

NORTH WARWICKSHIRE AND SOUTH LEICESTERSHIRE COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDING 31ST JULY 2021

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Reference and Administrative Details

Senior management team

Marion Plant -	Principal and CEO
Tom Hamilton-Dick -	Deputy Principal
David Poole -	Chief Operating Officer

Board of Governors

A full list of Governors is given on pages 16-17 of these financial statements. Mrs R Marshall acted as Clerk to the Corporation throughout the period.

Professional Advisers

Financial statement auditor and reporting accountants:

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Internal auditors:

RSM UK LLP
The Pinnacle
170 Midsummer Blvd
Milton Keynes
MK9 1BP

Bankers:

Lloyds TSB Bank Plc
17-23 Coventry Street
Nuneaton
Warwickshire
CV11 5TD

National Westminster Bank/RBS
Leicester Hinckley Road
7 Hinckley Road
Leicester
LE3 0TQ

Strategic report

OBJECTIVE AND STRATEGY

The governing body present their annual report together with the financial statements and auditor's report for North Warwickshire and South Leicestershire College for the year ended 31st July 2021.

Legal status

Following the merger on 1st August 2016 between North Warwickshire and Hinckley College and South Leicestershire College, The Corporation was established for the purpose of conducting North Warwickshire and South Leicestershire College. The Secretary of State for Business, Innovation and Skills approved the merger effective from 1st August 2016.

The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

The College has developed a strategic plan. The mission statement of the College in this Plan is:

"To achieve success through learning".

Vision

The College vision is that "We will be an irresistible learning partner to individuals and businesses driving up productivity and growth within North Warwickshire and South Leicestershire.

The behaviours and values that will be displayed underpinning delivery of the mission and are:

- To respect and nurture.
- To inspire and aspire.
- To be agile and responsive.
- To be honest and accountable.

The Corporation monitors the performance of the College against the strategic plan throughout the year and the plan itself is reviewed each year.

Public Benefit

North Warwickshire and South Leicestershire College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 16 to 17.

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. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

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

The College provides identifiable public benefits through the advancement of education to thousands of students across varying cohorts each year. These include students with high needs, those that are unemployed and adults taking English and maths courses. The College adjusts to meet the needs of local employers and provides training to apprentices. The College is committed to providing information, advice and guidance to its students as they enrol in order to find suitable courses for as many students as possible regardless of their educational background.

Financial Objectives

The College's key financial objectives and outcomes relating to them for the year 2020-21 were:

- Achieve an operating surplus (pre Local Government Pension transactions) of £493,000. The actual operating position is a surplus of £680,000. The Local Government Pension transaction charges totalled (£2,383,000) which when added to the operating surplus of £680,000 reconcile back to the loss of (£1,703,000) shown in the Statement of Comprehensive Income and Expenditure.
- To comply with its bank covenants. All bank covenants that were applicable as at 31st July were met. The College has re-negotiated its bank loans and covenants in the academic year 2020-21.
- To achieve 'requires improvement' financial health. The College's grading is "requires improvement" based on ESFA formulae. This is yet to be externally verified.

FINANCIAL POSITION

The College group generated an operating deficit after taking into account The Local Government Pension transactions and staff restructuring costs of £1,703,000 (2019-20: deficit of £1,551,000), with total comprehensive Loss of £885,000, (2019-20: (£9,754,000)). The Local Government Pension transactions are non cash adjustments posted to the accounts. The entries are based on an independent actuarial review.

The College's overall reported trading position is a loss of £1,703,000. However the following exceptional item should be noted;

- The Local Government Pension adjustment – £2,383k charge.

Taking this exceptional item into account the College's underlying trading position was a profit of £680,000.

During the year the College purchased £1,649,000 of tangible fixed assets (£554,000 in 2019-20). This included assets in relation to the MIRA Technology Institute project which is a bespoke high-level Engineering facility being built in collaboration with three Universities and HORIBA MIRA. It also incurred £3,000 of one-off costs associated with the restructure of staff which was undertaken in the year (£69,000 in 2019-20).

COVID-19

During 2020-21 the COVID-19 pandemic continued to have an effect on College operations.

The budget that was set for the year was deliberately cautious around any form of commercial income. Costs around site safety, social distancing and possible staff cover were factored in.

Aside from commercial income core government funding was confirmed as being secure (subject to it being earned) and the College planned to deliver allocations in full. For apprenticeships there was an added complexity in that by definition an employer needed to be found for each apprentice in the midst of significant job losses and furloughing due to the pandemic.

The College had to continue to invest in its distance learning offer and ensure remote delivery of lessons could be achieved if required.

The College complied with government guidelines in relation to the predicting of grades for those learners who were due to sit an exam at the end of the year.

In spite of the pandemic the level of reserves in the College and its cash and operating outturn were all achieved in line with target.

Covid funding was received in 2020-21 to cover furlough and testing costs.

Government instructions around PPN 02/20 have been noted by the College in 2020-21 but no instances of having to pay in advance or without the service being delivered have arisen. The College does not believe there have been any instances of it not being able to leverage value for money.

Due to the fact that the College exceeded its 2020-21 budget and currently has no indication that its main income streams from government are threatened it does not believe that the pandemic affects its ability to continue as a going concern.

All internal control mechanisms were maintained during the period of remote working as evidenced by an internal audit.

The pandemic still presents risks that the College must anticipate and plan for in the coming academic year 2021-22. Quality teaching and learning must continue in a safe environment and financially plans must be made to ensure investment can be made both in keeping sites Covid secure and in ensuring remote teaching, learning and working can be a success if required.

The College has staff that are members in the Teachers' Pension Scheme and two Local Government Pension Schemes (Leicestershire and Warwickshire). It is impossible to know the long-term impact of the pandemic on the assets and liabilities in each scheme which are reported in the Colleges' financial statements. The volatility of the situation itself presents a risk.

The College has been agile and secure in its reaction to a complex and ever-changing scenario so far and will continue to be so in the future.

Reserves

As at 31st July 2021, the College held a general reserve of (£12,537,000) which includes a pension reserve of (£33,152,000). The College had cash reserves of £1,016,000 (2019-20: £1,044,000).

At the end of 2020-21, the College, based on ESFA formulae is "requires improvement" financial health.

The College generated a net operating cash outflow in 2020-21 of £28,000 (2019-20: (£14,000)).

Group companies

The College has three wholly owned subsidiary companies, NWHC Services Ltd, South Leicestershire College Enterprises Ltd and The Learning Chain Ltd.

NWHC Services was incorporated on 26th July 2013. The company was set up principally to facilitate the billing from North Warwickshire and Hinckley College to South Leicestershire College pre-merger and as such has not traded in 2020-21 although nominal amounts of interest have been received.

South Leicestershire College Enterprises Ltd was set up to supply heating and photocopying services to South Leicestershire College. It has not traded in 2020-21. The Learning Chain Ltd is a dormant company.

The College, being an exempt charity, is not liable to Corporation tax. The trading activities of the subsidiary companies are subject to Corporation tax.

Sources of income

The College has significant reliance on education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 the ESFA funding body provided 81% of the College's income.

Treasury Policy and Objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the ESFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Reserves Policy

The College has a formal Reserves Policy which recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at (£21,142k) although (£33,152k) of this relates to the pension reserve.

Streamlined Energy and Carbon Reporting

The College is committed to reducing its carbon emissions and has taken measures in the year to improve energy efficiency which are detailed below:

The College's greenhouse gas emissions and energy use for the period are set out below:

UK Greenhouse gas emissions and energy use data for the period	1 August 2020 to 31 July 2021	1 August 2019 to 31 July 2020
Energy consumption used to calculate emissions (kWh)	6,810,004.00	6,653,919.00
<u>Energy consumption break down (kWh)</u>		
• gas	2,908,503.00	4,070,644.00
• electricity	3,795,495.00	2,271,149.00
• transport fuel	106,005.00	312,126.00
<u>Scope 1 emissions in metric tonnes CO2e</u>		
Gas consumption	534.79	748.47
Owned transport – mini-buses	2.45	7.42
Total Scope 1	537.24	755.89
<u>Scope 2 emissions in metric tonnes CO2e</u>		
Purchased electricity	884.88	529.50
<u>Scope 3 emissions in metric tonnes CO2e</u>		
Business travel in employee owned vehicles	23.06	67.64
Total gross emissions in metric tonnes CO2e	1,445.18	1,353.04
Intensity ratio Tonnes CO2e per pupil	0.16	0.20

Qualification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per pupil, the recommended ratio for the sector.

Measures taken to improve energy efficiency

We have worked to reinstate our Biomass Boilers at 2 sites which has reduced Gas consumption. At 1 campus we have replaced 1 elevation of single paned windows to double glazed units and replaced 1 roof including insulation. We have lagged more pipework. We continue to monitor timers and amend these through the bms and other units. Staff have attended more online meetings. Covid has impacted the number of staff and students onsite thus reducing the building usage.

Future Developments

The College continues to monitor itself against its forward-looking three-year plan developed and refreshed each year in line with ESFA guidelines.

The College will continue to operate flexibly in order to continue to deliver excellent teaching against the backdrop of the Covid-19 pandemic.

The College's bankers Lloyds and NatWest/RBS remain supportive. In 2020-21 the College re-negotiated all of its loans and agreed new covenants. This was a hugely positive outcome which enables the College to demonstrate stable financial health. All previous covenant breaches were waived.

The College continues to work in collaboration with three Universities, HORIBA MIRA and the local LEP (Local Education Partnership) in the running of a bespoke high level engineering facility that better meets the needs of this important part of the regional economy. The facility was opened in the academic year 2018-19.

The College will continue to work with the Midland Academies Trust in improving educational delivery, reducing support costs and increasing the number of partners who can benefit from this arrangement. The Trust is the overarching legal entity which currently houses three Academies in Nuneaton and one in Earl Shilton.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in these Statements. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £8.99m of loans outstanding with a combination of Lloyds (3 loans) and Natwest/RBS. All loans were re-negotiated in the academic year 2020-21 and an extension was agreed until August 2022. Two of the loans with Lloyds are term loans with a payment profile of 20 years.

The College and its bankers agreed new covenants at the same time as extending the loans. There are three covenants – EBITDA as % of income will continue to be measured over a rolling 12 month period. The other two covenants, cash held and cashflow cover, will be assessed quarterly but each month of the quarter looked at will need to meet the required criteria.

As at 31st July 2021 only the EBITDA and cash held covenants were measured and the College was compliant with both. Both banks issued waivers for all historic breaches.

The College secured an overdraft facility with Lloyds Bank for £250,000 from 1st February 2021 to 30th April 2021. Both of its banks remain very supportive.

The loans with the Department for Education agreed in 2015-16 and 2016-17 were all fully repaid as they fell due.

The College has met all repayment deadlines for all loans as they fell due and its cash flow projections confirm that this will continue to be the case.

As at 31st July 2021, the College held a general reserve of (£12,537,000) which includes a pension reserve of (£33,152,000). The College had cash reserves of £1,016,000 (2019-20: £1,044,000).

The College generates a three year plan each year. The latest one extends out to 2022-2023. The forecasts and financial projections within this plan indicate that it will be able to operate within its existing facility for the next twelve months from the signing of these financial statements. Covid-19 has had an impact on these cash flow forecasts as the College has taken a necessarily cautious view on non delivery income.

The College always prepares its cash flow projections on an extremely prudent basis. Even using this approach the College would still be compliant with its new covenants. The College has identified a pinch point in its cash flow projection for the year ahead around February and March as a result of the pattern of ESFA funding. This dip is normal and occurs every year. The College has a strong history of managing its cash through this period and always identifies several actions in advance that it could deploy if required. The College is confident that it will manage through this period again and will remain compliant with its covenants and maintain cash balances at a robust level.

Within the three year plan a surplus before pension adjustments for FRS102 is forecast to be generated each year. Throughout the plan the College remains in a positive cash balance position and has positive reserves, excluding the pension reserve.

The College continues to produce Covid-19 specific forecasts and cashflows which are reviewed and amended as the impacts of the pandemic emerge. These are subject to sensitivity analysis and stress tests.

After preparing robust projections and making the appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the Financial Statements.

Access and Participation Expenditure

The College charges basic fees and is therefore only required to have an Access and Participation statement. The Access and Participation Statement is updated annually and is published on our website.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Achievements

In September 2019, the College received a full visit from Ofsted under the new Education Inspection Framework. The outcome of the inspection was an "Overall Effectiveness" grade of "Good" with all areas being assessed as "Good", apart from "Behaviours & Attitudes" which was assessed as "Outstanding".

Continued student success is paramount to the College. This is measured by achievement rates which cover all qualifications offered by the College, including those for learners studying English and mathematics. During 2020-21, the continued impact of COVID-19 pandemic has resulted in sustained significant disruption to the student experience, including further changes to national assessment

methodology. Colleges have been required to submit Teacher Assessed Grades to awarding bodies for the majority of vocational and technical qualifications and for all GCSE qualifications.

Currently, NWSLC is finalising achievement rates based on the 'QTAG' and other assessment processes. Initial indications are that students have been successful in their qualifications when compared to previous College performance and the performance of the sector nationally, it is anticipated that achievement rates on some qualifications, including apprenticeships, will dip, which is expected to replicate the national trend.

Curriculum Developments

The College continues to have an excellent reputation for implementing innovative and relevant curriculum developments, both in subject areas and in modes of delivery. The College continues to offer a wide range of programmes in all subject sector categories and in a broad range of levels, from pre-entry to level 6 (graduate). Recruitment was stable in 2020-21, with significant increases in some cohorts such as Distance Learning. Solid recruitment mixed with robust management of operational budgets and increased scrutiny has continued to contribute to the transformation of the financial performance of the College, which is now

graded as requires improvement by the ESFA. Whilst the enrolment process is ongoing and remains more complex due to the ongoing impact on students of the pandemic, current numbers suggest core income stream targets will be met, with potential growth in a number of areas such as Higher Education.

The College had a number of positive in year changes in the 2020-21 year, which included the ongoing development of T-level for all relevant routes from 2022 alongside the implementation of 'Supported Internships', which is a key driver for the College in becoming OFSTED outstanding. For a second year the College has achieved significantly above national average results in the National Student Survey for Higher Education, placing it the highest performer against regional competitors.

The most significant challenge for the College in the 2020-21 academic year was the sustained impact of the COVID-19 pandemic and the subsequent organisational disruption of repeated closure of the organisation for face-to-face teaching throughout the College year. This placed considerable stretch on the organisation's operational capacity to deliver a stable service for students. Despite the impact of the pandemic student satisfaction remained high and in line with previous year and student overall attendance remained in line or above that of previous years.

The College maintained a blended learning model throughout the year, which it has resourced through sustained investment in new digital technology. Throughout the year the College was able to flex and adjust the model to ensure students continued to get their planned delivery, including full remote delivery during period of national lockdown.

The College was notified during the 2020/21 College year that it had been successful as part of the 'Nuneaton Towns redevelopment' bid and has been allocated circa £8M to develop a new digital learning hub in the town centre, which will also see the rehousing of the College's catering provision and training restaurant into the town centre during the 2022/23 College year.

The College has received its funding allocation in line with profile for 2021/22 alongside further allocation for small groups funding, introduced in 2020/21, the College has also been able to carry over unspent small groups funding in to the 2021/22 College year, giving significant capacity to enable the College to catch up skills gaps with students aged 16-19.

Higher level qualifications for the 19+ age cohort continue to flourish with the bulk of this provision being HNCs, Foundation Degrees and Teacher Training qualifications. The College has continued to see significant increase in distance learning provision throughout COVID and plans to maintain this level of enrolment in to the 2021-22 year. University links have continued to develop, with locally provided provision

catering for full and part-time students on courses validated through well-established universities, for example, the universities of De Montfort, Leicester, Coventry and Warwick.

Workforce Development and Employer Responsive

The College strategy to meet the skills development needs of local employers continues to focus on the volume growth of both funded apprenticeships and unfunded “full cost recovery” programmes.

In partnership with HORIBA MIRA (Motor Industry Research Association), the local LEP and three universities, the College opened the MIRA Institute of Technology in September 2018 after many years of development. It was opened on time and delivered within budget. Delivery commenced from the building in October 2018.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations to make payment to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting period 1 August 2020 to 31 July 2021, the College paid 24 per cent of its invoices within 30 days. Allowing for acceptable workflow delays, 64 per cent of invoices were paid within 45 days. The College strives to meet the target set out by the Treasury for the payment to suppliers within 30 days.

PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to develop and embed its risk management arrangements which are designed to protect the College's assets and reputation. This process is managed on behalf of the Corporation by the Audit Committee who receive reports in respect of risk management at each meeting.

The format of the Risk Management Report is in accordance with the ESFA recommended model. Significantly, it includes a risk register that is maintained at the College level which is reviewed at least termly by the Audit Committee.

The risk report identifies the key risks, the cause of the risk and its potential effect. Preventative action is detailed which has a clear target date. Should that action fail further mitigating actions are identified, also with accompanying target dates. Risks are RAG rated with the preventative and mitigating actions being described as “the route to green”.

The main items captured in the report relate to solvency, forecasting, student experience, safeguarding, HR, estates, compliance and IT security. Within these broad headers individual risks are identified and allocated to a risk owner.

As a general item the Covid-19 pandemic presents risks in itself due to the uncertain nature of how it will develop.

Key Performance Indicators

The College measures itself and is measured externally by certain key performance indicators.

First and foremost, student recruitment, retention and achievement is measured internally and is also scrutinised externally via Ofsted inspections

In September 2019 the College received a full visit from Ofsted under the new Education Inspection Framework. The outcome of the inspection was an “Overall Effectiveness” grade of “Good” with all areas being assessed as “Good”, apart from “Behaviours & Attitudes” which was assessed as “Outstanding”.

The financial health of the College is assessed via a suite of prescribed ESFA formulae. The College is required to submit a three year plan to the funding body each July which sets out its anticipated performance over the life of the plan. This model includes all the key ratios widely used in the sector to assess performance.

In terms of staffing the College carries out a staff survey each year and the below actions are taken following the staff survey:

- Report to the executive team to summarise key themes, improvements or areas of concern
- Issue results to areas for action plans to be submitted to HR
- Report results and progress to governors.

EQUALITY AND DIVERSITY

Equality

North Warwickshire and South Leicestershire College is committed to ensuring equality of opportunity for all who learn and work here. Through its core values it respects and values positively differences in race, gender, sexual orientation, disability, religion or belief and age. The College strives vigorously to remove conditions, which place individuals at a disadvantage. This policy is resourced, implemented and monitored on a planned basis. The College’s Equality Policy is published on the College’s website.

Gender pay gap reporting

	Year ending 31 July 2021
Mean gender pay gap	8.70%
Median gender pay gap	19.38%
Mean bonus gender pay gap	0%
Median gender bonus gap	0%
Proportion of males/females receiving a bonus	0%/0%

*The College does not operate a standard bonus scheme and therefore the proportion of males and females receiving a bonus payment is 0%.

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

	Males	Females
1 - Lower quartile	28%	72%
2	27%	73%
3	39%	61%
4 – Upper quartile	46%	54%

Disability statement

The College is a Disability Confident Employer and as such undertakes the following:

- We actively look to attract and recruit disabled people, where an applicant who is disabled meets the essential criteria for the role advertised, they are guaranteed an interview.

- We provide a full inclusive and accessible recruitment process, ensuring online processes are accessible or ensuring there is an accessible offline process, making sure all documentation is available in alternative formats if required and ensuring reasonable adjustments are made during the recruitment process.
- We ensure that all staff have participated in equality training which includes training on the protected characteristic of disability. This, along with our absence procedure and occupational health support, helps managers to be aware of how they can support staff who are sick or absent from work.
- Consideration of reasonable adjustments is embedded into HR and line management practice in the College including adapting the work environment, providing equipment and considering alternative work patterns, with regular engagement with Access to Work for advice and financial support where available.
- Through inclusive policies, occupational health sessions and reasonable adjustments the College ensures that every effort is made to enable an employee who acquires a disability or whose existing disability worsens to stay in their current job or an alternative one.
- Ensures that there are no barriers to the development and progression of disabled staff, training needs are regularly discussed with all staff and appropriate training and support identified and undertaken.

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. The College had five employees that this relates to in 2020-21 with the time being spent and approximate costs shown below.

Percentage of time	Number of employees
0%	0
1-50%	5
51-99%	0
100%	0

Total cost of facility time	£14,295.53
Total pay bill	£16,668,000
Percentage of total bill spent on facility time	0.09%

STAKEHOLDER RELATIONSHIPS

In line with other Colleges, North Warwickshire and South Leicestershire College has many stakeholders. These include:

- Students;
- Staff;
- Funding Agencies and Councils (particularly ESFA, and OfS);
- Local Authorities;
- Government Departments.
- Local Enterprise Partnerships (LEP's);
- Local employers (including via local business organisations e.g. Chambers of Commerce);
- The local community;
- Local schools;
- Other FE and HE institutions;
- Trade unions and professional bodies.

The College recognises the importance of communication in nurturing these relationships. It engages in regular communication with external stakeholders on a number of relevant issues as they emerge and

mature. It considers good communication with its staff to be vital. The College reviews its student communication arrangements every year and introduced a “Student Parliament” in 2009. This encourages student involvement through membership of forums, formal committees, Boards of Study and other appropriate mechanisms. Student Governors are welcomed onto the Corporation and are encouraged to be actively involved in its reviews and debates over College direction and performance.

The College has a close relationship with both the Coventry and Warwickshire and Leicester and Leicestershire LEPs. The College and the LEPs benefit from these close relationships through mutual advice and influence.

RESOURCES

The College has various resources that it can deploy in pursuit of its strategic objectives. These include the following:

Financial

At the balance sheet date the College had £12,537,000 of net liability including a £33,152,000 pension liability (£31,587,000 at 31st July 2020), and long term debt of £8,988,000 (2019-20; £10,236,000).

Property

The College owns the freehold for its main teaching and learning facilities in Nuneaton, South Wigston and Hinckley along with the long leasehold for its premises in Harrowbrook and its Digital Skills Academy in Coventry. The College also owns the MTI centre which is an advanced engineering facility which opened in 2018-19. During 2020-21 the College continued to expend funds to ensure all of its sites remained fit for purpose.

People

During the year the College employed an average of 727 people (expressed as average headcount).

Reputation

The College has an excellent reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and for sustaining its external relationships with employers, funders, and stakeholders in general.

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 7th January 2022 and signed on its behalf by:



**Prof R Linforth
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 1st August 2020 to 31st July 2021 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in full accordance with the guidance to Colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code").

In the opinion of the Members, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31st July 2021. This opinion is based on an internal review of compliance with the Code reported to the Audit Committee on 12th October 2020. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 25th June 2015, on the basis it comprehensively reflects the Corporation's legal structure, operations and stakeholders. The Corporation has complied with that Code during 2020/21. Although the Corporation has not adopted the UK Corporate Governance Code 2018, it has due regard to its principles and guidance.

The Corporation

The Members who served on the Corporation during the year and up to the date of signature of this report were as follows:

Name	Appointment	Term of Office	Resignation / Tenure End	Status	Committees Served 2020/21	Overall Attendance 2020/21
Mrs K Baxter	22.2.19	4 years to 31.7.23	Resigned 16.10.21	Staff	SLQ	83%
Mr C Brewer	1.8.18	4 years to 31.7.22	-	External	Resource	100%
Mr D Cooper	1.8.18	4 years to 31.7.22	-	External	PSG / Resource	100%
Mrs H Holley	11.5.20 8.7.21	1 year to 31.7.21 4 years to 31.7.25	-	External	Audit	100%
Mr R Hothi	2.2.21	1 year to 31.7.22	-	External	SLQ	50%
Mr J Hutchinson	1.8.19 1.8.20	1 year to 31.7.20 1 year to 31.7.21	Resigned 31.7.21	External	PSG	91%
Mrs T Lakhani	1.8.20 1.8.21	1 year to 31.7.21 1 year to 31.7.22	31.7.20 20.9.21	Co-optee	Audit	75%
	20.9.21	4 years to 31.7.25	-	External	Audit	-
Prof R Linforth	1.8.17 8.7.21	4 years to 31.7.21 4 years to 31.7.25	31.7.21	External	PSG / SLQ	100%
Mr A Majithia	1.8.18	4 years to 31.7.22	-	External	Audit	100%
Ms L Newitt	30.9.20 8.7.21	1 year to 31.7.21 1 year to 31.7.22	-	Co-optee	SLQ	75%

Name	Appointment	Term of Office	Resignation / Tenure End	Status	Committees Served 2020/21	Overall Attendance 2020/21
Mrs M Plant	3.4.04	Ex-officio Principal	-	Principal	PSG/ Resource/ SLQ	100%
Mr C Read	1.8.18	4 years to 31.7.22	-	External	Resource/PSG	100%
Mrs T Simkins	22.2.19 9.7.20	1 year to 31.7.20 4 years to 31.7.24	-	External	Resource	83%
Dr A Turner	23.1.20 8.7.21	1 year to 31.7.21 4 years to 31.7.25	-	External	SLQ	94%
Miss C Walton	26.9.19 30.9.20	1 year to 31.7.20 1 year to 31.7.21	31.7.20 -	Student	SLQ	100%
Mrs R Marshall acts as Clerk to the Corporation						

* Appointment / resignation date did not provide an opportunity to join relevant meetings in 2020/21

Key: **SLQ:** Students Learning & Quality Committee **Resource:** Resource Committee
PSG: People, Strategy & Governance Committee

The Governance Framework

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

The Corporation is provided with regular and timely information about the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality and curriculum matters and personnel-related matters such as staffing, health and safety and environmental issues.

During the academic year 2020/21 the Corporation met virtually 7 occasions, (due to compliance with 'lock down' and Government requirements). These meetings included the annual Strategy Day.

The use of a number of emergency governance measures to enable effective governance to continue during the pandemic (as approved by Members by electronic resolution on 25th March 2020) continued throughout the year and in line with the approach agreed at the Corporation meeting on 9th July 2020, that:

- the 'emergency powers' would remain in force, (with slight revisions), until the pandemic was declared over by the Government; and
- the use of virtual meetings would continue until strict social distancing requirements were no longer in force and should be resumed if social distancing requirements were re-instated.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been developed and annually reviewed and approved by the Corporation. The following committees were established in 2020/21: Audit, People Strategy & Governance, Resource and Students, Learning & Quality.

Full minutes of Corporation meetings, except those deemed confidential by the Corporation, are available on the College's website or from the Clerk to the Corporation at the College's registered address.

The Clerk to the Corporation maintains a register of financial and personal interests of the Members. The register is available for inspection at the registered address and can be viewed on the College website.

All Members are able to take independent professional advice in the furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Corporation for ensuring

that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Members in a timely manner, prior to meetings. Briefings are also provided to enable a more detailed discussion on key strategic documents on an ad-hoc basis.

The Corporation has a strong and independent non-executive element, and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive Members are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

The College has not paid any supplier in advance due to Covid-19 but has met its PPN obligations, as stated by the Government, where appropriate.

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 established a People Strategy & Governance Committee, which is responsible for the selection and nomination of any new Members for the Corporation's consideration. The Corporation (through the People Strategy & Governance Committee) is responsible for ensuring that appropriate training is provided as required.

External Members of the Corporation are appointed for a term of office not exceeding four years, following an initial appointment for a year. The maximum period of appointment for an external member is nine years, subject to caveats set out in the Standing Orders. A staff member is appointed for a period of four years and may be re-appointed at the end of their tenure in accordance with the requirements of the Instrument and Articles of Government and Standing Orders. A student is appointed for a period of 12 months and may be re-appointed at the end of their tenure in accordance with the requirements of the Instrument and Articles of Government and Standing Orders.

Members may only be considered for re-appointment beyond two terms if:

- they have demonstrated excellent commitment to the Corporation in terms of attendance and contribution at meetings; and
- they have special skills that would be otherwise difficult to find; and
- their level of governance experience is required to balance the relative inexperience of a number of new Members; or
- they chair a committee, and the appointment of a successor would be difficult.

Where a Member is re-appointed beyond two terms, the re-appointment should be for a year at a time, until the matters described above are no longer relevant as determined by the Corporation, following a recommendation by the People Strategy & Governance Committee

Corporation Performance

The Corporations self-assessment of its own performance for the year ended 31st July 2021 is yet to be finalised and will be confirmed at the Corporation meeting in December 2021. The self assessment grade for year end 31st July 2020 was 'Good'. Corporation committees also undertake annual effectiveness reviews and reviews against their terms of reference.

The Corporation commissions a three yearly independent, external review of governance effectiveness. The last such review took place in the autumn term of 2017 and recommendations arising from that review were implemented during 2018/19. As a consequence of the pandemic, the next review, which should have taken place in 2020, was postponed. The People Strategy & Governance Committee will look to commission a review during academic year 2021/22.

People Strategy & Governance Committee

Throughout the year ending 31st July 2021, the People Strategy & Governance Committee comprised seven Corporation members. The Principal was a member of the Committee for matters relating to the Committee's people strategy, search and governance functions. The Committee operated in accordance with written terms of reference approved by the Corporation.

The Committee met on three occasions and was established to provide assurance to the Corporation that:

- strategic oversight of College staff was being taken, with a view to achieving high organisational performance;
- the principles of fair and appropriate remuneration for senior post holders had been applied effectively and consistently;
- appropriate Corporation recruitment and succession planning processes were in place, and effective, timely and appropriate advice on membership matters had been provided;
- that the Corporation's governance framework and approach was fit-for-purpose and effective;
- strategic risks which related to the Committee's terms of reference, were being effectively managed;
- and to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer.

The Corporation adopted the AoC's Senior Staff Remuneration Code in 2019.

Details of remuneration for the year ended 31st July 2021 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprised three members of the Corporation (excluding the Accounting Officer and Chair) and one co-optee. The Committee operated in accordance with written terms of reference approved by the Corporation.

The Audit Committee meet on five occasions during the year and was established to exercise independent scrutiny enabling it to:

- advise the Corporation on the adequacy and effectiveness of its assurance framework;
- advise and support the Corporation in explaining, in its annual accounts, the measures taken to ensure it has fulfilled its statutory and regulatory responsibilities
- to assess and provide the Corporation with an opinion on the adequacy and effectiveness of its assurance arrangements, framework of governance, risk management and control processes for the effective and efficient use of resources, solvency of the institution and safeguarding of its assets.
- provide a forum for reporting by the College's internal auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of College management;
- to receive and consider reports from the main FE funding bodies as they affect the College's business.

The College's internal auditor service reviewed the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and reported their findings to management and the Audit Committee. Management was responsible for the implementation of agreed audit recommendations. A follow-up review of progress on completing these actions was undertaken by the internal audit service to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal auditors, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Resource Committee

The Resource Committee comprised four Corporation members. The Committee operated in accordance with written terms of reference approved by the Corporation. The Committee meet on four occasions during the year and was established to provide assurance to the Corporation that:

- the College's financial strategy and policies were appropriate, within the context of the College's overall strategic plan;
- College resources were being used effectively and efficiently,
- the College was solvent and sustainable;
- College assets were being safeguarded;
- strategic risks, which related to the Committee's terms of reference, were being effectively managed.

The Students, Learning & Quality Committee

The Students, Learning & Quality Committee comprised six Corporation members and a co-optee. The Staff and Student Members were Committee members. The Committee operated in accordance with written terms of reference approved by the Corporation. The Committee meet on four occasions during the year and was established to:

- provide assurance to the Corporation that: the curriculum strategy was relevant, fit for purpose and met the needs of the community the College serves and national priorities;
- the standards of academic delivery met relevant internal and external expectations;
- the necessary structures and processes, for the effective provision of a safe and high-quality student experience, were in place;
- strategic risks, which related to the Committee's terms of reference, were being effectively managed.

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 for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between North Warwickshire and South Leicestershire College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College for the year ended 31st July 2021 and up to the date of approval of the annual report and financial statements. No significant internal control weaknesses or failures have arisen during this period of time.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of

the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2021 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with requirements of the Education Skills Funding Agency's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan, and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed recommendations and internal audit undertakes periodic follow up reviews to ensure such recommendations have been implemented.

The Internal Audit Service provides the Corporation with an annual report on College internal audit activity. The report includes the Internal Audit Service's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

In respect of the management of Covid-19 the Corporation has agreed the following measures:

- a risk assessment plan for the wider opening of the College
- an application to the Government Job Retention Scheme
- the introduction of emergency governance measures to enable effective governance to continue during the pandemic and the operation of virtual meetings.

Risks Faced by the Corporation

The Risk Management Policy sets out the College's approach to risk, including the means for identifying, evaluating, managing and reporting on risk in order to minimise the potential for negative impact and enhance the potential for opportunity.

Risk identification takes place through the consideration of the College's strategic and operational objectives, College strategies (including teaching and learning, finance, HR, estates and IT), the current and prevailing environment and context (including political, regulatory, regional, local and legal); and the issues that could prevent the achievement of those objectives and strategies or which arise because of the current prevailing environment and context.

Risks are given a rating of 'High' (a business-critical risk), 'Medium' (a significant business risk) or 'Low' (an important risk that requires management) based on an evaluation of impact and likelihood using an agreed matrix to determine the level of risk.

The College's risk management framework is embedded at appropriate levels of the business; both top-down and bottom-up, with identified risks being effectively escalated and disseminated as appropriate. It is applied consistently throughout the organisation as part of normal business activity.

The College operates a College level risk report which includes relevant key operational, financial, compliant and other risks. The report is owned and reviewed by the Executive and scrutinised and challenged by the Corporation and the Audit Committee at every meeting that are held. The Audit Committee receives a risk owner briefing at each of its meetings.

The Chief Operating Officer holds regular meetings with the directors responsible for finance, estates, health and safety and IT services to review, interrogate and update the College risk report. The Deputy Principal will also meet regularly with curriculum directors and the Vice Principal for Quality to discuss risk issues.

Control Weaknesses Identified

No significant internal control weaknesses or failures have arisen during 2020/21 and up to the date of the approval of the financial statements.

Responsibilities under Funding Agreements

Changes to funding rules are notified directly to the College by the Funding Body.

Individualised Learner Record (ILR) returns are made each month by the College to the Funding Body. These are assessed for completeness and are rejected if any errors are present. There were no issues with any return in 2020/21 and all were on time. All relevant learner data is included in this monthly return. Furthermore the ILR returns are subject to periodic audit from the Funding Body.

Statement from the Audit Committee

The Audit Committee has advised the Corporation that it 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 2020/21 and up to the date of the approval of the financial statements are:

Internal Audits Undertaken	Opinion	Recommendations
Staff Recruitment Processes: Hard to Fill Posts	Substantial Assurance	2 medium priority management actions
Higher Education Framework	Reasonable Assurance	7 low and one medium priority management actions
Estates Management Framework	Substantial Assurance	No management recommendations
Academic Quality Assurance Systems: Awarding Bodies	Substantial Assurance	1 low priority management action
Secure Remote Working and Operational Resilience Arrangements	Partial Assurance	3 low and six medium priority management actions
Framework for Compliance with Legal and Regulatory Requirements: Safeguarding and Prevent	Reasonable Assurance	1 low and two medium priority management actions
Key Financial Controls - Creditors and Payments and Income and Debtors	Substantial Assurance	2 'low' and 2 'medium' priority management actions

Review of Effectiveness

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

- the work of the internal auditors;
- the work of the College's executive managers who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for Colleges subject to funding audit) in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31st July 2021 by considering documentation from the senior management team and internal audit and taking account of events since 31st July 2021.

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

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in these Statements. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £8.99m of loans outstanding with a combination of Lloyds (3 loans) and Natwest/RBS. All loans were re-negotiated in the academic year 2020-21 and an extension was agreed until August 2022. Two of the loans with Lloyds are term loans with a payment profile of 20 years.

The College and its bankers agreed new covenants at the same time as extending the loans. There are three covenants – EBITDA as % of income will continue to be measured over a rolling 12 month period. The other two covenants, cash held and cashflow cover, will be assessed quarterly but each month of the quarter looked at will need to meet the required criteria.

As at 31st July 2021 only the EBITDA and cash held covenants were measured and the College was compliant with both. Both banks issued waivers for all historic breaches.

The College secured an overdraft facility with Lloyds Bank for £250,000 from 1st February 2021 to 30th April 2021. Both of its banks remain very supportive.

The loans with the Department for Education agreed in 2015-16 and 2016-17 were all fully repaid as they fell due.

The College has met all repayment deadlines for all loans as they fell due and its cash flow projections confirm that this will continue to be the case.

As at 31st July 2021, the College held a general reserve of (£12,537,000) which includes a pension reserve of (£33,152,000). The College had cash reserves of £1,016,000 (2019-20: £1,044,000).

The College generates a three year plan each year. The latest one extends out to 2022-2023. The forecasts and financial projections within this plan indicate that it will be able to operate within its existing facility for the next twelve months from the signing of these financial statements. Covid-19 has had an impact on these cash flow forecasts as the College has taken a necessarily cautious view on non delivery income.

The College always prepares its cash flow projections on an extremely prudent basis. Even using this approach the College would still be compliant with its new covenants. The College has identified a pinch point in its cash flow projection for the year ahead around February and March as a result of the pattern of ESFA funding. This dip is normal and occurs every year. The College has a strong history of managing its cash through this period and always identifies several actions in advance that it could deploy if required. The College is confident that it will manage through this period again and will remain compliant with its covenants and maintain cash balances at a robust level.

Within the three year plan a surplus before pension adjustments for FRS102 is forecast to be generated each year. Throughout the plan the College remains in a positive cash balance position and has positive reserves, excluding the pension reserve.

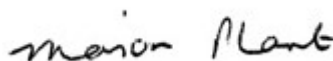
The College continues to produce Covid-19 specific forecasts and cashflows which are reviewed and amended as the impacts of the pandemic emerge. These are subject to sensitivity analysis and stress tests.

After preparing robust projections and making the appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the Financial Statements.

Approved by order of the Members of the Corporation on 7th January 2022 and signed on its behalf by:



Ray Linforth
Chair



Marion Plant
Accounting Officer

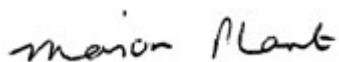
Statement of Regularity, Propriety and Compliance

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

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

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

Approved by order of the members of the Corporation on 7th January 2022 and signed on its behalf by:



Mrs M Plant

Principal and Accounting Officer



Prof. R Linforth

Chair of Corporation

Statement of Responsibilities of the Members of the Corporation

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

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable 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
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.

The corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the college and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities. The corporation is responsible for the maintenance and integrity of its website; the work carried out by auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Approved by order of the members of the Corporation on 7th January 2022 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'R. Linforth', is positioned above the printed name.

Prof. R Linforth
Chair

Independent auditor's report to the Corporation of North Warwickshire and South Leicestershire College

Opinion

We have audited the financial statements of North Warwickshire and South Leicestershire College (the 'corporation') for the year ended 31 July 2021, which comprise The Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation's affairs as at 31 July 2021 and of its surplus of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education issued in October 2018 and any subsequent amendments

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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporation's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the corporation to cease to continue as a going concern.

In our evaluation of the Corporation's conclusions, we considered the inherent risks associated with the corporation's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Corporation and the related disclosures and analysed how those risks might affect the corporation's financial resources or ability to continue operations over the going concern period.

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.

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

The responsibilities of the Members of the Corporation with respect to going concern are described in the 'Responsibilities of the Members of the Corporation for the financial statements' section of this report.

Other information

The Members of the Corporation are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Opinion on other matters prescribed by the Office for Students ('OfS') accounts direction (issued October 2019)

In our opinion, in all material respects:

- funds from whatever source administered by the corporation for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the OfS, have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them, and
- the requirements of the OfS accounts direction (issued October 2019) have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2020 to 2021 issued by the Education & Skills Funding Agency requires us to report to you if, in our opinion:

- the corporation has not kept adequate accounting records; or
- the corporation's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

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

Responsibilities of the Members of the Corporation for the financial statements

As explained more fully in the statement of responsibilities of the Members of the Corporation set out on page 26, the Members of the Corporation are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members of the Corporation are responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Members of the Corporation either intends to liquidate the corporation or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the corporation, and the sector in which it operates. We determined that the following laws and regulations were most significant;

Annual Report and Financial Statements 31 July 2021

- financial reporting legislation (FEHE SORP 2019, United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102, the Colleges accounts direction 2020 to 2021 and the OfS Accounts Direction (October 2019));
- regulatory environment (including the ESFA funding rules 2020 to 2021 and the OfS; framework and relevant OfS regulatory notices)
- Further and Higher Education Act 1992; and
- The Code of Good Governance for English Colleges.

The engagement team remained alert to any indications of fraud and non-compliance with laws and regulations throughout the audit;

- We understood how the corporation is complying with these legal and regulatory frameworks by making inquiries of management, internal audit, and those charged with governance. We enquired of management and those charged with governance whether there were any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes and papers provided to the Audit Committee, and through our legal and professional expenses review;
- To assess the potential risks of material misstatement, including how a fraud might occur, we obtained an understanding of:
 - The corporation's operations, including the nature of its sources of income, expected financial statement disclosures and risks that may result in risk of material misstatement; and
 - The corporation's control environment including the adequacy of procedures for authorisation of transactions
- We assessed the susceptibility of the corporation's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - Evaluating the processes and controls established to address the risks related to irregularities and fraud;
 - Testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
 - Challenging assumptions and judgements made by management in its significant accounting estimates;
 - Identifying and testing related party transactions; and
 - Completion of audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the corporation operates in, its understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- We communicated relevant 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.

From the procedures performed we did not identify any material matters relating to non-compliance with laws and regulations or matters in relation to fraud.

Use of our report

This report is made solely to the Members of the Corporation, as a body, in accordance with the terms of our engagement letter dated 13 July 2021. Our audit work has been undertaken so that we might state to the Members of 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 and the Members of the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

William Devitt

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants 20
Colmore Circus
Queensway
Birmingham
B4 6AT

Reporting accountant's assurance report on regularity

To the corporation of North Warwickshire and South Leicestershire College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

In accordance with the terms of our engagement letter dated 15 July 2021 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by North Warwickshire and South Leicestershire College during the period 01 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ('the Code') issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the ESFA or devolved authority has other assurance arrangements in place.

Respective responsibilities of North Warwickshire and South Leicestershire College and the reporting accountant

The corporation of North Warwickshire and South Leicestershire College is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 01 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion includes:

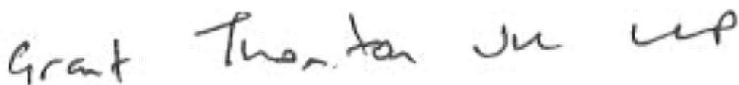
- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the Regularity self-assessment questionnaire (RSAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the RSAQ.

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 01 August 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Use of our report

This report is made solely to the corporation of North Warwickshire and South Leicestershire College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of North Warwickshire and South Leicestershire College and the ESFA those matters we are required to state in a limited assurance 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 North Warwickshire and South Leicestershire College, as a body, and the ESFA, as a body, for our work, for this report, or for the conclusion we have formed.



Grant Thornton UK LLP
Chartered Accountants Birmingham

13 January 2022

North Warwickshire and South Leicestershire College
Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	27,013	27,013	25,223	25,223
Tuition fees and education contracts	3	2,521	2,521	2,798	2,798
Other grants and contracts	4	512	512	529	529
Other income	5	1,587	1,587	2,387	2,387
Investment income	6	-	-	8	8
Total income		31,633	31,633	30,945	30,945
EXPENDITURE					
Staff costs	7	22,489	22,489	21,420	21,420
Other operating expenses	8	8,024	8,024	8,234	8,234
Depreciation	10	2,030	2,030	2,006	2,006
Interest and other finance costs	9	793	793	836	836
Total expenditure		33,336	33,336	32,496	32,496
(Deficit) before other gains and losses		(1,703)	(1,703)	(1,551)	(1,551)
Profit on disposal of assets	10	-	-	-	-
(Deficit) before tax		(1,703)	(1,703)	(1,551)	(1,551)
(Deficit) for the year		(1,703)	(1,703)	(1,551)	(1,551)
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain/(loss) in respect of pensions schemes	22	818	818	(8,203)	(8,203)
Total Comprehensive Income for the year		(885)	(885)	(9,754)	(9,754)
Represented by:					
Unrestricted comprehensive income		(885)	(885)	(9,754)	(9,754)
Restricted comprehensive income		-	-	-	-
		(885)	(885)	(9,754)	(9,754)

North Warwickshire and South Leicestershire College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Restricted Reserves £'000	Total £'000
Group				
Balance at 1st August 2019	(11,031)	9,133	-	(1,898)
Surplus/(deficit) from the income and expenditure account	(1,551)	-	-	(1,551)
Other comprehensive income	(8,203)	-	-	(8,203)
Transfers between revaluation and income and expenditure reserves	264	(264)	-	-
	(9,490)	(264)	-	(9,754)
Balance at 31st July 2020	(20,521)	8,869	-	(11,652)
Surplus/(deficit) from the income and expenditure account	(1,703)	-	-	(1,703)
Other comprehensive income	818	-	-	818
Transfers between revaluation and income and expenditure reserves	264	(264)	-	-
Total comprehensive income for the year	(621)	(264)	-	(885)
Balance at 31 July 2021	(21,142)	8,605	-	(12,537)
College				
Balance at 1st August 2019	(11,079)	9,133	-	(1,946)
Surplus/(deficit) from the income and expenditure account	(1,551)	-	-	(1,551)
Other comprehensive income	(8,203)	-	-	(8,203)
Transfers between revaluation and income and expenditure reserves	264	(264)	-	-
	(9,490)	(264)	-	(9,754)
Balance at 31st July 2020	(20,569)	8,869	-	(11,700)
Surplus/(deficit) from the income and expenditure account	(1,703)	-	-	(1,703)
Other comprehensive income	818	-	-	818
Transfers between revaluation and income and expenditure reserves	264	(264)	-	-
Total comprehensive income for the year	(621)	(264)	-	(885)
Balance at 31 July 2021	(21,190)	8,605	-	(12,585)

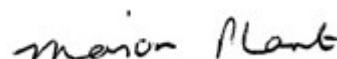
North Warwickshire and South Leicestershire College
Balance sheets as at 31 July 2021

	Notes	Group	College	Group	College
		2021 £'000	2021 £'000	2020 £'000	2020 £'000
Non current assets					
Tangible fixed assets	10	66,866	66,866	67,248	67,248
Investments	11	-	180	-	180
		66,866	67,046	67,248	67,428
Current assets					
Trade and other receivables	12	2,008	2,008	2,401	2,401
Cash and cash equivalents	17	1,016	1,016	1,044	1,044
		3,024	3,024	3,445	3,445
Less: Creditors – amounts falling due within one year	13	(6,052)	(6,280)	(15,619)	(15,847)
Net current liabilities		(3,028)	(3,256)	(12,174)	(12,402)
Total assets less current liabilities		63,838	63,790	55,074	55,026
Less: Creditors – amounts falling due after more than one year	14	(43,009)	(43,009)	(34,903)	(34,903)
Provisions					
Defined benefit obligations	22	(33,152)	(33,152)	(31,587)	(31,587)
Other provisions	16	(214)	(214)	(472)	(472)
Total Net Liabilities		(12,537)	(12,585)	(11,888)	(11,936)
Unrestricted reserves					
Income and expenditure account		(21,142)	(21,190)	(20,521)	(20,569)
Revaluation reserve		8,605	8,605	8,869	8,869
Total unrestricted reserves		(12,537)	(12,585)	(11,652)	(11,700)
Total reserves		(12,537)	(12,585)	(11,652)	(11,700)

The financial statements on pages 33 to 61 were approved and authorised for issue by the Corporation on 7th January 2022 and were signed on its behalf on that date by:

Prof R Linforth
Chair

Marion Plant
Accounting Officer

North Warwickshire and South Leicestershire College

Consolidated Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(1,703)	(1,551)
Adjustment for non cash items			
Depreciation	10	2,030	2,006
Deferred Capital grants released to income		(1,111)	(1,098)
(Increase)/decrease in debtors		394	576
Increase/(decrease) in creditors due within one year		(330)	(647)
Increase/(decrease) in creditors due after one year		-	(270)
Increase/(decrease) in provisions		(22)	-
Pensions costs less contributions payable		2,383	2,088
Adjustment for investing or financing activities			
Investment income	6	-	(8)
Interest payable	9	338	371
Profit on sale of fixed assets		-	-
		<u>1,979</u>	<u>1,467</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Investment income		-	8
Payments made to acquire fixed assets		(1,649)	(554)
		<u>(1,649)</u>	<u>(546)</u>
Cash flows from financing activities			
Interest paid	9	(338)	(371)
ESFA capital grants received		1,212	-
Income re MIRA (New collaborative engineering facility)		15	277
New unsecured loans		-	-
Repayments of amounts borrowed		(1,247)	(841)
		<u>(358)</u>	<u>(935)</u>
(Decrease) in cash and cash equivalents in the year		<u>(28)</u>	<u>(14)</u>
Cash and cash equivalents at beginning of the year	17	1,044	1,058
Cash and cash equivalents at end of the year	17	1,016	1,044

Notes to the Financial Statements for the year ended 31 July 2021

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 2020-21 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 under the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

These accounts are prepared on a going concern basis as The Corporation and its members believe there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary undertakings, NWHC Services Ltd, South Leicestershire College Enterprises Ltd and The Learning Chain Ltd

South Leicestershire College Enterprises Ltd and The Learning Chain Ltd have not traded for a number of years and did not trade in 2020-21. The Learning Chain Ltd is a dormant company.

NWHC Services was incorporated on 26th July 2013. North Warwickshire and South Leicestershire College owns 100% of NWHC Services. The company was set up principally to facilitate the billing from North Warwickshire College to South Leicestershire College prior to the merger. Consequently, following the merger on 1st August 2016 the company has not traded with only nominal interest passing through its books.

The College formerly had a share in Digital West Midlands which is now closed. The amounts involved were never 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 31st July 2021.

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in these Statements. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The College currently has £8.99m of loans outstanding with a combination of Lloyds (3 loans) and Natwest/RBS. All loans were re-negotiated in the academic year 2020-21 and an extension was agreed until August 2022. Two of the loans with Lloyds are term loans with a payment profile of 20 years.

The College and its bankers agreed new covenants at the same time as extending the loans. There are three covenants – EBITDA as % of income will continue to be measured over a rolling 12 month period. The other two covenants, cash held and cashflow cover, will be assessed quarterly but each month of the quarter looked at will need to meet the required criteria.

As at 31st July 2021 only the EBITDA and cash held covenants were measured and the College was compliant with both. Both banks issued waivers for all historic breaches.

The College secured an overdraft facility with Lloyds Bank for £250,000 from 1st February 2021 to 30th April 2021. Both of its banks remain very supportive.

The loans with the Department for Education agreed in 2015-16 and 2016-17 were all fully repaid as they fell due.

The College has met all repayment deadlines for all loans as they fell due and its cash flow projections confirm that this will continue to be the case.

As at 31st July 2021, the College held a general reserve of (£12,537,000) which includes a pension reserve of (£33,152,000). The College had cash reserves of £1,016,000 (2019-20: £1,044,000).

The College generates a three year plan each year. The latest one extends out to 2022-2023. The forecasts and financial projections within this plan indicate that it will be able to operate within its existing facility for the next twelve months from the signing of these financial statements. Covid-19 has had an impact on these cash flow forecasts as the College has taken a necessarily cautious view on non delivery income.

The College always prepares its cash flow projections on an extremely prudent basis. Even using this approach the College would still be compliant with its new covenants. The College has identified a pinch point in its cash flow projection for the year ahead around February and March as a result of the pattern of ESFA funding. This dip is normal and occurs every year. The College has a strong history of managing its cash through this period and always identifies several actions in advance that it could deploy if required. The College is confident that it will manage through this period again and will remain compliant with its covenants and maintain cash balances at a robust level.

Within the three year plan a surplus before pension adjustments for FRS102 is forecast to be generated each year. Throughout the plan the College remains in a positive cash balance position and has positive reserves, excluding the pension reserve.

The College continues to produce Covid-19 specific forecasts and cashflows which are reviewed and amended as the impacts of the pandemic emerge. These are subject to sensitivity analysis and stress tests.

After preparing robust projections and making the appropriate enquiries the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the Financial Statements.

Recognition of income

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

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

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Grants (including research 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.

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-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being 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 conditions are 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.

Other Income

Other income outside of the categories stated above is recognised in the period for which it is receivable.

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.

Agency Arrangements

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

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the two Local Government Pension Schemes being the Warwickshire Pension Fund and the Leicestershire County Council Pension Fund (LGPS) and the Teachers' Pension Scheme (TPS). 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 the 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 period during which services are rendered by employees.

Warwickshire Pension Fund and Leicestershire County Council Pension Fund (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 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. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Following the merger on 1st August 2016 the depreciation basis applicable to the assets of what was formerly North Warwickshire and Hinckley College have been applied to the assets formerly owned by

South Leicestershire College (SLC) in order that all assets in the merged entity are depreciated consistently. No historic adjustment was made to the brought forward net book value of the former SLC assets.

a. Land and buildings

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.

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. 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 between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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 income 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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1992, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

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

b. Equipment

Equipment costing less than £1,000 per individual item, with the exception of computers, is written off to the statement of comprehensive income in the period of acquisition. Equipment inherited from the Local Education Authority is included in the balance sheet at valuation. All other equipment is capitalised at cost.

Inherited equipment is depreciated on a straight-line basis over its remaining useful life to the College. All other equipment is depreciated on a straight-line basis over its useful life as follows:

General equipment	10% per year
Motor vehicles	20% per year
Computer equipment	33 1/3% per year

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 relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

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 are generally depreciated and assessed for impairment losses in the same way as owned assets. Where relevant the shorter of the useful economic life or the lease term is used to depreciate the 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.

Intangible Fixed Assets

Negative goodwill in excess of the fair value of non-monetary assets acquired is recognised in the income and expenditure account in the periods expected to benefit from the acquisition.

Investments

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

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

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

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 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 around 4.99% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Provisions

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.

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

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 group's tangible assets.

Other key sources of estimation uncertainty

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to the value the pensions liability at 31 July 2021. 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.

North Warwickshire and South Leicestershire College
Notes to the Accounts (continued)

2 Funding body grants

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult education budget	6,835	6,835	6,242	6,242
Education and Skills Funding Agency – 16 -18	16,546	16,546	14,943	14,943
Education and Skills Funding Agency - apprenticeships	2,224	2,224	2,754	2,754
Office for Students	184	184	170	170
Specific Grants				
Releases of government capital grants	631	631	631	631
Teacher Pension Scheme contribution grant	559	559	483	483
COVID-19 Testing Grant	34	34	0	0
Total	27,013	27,013	25,223	25,223

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	92	92	168	168
Fees for FE loan supported courses	880	880	938	938
Total tuition fees	972	972	1,106	1,106
Education contracts	1,549	1,549	1,692	1,692
Total	2,521	2,521	2,798	2,798

4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Coronavirus Job Retention Scheme grant	32	32	62	62
Non-government capital grants	480	480	467	467
Total	512	512	529	529

The corporation furloughed some of the Estate, Catering, Campus Centre, Business Development and General Assistant Staff under the government's Coronavirus Job Retention Scheme. The funding received of £32,361 relates to staff costs which are included within the staff costs Note 7.

North Warwickshire and South Leicestershire College
Notes to the Accounts (continued)

5 Other income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	57	57	255	255
Other income generating activities	785	785	916	916
Miscellaneous Income	745	745	1,293	1,293
Other grant income	0	0	(77)	(77)
	<u>1,587</u>	<u>1,587</u>	<u>2,387</u>	<u>2,387</u>
Total				

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	0	0	8	8
	<u>0</u>	<u>0</u>	<u>8</u>	<u>8</u>
	<u>0</u>	<u>0</u>	<u>8</u>	<u>8</u>

North Warwickshire and South Leicestershire College

Notes to the Accounts (continued)

7 Staff costs - Group and College

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, was:

	2021 No.	2020 No.
Teaching staff	272	271
Non teaching staff	455	493
	727	764
Staff costs for the above persons		
	2021 £'000	2020 £'000
Wages and salaries	15,848	15,148
Social security costs	1,415	1,366
Other pension costs	5,223	4,837
Payroll sub total	22,486	21,351
Contracted out staffing services	0	0
	22,486	21,351
Fundamental restructuring costs - contractual	3	69
non contractual		
	22,489	21,420

The corporation does not have any salary sacrifice arrangements in place.

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, Deputy Principal and Chief Operating Officer. Staff costs include compensation paid to key management personnel for loss of office.

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

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	3	4

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employers national insurance but including benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2021	2020	2021	2020
	No.	No.	No.	No.
£60,001 to £65,000	-	1	5	-
£65,001 to £70,000	-	-	-	1
£70,001 to £75,000	-	-	2	1
£80,001 to £85,000	-	1	-	-
£95,001 to £100,000	1	1	-	-
£100,001 to £105,000	1	-	-	-
£155,001 to £160,000	-	1	-	-
£165,001 to £170,000	1	-	-	-
	3	4	7	2

North Warwickshire and South Leicestershire College
Notes to the Accounts (continued)

7 Staff costs - Group and College

Key management personnel compensation is made up as follows:

	2021 £'000	2020 £'000
Basic salary	367	395
Performance related pay and bonus	0	0
Benefits in kind	0	0
Pension contributions	51	66
Total key management personnel compensation	<u>418</u>	<u>461</u>

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

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

	2021 £'000	2020 £'000
Basic salary	169	159
Performance related pay and bonus	0	0
Other including benefits in kind	0	0
Pension contributions	<u>29</u>	<u>37</u>
	<u>198</u>	<u>196</u>

In total the remuneration for the Principal and Chief Executive is consistent with the prior year. The Corporation adopted the Senior Post Holder Remuneration Code at its meeting in July 2019 and has fully implemented the Code. The Corporation approved a Senior Post Holder Pay Policy (including a Policy on Income Derived from External Activities) at its meeting on the 12th December 2019. The Corporation received the Annual Senior Post Holder Remuneration Report on the recommendation

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

	2021 £'000	2020 £'000
Principal's basic salary as a multiple of the median of all staff	6.2	6.0
Principal and CEO's total remuneration as a multiple of the median of all staff	6.4	6.0

Compensation for loss of office paid to former key management personnel

	2021 £	2020 £
Compensation paid to the former post-holder - contractual	0	45
Estimated value of other benefits, including provisions for pension benefits	<u>0</u>	<u>0</u>

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

North Warwickshire and South Leicestershire College
Notes to the Accounts (continued)

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,128	1,128	1,212	1,212
Non teaching costs	5,056	5,056	5,326	5,326
Premises costs	1,840	1,840	1,696	1,696
Total	8,024	8,024	8,234	8,234

Other operating expenses include:

	2021	2020
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	35	29
Internal audit**	39	54
Other services provided by the financial statements auditors (VAT Advisory Services)	0	16
Other services provided by the internal auditors	6	0
Losses on disposal of non current assets		
Hire of assets under operating leases	310	318

* includes £29,183 in respect of the College (2019/20 £24,434)

** includes £39,135 in respect of the College (2019/20 £54,386)

9 Interest payable - Group and College

	2021	2020
	£'000	£'000
On bank loans, overdrafts and other loans:	338	371
	338	371
On finance leases	0	0
Net interest on defined pension liability (note 22)	455	465
Total	793	836

North Warwickshire and South Leicestershire College
Notes to the Accounts (continued)

10 Tangible fixed assets (Group and College)

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2020	86,050	50	11,933	425	98,458
Additions	1,128	0	367	153	1,648
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 July 2021	87,178	50	12,300	578	100,106
Depreciation					
At 1 August 2020	20,699	22	10,489	-	31,210
Charge for the year	1,591	4	435	-	2,030
Elimination in respect of disposals	-	-	-	-	-
At 31 July 2021	22,290	26	10,924	-	33,240
Net book value at 31 July 2021	64,888	24	1,376	578	66,866
Net book value at 31 July 2020	65,351	28	1,444	425	67,248

As stated in the policy note the College carries inherited assets at an inherited valuation of £11,699,000. The assets were valued on incorporation and not updated since. The historic cost of the assets is nil.

Land and buildings were valued in 1992 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £11,699,000 have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the funding body, to surrender the proceeds.

The net book value of equipment includes an amount of £Nil (2019/20 – £Nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £Nil (2019/20 – £Nil).

North Warwickshire and South Leicestershire College
Notes to the Accounts (continued)

11 Non current Investments

	College 2021 £'000	College 2020 £'000
Investments in subsidiary companies	180	180
	<u>180</u>	<u>180</u>
Total	<u>180</u>	<u>180</u>

The College owns 100 per cent of the issued share capital of South Leicestershire College Enterprises Limited, (formerly Wigston College Enterprises Limited), a company incorporated and registered in England and Wales. The total investment consists of 180,000 ordinary shares of £1 purchased at nominal value. The principal activity of the company was the supply of heating. It has not traded during the course of the year. The College also owns 100 per cent of the issued ordinary £1 shares of NWHC Services Ltd, a company registered in England and Wales for which the principal activity was educational services.

12 Trade and other receivables

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade receivables	151	151	366	366
Prepayments and accrued income	841	841	847	847
Other debtors	571	571	678	678
Amounts owed by the ESFA	445	445	510	510
	<u>2,008</u>	<u>2,008</u>	<u>2,401</u>	<u>2,401</u>
Total	<u>2,008</u>	<u>2,008</u>	<u>2,401</u>	<u>2,401</u>

North Warwickshire and South Leicestershire College
Notes to the Accounts (continued)

13 Creditors: amounts falling due within one year

	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	484	484	10,236	10,236
Trade payables	1,007	1,007	2,024	2,024
Subsidiary undertakings		216		216
Other Creditors	719	719	244	244
Other taxation and social security	686	686	742	742
Accruals and deferred income	1,716	1,728	1,214	1,226
Deferred income - government capital grants	1,111	1,111	1,109	1,109
Deferred income - government revenue grants	329	329	50	50
Total	<u>6,052</u>	<u>6,280</u>	<u>15,619</u>	<u>15,847</u>

14 Creditors: amounts falling due after one year

	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Bank loans	8,504	8,504	-	-
Other creditors	401	401	913	913
Deferred income - government capital grants	34,104	34,104	33,990	33,990
Total	<u>43,009</u>	<u>43,009</u>	<u>34,903</u>	<u>34,903</u>

North Warwickshire and South Leicestershire College

Notes to the Accounts (continued)

15 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
In one year or less	484	484	10,236	10,236
Between one and two years	1,448	1,448	-	-
Between two and five years	2,477	2,477	-	-
In five years or more	4,579	4,579	-	-
Total	8,988	8,988	10,236	10,236

The College has several long term loans. The first (Lloyds) of £2,635,000 is repayable at 4.725% by instalments falling between September 2010 and August 2034. The second (Lloyds) is for £2,365,000 and is repayable at 6.23% by instalments between August 2012 and August 2034. The third (Lloyds) is for £1,000,000 repayable over twenty years committed until 2 August 2022. The Fourth (RBS) of £5,400,000 is repayable at 2.25% above the banks base rate committed to until 2 August 2022.

Three of the loans are with Lloyds Bank PLC and one with RBS. The College holds the freehold to the following properties. Lower Bond Street, Hinckley which has a carrying value of £9,631,789 and North Warwickshire and Hinckley College, Hinckley Rd, Nuneaton which has a carrying value of £9,446,777. These two properties are detailed as the NWHC property. South Leicestershire College, Blaby Rd, Wigston, LE18 4PH which has a carrying value of £30,871,453. This property is detailed as the SLC property. The security for the loans ranks as follows. In respect of the NWHC Property, First - Lloyds, Second - RBS, Third - Secretary of State for Education. In respect of the SLC property First - RBS, Second - Lloyds, Third - Secretary of State for Education. If the College were to default on loan payments these assets could be taken as a charge. The College has never made such defaults in the past and anticipates being able to make all future payments as they fall due.

North Warwickshire and South Leicestershire College
Notes to the Accounts (continued)

16 Provisions

	Group and College	
	Enhanced	Total
	pensions	
	£'000	£'000
At 1 August 2020	236	236
Expenditure in the period	(20)	(20)
Transferred from income and expenditure account	(2)	(2)
At 31 July 2021	214	214

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2021	2020
Price inflation	1.60%	1.30%
Discount rate	2.60%	2.20%

17 Cash and cash equivalents

	At 1 August	Cash	At 31 July
	2020	flows	2021
	£'000	£'000	£'000
Cash and cash equivalents	1,044	(28)	1,016
Overdrafts	-	-	-
Total	1,044	(28)	1,016

18 Capital commitments

At 31st July 2021 the College had no material capital commitments

North Warwickshire and South Leicestershire College **Notes to the Accounts (continued)**

19 Lease Obligations

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

	Group and College	
	2021	2020
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	240	194
Later than one year and not later than five years	866	734
later than five years	0	180
	<u>1,106</u>	<u>1,108</u>
Other		
Not later than one year	189	346
Later than one year and not later than five years	257	348
later than five years	0	0
	<u>446</u>	<u>694</u>
Total lease payments due	<u>1,552</u>	<u>1,802</u>

20 Contingent liabilities

There are no material contingent liabilities requiring disclosure as at 31st July 2021

21 Events after the reporting period

There are no events after the reporting period requiring disclosure

North Warwickshire and South Leicestershire College

Notes to the Accounts (continued)

22 Defined benefit obligations

The College's employees belong to three principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and two Local Government Pension Schemes (LGPS) for non-teaching staff, one of which is managed by Warwickshire County Council and the other by Leicestershire County Council. All are multi-employer defined-benefit plans.

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 2019 and of the LGPS 31 March 2019.

Total pension cost for the year	2021 £'000	2020 £'000
Teachers Pension Scheme: contributions paid	1,641	1,542
Local Government Pension Scheme:		
Contributions paid	1,668	1,687
FRS 102 (28) charge	<u>1,928</u>	<u>1,623</u>
Charge to the Statement of Comprehensive Income	3,596	3,310
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year within staff costs	<u>5,237</u>	<u>4,852</u>

Teachers' Pension Scheme

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

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

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

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

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

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

North Warwickshire and South Leicestershire College

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Teachers' Pension Scheme (Continued)

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19. DFE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

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

The pension costs paid to TPS in the year amounted to £1,641,000 (2020: £1,542,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Leicestershire County Council (LCC) and Warwickshire County Council (WCC). The total contribution made for the year ended 31 July 2021 was £2,117,000, of which employer's contributions totalled £1,668,000 and employees' contributions totalled £449,000. The agreed contribution rates for future years are 21.7% (WCC) and 21.8% (LCC) for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary. **As two LGPS schemes are being reported on where the figures are not common the WCC figure will be quoted first followed by the LCC equivalent.**

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.6%, 3.3%	2.9%, 2.6%
Future pensions increases	2.80%	2.10%
Discount rate for scheme liabilities	1.60%	1.40%
Inflation assumption (CPI)	2.80%	2.10%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2021 years	At 31 July 2020 years
<i>Retiring today</i>		
Males	21.8, 21.7	21.6, 21.5
Females	24.2, 24.2	23.8, 23.8

North Warwickshire and South Leicestershire College
Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Retiring in 20 years

Males	23.0, 22.6	22.5, 22.2
Females	26.1, 25.9	25.4, 25.2

Sensitivity analysis	At 31 July 2021 £'000	At 31 July 2020 £'000
Discount rate -0.1%	2,367	10,427
Salary Increase Rate +0.1%	161	733
Pension Increase Rate +0.1%	2,172	9,510
1 Year Increase in member life expectancy	4,205	0

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

	Long-term rate of return expected at 31 July 2021	Fair Value at 31 July 2021 £'000	Long-term rate of return expected at 31 July 2020	Fair Value at 31 July 2020 £'000
Equity instruments	1.60%		1.60%	
Debt instruments	1.60%		1.60%	
Property	1.60%		1.60%	
Cash	1.60%		1.60%	
Total fair value of assets		<u>71,982</u>		<u>58,820</u>
Actual return on plan assets		<u>11.684</u>		<u>(4.431)</u>

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

	2021 £'000	2020 £'000
Fair value of plan assets	71,982	58,820
Present value of plan liabilities	(105,134)	(90,407)
Present value of unfunded liabilities	-	-
Net pensions (liability) (Note 22)	<u>(33,152)</u>	<u>(31,587)</u>

Enhanced pension benefits

	Group and College	
	Enhanced pensions £'000	Total £'000
At 1 August 2020	236	236
Expenditure in the period	(20)	(20)
Transferred from income and expenditure	(2)	(2)
At 31 July 2021	<u>214</u>	<u>214</u>

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

North Warwickshire and South Leicestershire College

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	3,596	3,310
Past service cost	0	0
Total	3,596	3,310

Amounts included in investment income

Net interest income	455	465
	455	465

Amounts recognised in Other Comprehensive Income

Changes in demographic assumptions	(1,351)	(1,605)
Return on pension plan assets	11,684	(4,431)
Experience losses arising on defined benefit obligations	1,224	5,420
Changes in assumptions underlying the present value of plan liabilities	(10,739)	(7,587)
Amount recognised in Other Comprehensive Income	818	(8,203)

Movement in net defined benefit (liability)/asset during the year

	2021 £'000	2020 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(31,587)	(21,296)
Movement in year:		
Current service cost	(3,596)	(3,310)
Employer contributions	1,668	1,687
Past service cost	-	-
Net interest on the defined (liability)/asset	(455)	(465)
Actuarial gain or loss	818	(8,203)
Net defined benefit (liability) at 31 July	(33,152)	(31,587)

North Warwickshire and South Leicestershire College
Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Asset and Liability Reconciliation

	2021	2020
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	90,407	82,546
Current Service cost	3,596	3,310
Interest cost	1,283	1,761
Contributions by Scheme participants	449	443
Experience gains and losses on defined benefit obligations	(1,224)	(5,420)
Changes in financial assumptions	10,739	7,587
Estimated benefits paid	(1,467)	(1,425)
Past Service cost	1,351	1,605
Curtailments and settlements		
Defined benefit obligations at end of period	<u>105,134</u>	<u>90,407</u>
Changes in fair value of plan assets		
Fair value of plan assets at start of period	58,820	61,250
Interest on plan assets	828	1,296
Return on plan assets	11,684	(4,431)
Employer contributions	1,668	1,687
Contributions by Scheme participants	449	443
Estimated benefits paid	(1,467)	(1,425)
Fair value of plan assets at end of period	<u>71,982</u>	<u>58,820</u>

North Warwickshire and South Leicestershire College

Notes to the Accounts (continued)

23 Related party transactions

Due 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 Governors during the year was £0 (2019/20 £154.64). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

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

Midland Academies Trust

The College has a formal relationship with the Midland Academies Trust as its sponsor.

During 2020/21 the Trust comprised four Academies (George Eliot, The Nuneaton Academy, Hartshill, and Heath Lane). Heath Lane was formed following the merger of William Bradford Community College and the Heathfield Academy. The College, as sponsor, supplied support to the Trust on a consultancy basis. Charges for this were as follows;

	2021 £'000	2020 £'000
Finance Support	129	171
Clerking, Legal and Sponsor Support	53	82
HR and Payroll Support	94	81
Estates Support	30	12
IT Support (including reprographics)	206	163
Chaplaincy Services	6	7
Marketing Services	30	12
	<u>548</u>	<u>528</u>

24 Amounts disbursed as agent

Learner support funds

	2021 £'000	2020 £'000
Carried Forward	(1)	0
16-18 bursary grants	914	1027
Other Funding body grants	0	0
Interest earned	<u>0</u>	<u>0</u>
	913	1,027
Disbursed to students	(763)	(1,000)
Administration costs	(27)	(27)
	<u>123</u>	<u>-</u>
Balance unspent as at 31 July, included in creditors		

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.