Good
Bank Covenant	7.04 MET	4.91 MET
July closing cash	10,701	10,127
Lowest point cash	10,045	9,815

Based on these current financials the forecast operating deficit is **£474k** for 2025/26 compared to a budgeted surplus of **£19k**. For 2026/27 operating deficit is **£421k** compared to an agreed forecast of **£636k**.

Overall financial health would remain at **“Good”** based on these draft financials for 2025/26.

Bank covenants would be **“Met”** at 31 July 2026.

Any projections exclude any financial impact of the Osprey House sale, which is progressing, or the sale of St Dunstons which is now on the market but not expected during 2025/26.

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 2025/26.
- Staffing costs for a potential pay award in year.
- Potential sale of Osprey House and St Dunstons 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 16 December 2025 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 2024 to 31 July 2025 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 principles and guides 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 24/25
David Ash Chair of Corporation (from 01/08/2023) Special Circumstances to extending term of office	10/10/2017 Reappointed 05/07/2021 Reappointed 09/07/2025	4 years 4 years 1 year		Non-Executive	Finance & Resources Committee Governance & Search Committee (Chair)	5 of 5
Chris Hallam Vice Chair of Corporation	01/08/2022 Reappointed 09/07/2025	4 years 1 year or until such time as a new Vice Chair is confirmed		Non-Executive	Audit Committee (Chair) Governance & Search Committee Remuneration Committee	5 of 5
Michelle Dowse Principal & CEO	24/04/2023	Ex Officio		Principal	Finance & Resources Committee Governance & Search Committee Teaching & Learning Committee	5 of 5
Jane Britton	01/08/2022	4 years		Non-Executive	Teaching & Learning Committee	5 of 5
Gaynor Cheshire	01/08/2022	4 years		Non-Executive	Teaching & Learning Committee (Chair) Governance & Search Committee	5 of 5
Helen Davies	11/09/2024	4 years		Non-Executive	Remuneration Committee	4 of 4

Heart of Worcestershire College

Phil Colledge	25/04/2024	4 years		Non-Executive	Audit Committee	5 of 5
Vicki Davies	01/08/2022	4 years		Non-Executive	Audit Committee Teaching & Learning Committee Remuneration Committee (Chair)	5 of 5
Adam Hall	01/08/2023	4 years		Non-Executive	Audit Committee Teaching & Learning Committee	5 of 5
Neil Harman	01/02/2025	4 years	14/04/25 Resigned	Non - Executive		0 of 2
Paul Hine	25/04/2024	4 years		Staff	Finance & Resources Committee	4 of 5
Julie Hurlston-McKeown	01/08/2023	4 years		Staff	Teaching & Learning Committee	2 of 5
Anthony King	09/10/2018 Reappointed 05/07/2022	4 years		Non-Executive	Finance & Resources Committee Governance & Search Committee	5 of 5
Allen McConaghie	30/01/2025	4 years		Non-Executive	Teaching & Learning Committee	3 of 3
Henry Nwelue-Kelchi	01/04/2025	4 months		Student Governor		1 of 2
Muj Rahman	01/02/2025	4 years		Non-Executive	Finance & Resources Committee	2 of 2
Steve Smith	11/09/2024	4 years		Non-Executive	Finance & Resources Committee	2 of 4
Steve Stanier	12/12/2023	4 years		Non-Executive	Remuneration Committee	4 of 5
Sarah Warwick	01/04/2025	4 months		Student Governor		1 of 2

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 Governance pages of the College website at www.howcollege.ac.uk or from the Governance Professional at:

Heart of Worcestershire College
Bromsgrove Campus
Slideslow Drive
Bromsgrove
Worcestershire B60 1PQ

The Governance Professional 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 Governance Professional, who is responsible to the Corporation for ensuring all applicable procedures and regulations are complied with. The appointment, evaluation, remuneration and removal of the Governance Professional are matters for the Corporation as a whole.

In compliance with the Corporation's Standing Orders and Instrument and Article of Government, formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Corporation and Committee meetings. Briefings and sector updates are also provided on a regular basis.

The Corporation has a collaborative 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 and the appropriate boundaries between operational and governance responsibilities are maintained.

The Corporation continues to take advantage of technology within 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. The paperless approach to Governance meetings demonstrates the Corporation's commitment to supporting the College's sustainability agenda.

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. Its current composition is five members, the Chairs of all of the Committees, 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 Committee is responsible for ensuring that appropriate training, induction and development opportunities are 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 approved an extension in the term of office for one Governor, for a further year, in line with the provision in the Standing Orders that is in place or exceptional events.

Corporation Performance

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

Building upon the feedback from the External Board Review in 2023 and the external Governance Assessment at the start of 2024, conducted by an external Governance Professional, the Governance Professional maintains the Governance Improvement Plan and its actions. The plan is reviewed by Governance & Search Committee. The Corporation approved a refined self-assessment process to assess Board performance and to include a Skills Audit to support the succession planning and recruitment into upcoming vacancies. During 2025 the College received support from the Nation Leaders of Governance (NLG). The feedback received was positive and confirmed that good progress was being made and governance was progressing well with a number of best practices firmly established and providing a solid foundation.

Throughout 2024/25 Corporation continued to receive regular updates at various committees on progress around Curriculum Efficiency and Financial Sustainability Support (CEFSS) and the ongoing work with the FE Commissioner Team. The process was signed off from the scope of the Finance & Resources Committee, when Management reported that actions were either complete or had been absorbed into regular activity across the College. 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 Beyond The Boardroom Programme 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, the final College Self-Assessment Review (SAR)

Validation, 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 has access to the Education Training Foundation (ETF) Governance Development Programme, which includes a wide variety of online learning/training for Governors. The Governance Professional is working towards appropriate qualifications and has extensive support that can be called upon particularly with regards to legal and financial queries. The Governance Professional continues to undertake relevant training and has developed contacts across the sector. The Governance Professional is advancing with the ETF Governance Professional Development Programme and will commence the second year of the programme – Governance Professionals Continuing Support with more specific modules booked in conjunction with the Chartered Governance Institute UK & Ireland.

Meeting Structure

The Teaching and Learning Committee and Finance & Resources Committees are embedded within the governance framework. The number of Committees is six:

- Appeals Committee (convened as and when required with appropriate Governor participation)
- Audit Committee
- Finance and Resources Committee
- Governance and Search Committee
- Remuneration Committee
- Teaching and Learning Committee

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

The existing Committee structure remains effective and has reduced some of the burden on the main Corporation meeting agendas. The Corporation acknowledges that the scrutiny, review and challenge of items by the committees provides the wider Corporation with the assurance that the committees are 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. To strengthen the skills and expertise of the Teaching & Learning Committee, Governance & Search Committee made the recommendation to recruit Co-Opted Committee members with FE skills and expertise. Additionally, a Governor with specific expertise was transferred from Finance & Resources Committee to Teaching & Learning Committee so that their skills from their employment role could be maximised.

The calendar for 2024/25 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, Curriculum Planning, the Post Inspection Plan and the Estates Strategy. Governors received specific training from FEC support and were involved in establishing the Colleges Risk Appetite at that time. 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 2024/25 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 2024/25.

Corporation approved the creation of an Estates Task and Finish Group and a group to focus on preparation for inspection by Ofsted.

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 reviewed by the Remuneration Committee and recommended for Corporation approval.

Details of remuneration for the year ended 31 July 2025 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 2025. The members of the committee and their attendance records are shown below.

Committee member	Meetings attended
Chris Hallam	3 of 3
Phil Colledge	3 of 3
Vicki Davies	3 of 3
Adam Hall	3 of 3
Neil Herman (Resigned)	0 of 3

Attendance for the Audit Committee for 2024/25 was 86%.

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 2025 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation;
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against budget;
- Setting targets to measure financial and other performance;

- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

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

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

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

The College has internal auditors, who operate in accordance with the requirements of the Department of Education (DfE) Framework for auditors and reporting accountants of colleges. 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 Chair of Audit Committee 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 Executive Leadership Team and is available on the Governors' Portal.

The Corporation approved the Risk Management Annual Report for 2023/24 and the Risk Management Plan 2024/25 at its meeting on 19 December 2024. On 18 March 2025 the Audit Committee monitored the Spring Term College Strategic Risk Register. On 26 June 2025 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 2025 and up to the date of approval of the annual report and accounts.

Control weaknesses identified

During 2024/25 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. The College has reviewed its policies, procedures and approval processes in line with the 2024/25 college finance handbook and its accountability agreement with DfE to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

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 2024/25 and up to the date of the approval of the financial statements are:

- Learner Number Systems
- Quality Assurance Systems
- Key Financial Controls
- Framework for Compliance with Legal Requirements – Data Protection
- 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 this 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 Executive 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 Executive 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 Executive 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 2025 meeting the Corporation carried out the annual assessment for the year ended 31 July 2025 by considering documentation from the Executive Leadership Team, Audit Committee and Internal Auditors, and taking account of events since 31 July 2025.

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 16 December 2025 and signed on its behalf by:-



David Ash
Chair



Michelle Dowse
Principal

Statement of Regularity, Propriety and Compliance

As accounting officer of the corporation of Heart of Worcestershire College I confirm that I have had due regard to the framework of authorities governing regularity, propriety and compliance, including the College's accountability agreement with DfE, and the requirements of the College Financial Handbook. I have also considered my responsibility to notify the Corporation's board of governors and DfE of material irregularity, impropriety and non-compliance with terms and conditions of all funding.

I confirm that I, and the board of Governors, are able to identify any material irregular or improper use of all funds by the corporation, or material non-compliance with the framework of authorities.

I confirm that no instances of material irregularity, impropriety or non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of Governors and DfE.



Michelle Dowse
Accounting Officer
16 December 2025

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the 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, DfE'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 DfE, or any other public funder, including that any transactions entered into by the Corporation are within the delegated authorities set out in the College Financial Handbook. On behalf of the corporation, the chair of the board of governors is responsible for discussing the accounting officer's statement of regularity, propriety and compliance with the accounting officer.

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 DfE, ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 16 December 2025 and signed on its behalf by:-

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

**David Ash
Chair of Governors
16 December 2025**

Opinion

We have audited the financial statements of Heart of Worcestershire College ('the Corporation') for the year ended 31 July 2025 which comprise the statement of comprehensive income, changes in reserves, balance sheet at 31 July 2025, 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 2024 to 2025.

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation's affairs as at 31 July 2025 and of the corporation's statement of comprehensive income, changes in reserves, balance sheet 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, College Accounts Direction 2024 to 2025 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 Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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 Framework and Guide for External Auditors and Reporting Accountants of Colleges by the Department for Education ('DfE') requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the corporation, or returns adequate for our audit have not been received from branches not visited by us; or
- the corporation'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 29, 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 corporation's performance;
- results of our enquiries of management and the members, including the committees charged with governance over the corporation's finance and control, about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the corporation's documentation of their policies and procedures relating to: identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- how the Corporation ensured it met its obligations arising from it being financed by and subject to the governance requirements of the DfE and OfS, and as such material compliance with these obligations is required to ensure the Corporation will continue to receive its public funding and be authorised to operate, including around ensuring there is no material unauthorised use of funds and expenditure;
- how the Corporation ensured it met its obligations to its principal regulator, the Secretary of State for Education; and
- the matters discussed among the audit engagement team and involving relevant internal Corporation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

Heart of Worcestershire College

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

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

Use of our report

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

Bishop Fleming Audit Limited
Chartered Accountants
Statutory Auditors
1 - 3 College Yard
Worcester
WR1 2LB

December 2025

Independent reporting accountant's report on regularity to the Corporation of Heart of Worcestershire College and Secretary of State for Education

In accordance with the terms of our engagement letter dated 30 September 2025 and further to the requirements of Department for Education (DfE), as included in the extant Framework and Guide for External Auditors and Reporting Accountants of Colleges, 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 2024 to 31 July 2025 have not been applied to the purposes identified by Parliament or the financial transactions do not conform to the authorities which govern them.

This report is made solely to the Corporation of Heart of Worcestershire College and the Secretary of State for Education 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 the Secretary of State 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 Secretary of State for Education for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the accounting officer of Heart of Worcestershire College and the reporting accountant

The accounting officer is responsible, under the requirements of the corporation's accountability agreement with the Secretary of State for Education and the College Financial Handbook, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament, and that 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 extant Framework and Guide for External Auditors and Reporting Accountants of Colleges. 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 2024 to 31 July 2025 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 Framework and Guide for External Auditors and Reporting Accountants of Colleges issued by DfE, which requires a limited assurance engagement, as set out in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

The work undertaken to draw our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across the corporation'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 corporation'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 Corporation 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 Framework and Guide for External Auditors and Reporting Accountants of Colleges.

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 2024 to 31 July 2025 has not been applied to purposes intended by Parliament, or that the financial transactions do not conform to the authorities that govern them.

**Reporting Accountant
Bishop Fleming Audit Limited
Chartered Accountants
Statutory Auditors
1 - 3 College Yard
Worcester
WR1 2LB**

December 2025

Heart of Worcestershire College

Statement of Comprehensive Income for the year ended 31 July 2025

	Note	Year ended 31 July 2025	Year ended 31 July 2024
		£'000	£'000
Income			
Funding body grants	2	26,146	23,881
Tuition fees and education contracts	3	3,708	4,308
Other income	4	1,145	1,162
Investment income	5	409	483
Total income		31,408	29,834
Expenditure			
Staff costs	6	18,242	17,367
Other operating expenses	7	9,443	8,962
Depreciation	10	2,747	2,687
Interest and other finance costs	8	87	31
Total expenditure		30,519	29,047
Surplus / (Deficit) before other gains and losses		889	787
Gain / (Loss) on disposal of assets		-	(2)
Surplus / (Deficit) before tax		889	785
Taxation		-	-
Surplus / (Deficit) for the year		889	785
Actuarial (Loss) / Gain in respect of pension scheme	21	(836)	(12)
Total Comprehensive Income for the year		53	773

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 2025

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 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
Balance at 31 July 2024	26,364	7,207	33,571
Surplus from the income and expenditure account	889		889
Other comprehensive income	(836)		(836)
Transfers between revaluation and income and expenditure reserves	188	(188)	-
	241	(188)	53
Total comprehensive income for the year			
Balance at 31 July 2025	26,605	7,019	33,624

Heart of Worcestershire College

Balance Sheet as at 31 July 2025

	Note	College 2025 £'000	College 2024 £'000
Non current assets			
Tangible fixed assets	10	43,045	43,720
Investments	11	-	-
		43,045	43,720
Current assets			
Stocks	-	21	19
Trade and other receivables	12	1,960	2,400
Cash and cash equivalents	17	10,884	11,213
		12,865	13,632
Less: Creditors - amounts falling due within one year	13	(7,748)	(9,850)
Net current assets		5,117	3,782
Total assets less current liabilities		48,162	47,502
Less: Creditors - amounts falling due after more than one year	14	(14,523)	(13,931)
Provisions			
Defined benefit obligations	16	-	-
Other provisions	16	15	-
Total net assets		33,624	33,571
Unrestricted reserves			
Income and expenditure account		26,605	26,364
Revaluation reserve		7,019	7,207
Total unrestricted reserves		33,624	33,571

The financial statements on pages 37 to 66 were approved and authorised for issue by the Corporation on 16 December 2025 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 2025

	Note	2025 £'000	2024 £'000
Cash inflow from operating activities			
Surplus / (Deficit) for the year		889	785
Adjustment for non-cash items			
Depreciation		2,747	2,687
Capital grants released to income		(1,054)	(979)
(Increase) / Decrease in stocks		(2)	25
(Increase) / Decrease in debtors		440	(1,004)
Increase / (Decrease) in creditors due within one year		(2,122)	506
Increase / (Decrease) in other provisions		15	-
Pension costs less contributions payable		(836)	(952)
Adjustment for investing or financing activities			
Investment income		(409)	(483)
Interest payable		107	130
(Gain) / Loss on sale of fixed assets		-	2
Net cash flow from operating activities		(225)	717
Cash flows from investing activities			
Investment income		409	483
Proceeds from sale of fixed assets		-	(2)
Payments made to acquire fixed assets		(2,072)	(3,035)
New capital grants received		1,847	2,519
		184	(35)
Cash flows from financing activities			
Interest paid		(107)	(130)
Repayments of amounts borrowed		(181)	(246)
		(288)	(376)
Increase in cash and cash equivalents in the year		(329)	306
Cash and cash equivalents at beginning of the year	17	11,213	10,907
Cash and cash equivalents at end of the year	17	10,884	11,213

Notes to the financial statements
for the year ended 31 July 2025

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 2024/25 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 2025 and 31 July 2024, 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 2025.

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 2025/26.
- Staffing costs for a potential pay award in year.
- Potential sale of Osprey House and St Dunstons and proceeds received will improve cash position, currently excluded from projections.

Notes to the financial statements
for the year ended 31 July 2025

1 Statement of accounting policies and estimation techniques (continued)

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

Recognition of income

Revenue grant funding

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

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

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

Capital grant funding

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

Fee income

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

Investment income

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

1 Statement of accounting policies and estimation techniques (continued)

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

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

Worcestershire Local Government Pension Scheme (LGPS)

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

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

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

Short term Employment benefits

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

Non-current Assets - Tangible fixed assets

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

1 Statement of accounting policies and estimation techniques (continued)

Land and buildings

The College's buildings are specialised buildings and therefore, in general, it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority (LEA) are stated in the balance sheet at 1992 incorporation valuations on the basis of depreciated replacement cost as the open market value for existing use is not readily available, this has become the deemed cost, except for one property where the open market value was available as at 31 July 1998. Land and buildings are not being reassessed and valuations would probably need to be uplifted in the event of a valuation. Land and buildings acquired and building improvements made since incorporation are included in the balance sheet at cost.

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

Freehold buildings are depreciated over their expected useful economic life to the College of 50 years, freehold buildings purchased by Worcester College of Technology previous to 1 August 2014 are depreciated over 40 years and two freehold buildings purchased by North East Worcestershire College are being depreciated over 30 years; all inherited buildings are depreciated over 40 years. The College has a policy of depreciating major adaptations to buildings on a straight-line basis over a 15-year useful economic life.

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

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

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Notes to the financial statements for the year ended 31 July 2025

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 2025**

1 Statement of accounting policies and estimation techniques (continued)

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

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

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

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

1 Statement of accounting policies and estimation techniques (continued)

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. The College does normally retain 5% of the grant received to cover administration costs relating to disbursement of the funds.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Notes to the financial statements
for the year ended 31 July 2025

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 2025. 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 2025

2 Funding body grants

	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
Recurrent grants		
DFE – adult	1,822	1,823
DFE – 16-18	18,075	15,839
DFE – apprenticeships	1,613	1,414
DFE – Consortium partners - adult*	175	169
DFE – Consortium partners – apprenticeships *	266	293
DFE – College share of consortium* partners	109	65
West Midlands Combined Authority	1,512	1,516
College share of Management fee on Combined Authority	234	218
Income		
The Office for Students	429	510
Specific grants		
DFE	187	510
Skills Development Fund		55
Releases of government capital grants	1,054	979
DFE - Teacher Pension Scheme Contribution Grant	670	490
	26,146	23,881

* 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 2025 £'000	Year ended 31 July 2024 £'000
DFE	550	527
Payments to non College partners	(441)	(462)
Net Income	109	65

Notes to the financial statements
for the year ended 31 July 2025

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 DFE'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 2025 £,000	Year ended 31 July 2024 £'000
Grant income from the Office for Students	481	599
Grant income from other bodies	25,665	23,282
Fee income for taught awards (exclusive of VAT)	826	1,146
Fee income from non-qualifying courses (exclusive of VAT)	2,882	3,162
Total	29,854	28,189

3 Tuition fees and education contracts

	Year ended 31 July 2025 £,000	Year ended 31 July 2024 £'000
Adult education fees	277	380
Apprenticeship fees and contracts	9	14
Fees for FE loan supported courses	182	264
Fees for HE loan supported courses	826	1,146
Total tuition fees	1,294	1,804
Education Contracts	2,414	2,504
Total	3,708	4,308

4 Other income

	Year ended 31 July 2025 £,000	Year ended 31 July 2024 £'000
Catering and residences	151	152
Other income generating activities	994	1,010
Total	1,145	1,162

Notes to the financial statements
for the year ended 31 July 2025

5 Investment income

	Year ended 31 July 2025 £,000	Year ended 31 July 2024 £'000
Other interest receivable	409	483
Total	409	483

6 Staff numbers and costs

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

	2025	2024
Teaching staff	332	321
Non-teaching staff	210	211
	542	532

Staff costs for the above persons	£,000	£'000
Wages and salaries	14,113	13,248
Social security costs	1,497	1,245
Other pension costs <i>(including FRS102 (28) pension adjustment of £816,000 (2023/24: £853,000))</i>	2,595	2,359
Payroll sub total	18,205	16,852
Other restructuring costs - Contractual	37	515
Total Staff costs	18,242	17,367

The restructuring costs relate to 2 members of staff in 2024/25 (8 in 2023/24).

**Notes to the financial statements
for the year ended 31 July 2025**

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 and Deputy Principal.

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

	2025	2024
The number of key management personnel including the Accounting Officer was:	2	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	
	2025	2024	2025	2024
£1 to £5,000	-	-	-	2
£60,000 to £65,000	-	2	1	1
£65,001 to £70,000	-	-	-	1
£75,001 to £80,000	-	-	-	2
£80,001 to £85,000	-	-	4	1
£85,001 to £90,000	-	-	1	-
£95,001 to £100,000	1	-	-	-
£120,001 to £125,000	-	1	-	-
£150,001 to £155,000	-	1	-	-
£155,001 to £160,000	1	-	-	-
	2	4	6	7

Key management personnel compensation is made up as follows:

	2025 £'000	2024 £'000
Salaries	254	394
Employers National Insurance	34	51
Benefits in kind	2	5
	290	450
Pension contributions	58	67
Total key management personnel compensation	348	517

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 2025

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:

	2025 £'000	2024 £'000
Basic salary	156	150
Performance related pay and bonus	0	0
Other including benefits in kind	2	2
	158	152
Pension contributions	30	29

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: -

	2025 £'000	2024 £'000
Principal/Chief Executive basic salary as a multiple of the median of all staff	1:4.81	1:4.93
Principal/Chief Executive total remuneration (including pension) as a multiple of the median of all staff	1:4.41	1:4.93

The Principal and Chief Executive's basic salary is 4.81 times (2023/24: 4.93) 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 4.41 times (2023/24 4.93) 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 2025

6 Staff numbers and costs (continued)

Compensation for loss of office paid to former key management personnel

	2025 £'000	2024 £'000
Compensation paid to the former post-holder - contractual	-	19
Estimated value of other benefits, including provisions for pension benefits - contractual	-	418
	-	437

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

	2025 £'000	2024 £'000
Compensation paid to the former post-holder - contractual	-	39
Estimated value of other benefits, including provisions for pension benefits - contractual	-	45
	-	84

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 no severance payments in the year. Payments are disclosed in the following bands:-

Severance payment amount	Number of severance payments made
£0 - £25,000	0
£25,0001 - £50,000	0
£50,001 - £100,000	0
£100,001 - £150,000	0
Over £150,000	0

Included in non-teaching costs are special severance payments totalling £0 (2024: £20,000).

Notes to the financial statements
for the year ended 31 July 2025

7 Other operating expenses

	Year ended 31 July 2025 £,000	Year ended 31 July 2024 £'000
Teaching costs	2,362	2,264
Non teaching costs	4,339	3,872
Premises costs	2,742	2,826
Total other operating expenses	9,443	8,962

Other operating expenses include:

Auditors remuneration:

- financial statements audit	44	46
- internal audit	30	30
- other services provided by the financial statements auditors	6	3

Depreciation	2,747	2,687
Hire of plant and machinery - operating leases	68	78

7a Access and participation spending

	Year ended 31 July 2025 £,000	Year ended 31 July 2024 £'000
Access investment	83	77
Financial support to students	25	35
Disability support	11	23
Total other operating expenses as included in note 7 above	118	135

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 2024/25 are £42k, (2023/24: £20k).

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

£16,497 – Organisation went into liquidation.

Notes to the financial statements
for the year ended 31 July 2025

8 Interest and other finance costs

	2025 £'000	2024 £'000
On bank loans	107	130
	107	130
Net interest on defined pension liability (note 21)	(20)	(99)
	87	31

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 2024	81,247	10,010	3,375	94,632
Additions	1,615	457	-	2,072
Disposals	(21)	(296)	-	(317)
At 31 July 2025	82,841	10,171	3,375	96,387
Depreciation				
At 1 August 2024	40,742	9,026	1,144	50,912
Charge for the year	2,251	404	92	2,747
Eliminated in respect of disposals	(21)	(296)	-	(317)
At 31 July 2025	42,972	9,134	1,236	53,342
Net book value at 31 July 2025	39,869	1,037	2,139	43,045
Net book value at 31 July 2024	40,505	984	2,231	43,720

**Notes to the financial statements
for the year ended 31 July 2025**

11 Investments in subsidiary

	2025	2024
	£	£
Investment in subsidiary companies	4	4
	<u>4</u>	<u>4</u>

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:	2025	2024
	£'000	£'000
Trade receivables	1,143	1,286
Prepayments and accrued income	713	831
Amounts owed by Combined Authorities	104	283
Total	<u>1,960</u>	<u>2,400</u>

13 Creditors: amounts falling due within one year

	2025	2024
	£'000	£'000
Bank loans	140	182
Payments received on account	3,063	3,153
Trade payables	660	765
Other taxation and social security	714	677
Accruals and deferred income	1,256	1,904
Deferred income – government capital grants	1,096	1,035
Amounts owed to the DFE	819	2,134
Total	<u>7,748</u>	<u>9,850</u>

14 Creditors: amounts falling due after one year

	2025	2024
	£'000	£'000
Bank loans	1,540	1,680
Deferred income – government capital grants	12,983	12,251
Total	<u>14,523</u>	<u>13,931</u>

Notes to the financial statements
for the year ended 31 July 2025

15 Maturity of debt

Bank loans are repayable as follows:

	2025	2024
	£'000	£'000
In one year or less	140	182
Between one and two years	140	140
Between two and five years	420	420
In five years or more	980	1,120
Total	1,680	1,862

The College has loan facilities with Santander and Natwest.

As at 31st July 2025 the College met the covenant test in place with Santander.

Remaining bank loans are repayable by monthly or quarterly instalments until 2037. Interest is payable at negotiated margin of 1.25% above base in addition to a credit adjustment spread of 0.08%, over the life of the currently variable rate loan. Loan liabilities are secured on parts of the freehold land and buildings of the College.

16 Provisions

	Defined benefit obligations	Other	Total
	£'000	£'000	£'000
At 1 August 2024	0	0	0
Expenditure in the period	2420	-	2,420
Additions in the period	-	15	15
Transferred from Income and Expenditure account	11,309	-	11,309
Derecognition of surplus	(13,729)	-	(13,729)
At 31 July 2025	0	15	15

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 2025

17 Cash and cash equivalents

	At 1 August 2024	Cash flows	At 31 July 2025
	£'000	£'000	£'000
Cash and cash equivalents	11,213	(329)	10,884
Total	11,213	(329)	10,884

18 Capital commitments

	2025 £'000	2024 £'000
Commitments contracted for at 31 July	51	50
Total	51	50

19 Lease obligations

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

	2025 £'000	2024 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	14	36
Later than one year and not later than five years	-	14
	14	50
Other		
No later than one year	63	77
Later than one year and not later than five years	67	42
	130	119

20 Contingent Liabilities

The College has reviewed its position on the calculation of holiday pay for part year workers, in view of the Harpur Trust vs Brazel case, and changes implemented. Estimates of potential liability could be £67,100 for a two year period, matching 2023/24 as no further potential liability has been added.

**Notes to the financial statements
for the year ended 31 July 2025**

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

	2025	2024
	£'000	£'000
Teachers' Pension Scheme: contributions paid	1,492	1,224
Local Government Pension Scheme:		
Contributions paid	1,925	1,966
FRS 102 (28) charge	(816)	(853)
Charge to the Statement of Comprehensive Income	1,109	1,113
Total Pension Cost for Year within staff costs (as per Note 6)	2,601	2,337

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 £352,750 (2023/24 £392,401) 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 2025

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 £1,491,729 (2023/24: £1,223,997).

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 2025 were £2,424,955 of which employers' contributions totalled £1,502,049; employees' contributions totalled £500,004 and lump sum deficit payments of £422,903.

The indicative contribution rate for the coming year is 18% for employers reducing to 17.7% from April 2026, this rate includes a provision for potential impact of McCloud. The planned lump sum deficit payments will cease from April 2026. 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 2025**

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 2025 by a qualified independent actuary.

	At 31 July 2025	At 31 July 2024
CPI inflation / CARE benefits revaluation (incl in line 3)	2.75%	2.75%
Rate of increase in salaries	4.25%	4.25%
Rate of increase for pensions in payment / deferment	2.75%	2.75%
Discount rate for scheme liabilities	5.80%	5.00%
Commutation of pensions to lump sums	75%	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 2025	At 31 July 2024
<i>Retiring today/current pensioners</i>		
Males	21.5 years	21.2 years
Females	23.7 years	23.6 years
<i>Retiring in 20 years/future pensioners</i>		
Males	22.7 years	22.5 years
Females	25.5 years	25.4 years

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

	At 31 July 2025 £'000	At 31 July 2024 £'000
Discount rate - 0.1%	1,097	1,288
Inflation +0.1%	1,099	1,281
Pay growth + 0.1%	29	32
Increase in life expectancy 1 year	2,409	2,682

**Notes to the financial statements
for the year ended 31 July 2025**

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 2025		Fair Value at 31 July 2024
	£'000		£'000
Equities	32,540	44%	29,217
Other Bonds	26,624	36%	26,435
Property (And 'Other' for 2024)	13,312	18%	13,217
Cash	1,479	2%	696
Total fair value of plan assets	73,955		69,565
Actual return on plan assets	557		2,754

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

	2025 £'000	2024 £'000
Fair value of plan assets	73,955	69,565
Present value of plan liabilities	(60,226)	(67,047)
Derecognition of surplus	(13,729)	(2,518)
Net pensions (liability)/asset (Note 16)	0	0

	2025 £'000	2024 £'000
Amounts included in staff costs		
Current service cost	1,200	1,124
Curtailments and settlements	404	25
Total	1,604	1,149

Amounts included in interest and other finance costs

Net interest on pension liability	(146)	(99)
Interest on the effect of the asset ceiling	126	
Total	(20)	(99)

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	557	2,754
Experience gain (losses) arising on defined benefit obligations	598	442
Changes in assumptions underlying the present value of plan liabilities	9,094	(690)
Changes in the effect of the asset ceiling	2,644	
Derecognition of surplus	(13,729)	(2,518)
Amount recognised in Other Comprehensive Income	(836)	(12)

**Notes to the financial statements
for the year ended 31 July 2025**

21 Defined benefit obligations (continued)

Movement in net defined benefit liability during year	2025 £'000	2024 £'000
Net defined benefit liability in scheme at 1 August	0	(940)
Movement in year:		
Current service cost	(1,200)	(1,124)
Employer contributions	2,420	2,002
Curtailments and settlements	(404)	(25)
Net Interest on the defined liability	146	99
Interest on the effect of the asset ceiling	(126)	-
Actuarial gain	12,893	2,506
Derecognition of surplus	(13,729)	(2,518)
Net defined (liability)/asset at 31 July	0	0

Changes in the present value of defined benefit obligations	2025 £'000	2024 £'000
Defined benefit obligations at start of period	67,047	64,224
Current service costs	1,200	1,124
Interest costs	3,338	3,136
Contributions by Scheme participants	500	475
Experience (gains) and losses on defined benefit obligations	(598)	(442)
Changes in financial assumptions	(9,094)	690
Estimated benefits paid	(2,571)	(2,185)
Curtailments and settlements	404	25
Defined benefit obligations at end of period	60,226	67,047

Changes in fair value of plan assets

Fair value of plan assets at start of period	69,565	63,284
Interest on plan assets	3,484	3,235
Return on plan assets	557	2,754
Employer contributions	2,420	2,002
Contributions by scheme participants	500	475
Estimated benefits paid	(2,571)	(2,185)
Fair value of plan assets at end of period	73,955	69,565
Derecognition of surplus	(13,729)	(2,518)
Fair value of plan assets at end of period	60,226	67,047

Asset and Liability Reconciliation

The defined benefit obligation, in relation to the Local Government Pension Scheme, at 31 July 2025 increased by £11.2m, to a £13.7m asset from a £2.5m asset. 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 £13,729,000 (2023/24: £2,518,000).

Notes to the financial statements
for the year ended 31 July 2025

22 Events after the reporting period

During August 2025 Peakman block in Redditch suffered a significant flood as a result of building work. As the leak occurred on the top floor it impacted the majority of the building, with only a few rooms at each side of the building saved from damp and water damage. Portacabins were organised to provide teaching space for the new 2025/26 academic year and works are due to start during term 1 to reinstate the building. The building is expected to be open before Easter 2026.

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 £651 (2023/24: £333). 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 (2023/24: None).

Worcestershire LEP – an organisation in which Jane Britton and Michelle Dowse are Board Members.

£22,153 invoiced by the College, of which £15,052 due at year end, (2023/24: £0)

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

£133,743 expenditure for accreditation fees, (2023/24: £176,333)
£0 invoiced by the College (2023/24: £12,100)

National Star – an organisation in which Chris Hallam is a Trustee/Director.

£251,778 paid by the College at year end for delivery (2023/24: £0), £27,975 owed by the College at year end.
£129 invoiced by the College (2023/24: £0)

Warwickshire County Council – an organisation in which Steve Smith is Director of Strategic Infrastructure and Climate Change.

£22,052 invoiced by the College (2023/24: £0)

Notes to the financial statements
for the year ended 31 July 2025

24 Amounts disbursed as agent

Learner support funds	Year ended 31 July 2025 £'000	Year ended 31 July 2024 £'000
Funding body grants – 16-19 Discretionary Bursary	544	527
Funding body grants – Adult Discretionary Bursary	72	72
Funding body grants – Advanced Learner Loan Bursary	67	110
	683	709
Disbursed to students	(658)	(649)
Excess claim - Advanced Learner Loan Bursary	(21)	(30)
Administration costs	(30)	(32)
	(709)	(711)
Balance unspent at 31 July included in creditors	(26)	(2)

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.

The College distributes 16-19 discretionary and vulnerable bursaries and free meals in further education (FEFM) funds to students as an agent for DfE.

In the accounting period ended 31 July 2025, the college received a total of £544,000 and disbursed £570,000 from DfE 16-19 discretionary and vulnerable bursaries and FEFM funding after charging £25,000 for administration costs.

As at 31 July 2025, the cumulative unspent 16-19 discretionary and vulnerable bursary funds and FEFM funding is £439,000, of which £0 relates to funds that are in scope to be returned to DfE in March 2026.

Comparatives for the accounting period ended 31 July 2024 are £527,000 received from DfE, £529,000 disbursed to learners after charging £24,000 for administration costs, and total cumulative unspent funds of £466,000 of which £0 was repaid to DfE.