

# **NORTH WARWICKSHIRE AND SOUTH LEICESTERSHIRE COLLEGE**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDING 31<sup>ST</sup> JULY 2022**

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## **Reference and Administrative Details**

### **Corporation Members**

H Holley  
S Kirby  
R Linforth  
A Majithia  
B Mosavian  
M Plant  
C Read  
T Simkins  
A Turner  
L Newitt  
N Simkins

**Clerk to the Corporation** Rachel Marshall

### **Senior management team**

Marion Plant	Principal and Chief Executive Officer
Tom Hamilton-Dick	Deputy Principal Curriculum & Innovation
David Poole	Chief Operating Officer/Deputy Chief Executive Officer

**Principal and Registered Office** NWSLC, Hinckley Road, Nuneaton, Warwickshire, CV11 6BH

### **Professional Advisers**

External Auditors:	MacIntyre Hudson LLP, 11 Merus Court, Meridian Business Park, Leicester
Internal auditors:	RSM UK LLP, The Pinnacle, 170 Midsummer Blvd, Milton Keynes
Bankers:	Lloyds TSB Bank Plc, 17-23 Coventry Street, Nuneaton National Westminster Bank/RBS, 7 Hinckley Road, Leicester
Legal advisors:	Shakespeare Martineau LLP, No 1 Colmore Square, Birmingham

## **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 31<sup>st</sup> July 2022.

#### **Legal status**

Following the merger on 1<sup>st</sup> 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 1<sup>st</sup> 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 2021-22 were:

- **Achieve an operating surplus (pre Local Government Pension transactions) of £502,000.** The actual operating position is a surplus of £619,000. The Local Government Pension transaction charges totalled (£3,151,000) which when added to the operating surplus of £619,000 reconcile back to the loss of (£2,532,000) shown in the Statement of Comprehensive Income and Expenditure.
- **To comply with its bank covenants.** All bank covenants that were applicable as at 31<sup>st</sup> July were met. The College has re-negotiated its bank loans and covenants in the academic year 2021-22.
- **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 £2,532,000 (2020-21: deficit of £1,703,000), with total comprehensive income of £33,771,000, (2020-21: (£885,000)). 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 £2,532,000. However, the following exceptional item should be noted;

- The Local Government Pension adjustment – £3,151,000 charge.

Taking this exceptional item into account the College's underlying trading position was a profit of £619,000.

The College has seen a material swing in respect of the liability it carries for the two LGPS pension schemes which it has members in. Based on independent actuarial assessments the previous deficit of £33,152,000 has been reduced to £0. To reflect this the College has to make several entries in its financial statements which, although non-cash items, are significant from a presentational point of view.

The main reason for the large reduction in liability is the discount rate used by the scheme actuaries. A description of this is included below, taken from their covering report.

*As at the Accounting Date, the net discount rate (discount rate net of inflation) has significantly increased compared to the previous year's Accounting Date. The increase in the discount rate assumption coupled with the slight decrease in the CPI assumption will result in a gain on the Employer's balance sheet as at the Accounting Date. This is shown in the 'Changes in financial assumptions' within the Balance Sheet of the Results Schedule. For a medium duration LGPS employer, this could be of the order of 40-50% of obligations.*

This change in liability presents itself on the Statement of Comprehensive Income as a positive actuarial gain of £36,303,000. This is not the operating surplus the College has made and merely represents the required accounting treatment of the reduction in pension liability. The adjustment also carries through to the Statement of Changes in Reserves and the Balance Sheet.

During the year the College purchased £629,000 of tangible fixed assets (£1,649,000 in 2020-21). This included assets in relation to the MIRA Technology Institute project which is a bespoke high-level Engineering facility built in collaboration with three Universities and HORIBA MIRA. The College did not incur any one-off costs associated with the restructure of staff in the year (£3,000 in 2020-21).

## **Reserves**

As at 31<sup>st</sup> July 2022, the College held a general reserve of £20,729,000 which includes a pension reserve of (£0). The actuarial reports in terms of the LGPS pension schemes suggest a surplus of assets over liabilities of £4,930,000. In accordance with FRS102, a pension scheme asset is only recognised to the extent that it is recoverable. As the College cannot demonstrate that this asset is recoverable via a cash payment or reduction in future premiums it has not been recognised in the primary statements. A zero position has been reflected.

The College had cash reserves of £1,823,000 (2020-21: £1,016,000).

At the end of 2021-22, the College financial health "requires improvement" based on ESFA's formulae.

The College generated a net operating cash inflow in 2021-22 of £807,000 (2020-21: (£28,000)).

## **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 2021-22. NWHC Services is a dormant company.

South Leicestershire College Enterprises Ltd was set up to supply heating and photocopying services to South Leicestershire College. It has not traded in 2021-22 and is a dormant company.

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 2021/22 the ESFA funding body provided 77% 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 £12,388,000.

## **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 2021-22 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.

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 (MAT) 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.

## **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:

<b>UK Greenhouse gas emissions and energy use data for the period</b>	<b>August 2021 to 31 July 2022</b>	<b>1 August 2020 to 31 July 2021</b>
Energy consumption used to calculate emissions (kWh)	7,334,946	6,810,004
<u>Energy consumption break down (kWh)</u>		
gas	4,418,258	2,908,503
electricity	2,696,200	3,795,495
transport fuel	220,488	106,005
 <u><b>Scope 1 emissions in metric tonnes CO<sub>2</sub>e</b></u>		
Gas consumption	809.25	534.79
Owned transport – mini-buses	3.27	2.45
<b>Total Scope 1</b>	<b>812.52</b>	<b>537.24</b>
 <u><b>Scope 2 emissions in metric tonnes CO<sub>2</sub>e</b></u>		
Purchased electricity	572.48	884.88
 <u><b>Scope 3 emissions in metric tonnes CO<sub>2</sub>e</b></u>		
Business travel in employee owned vehicles	49.98	23.06
<b>Total gross emissions in metric tonnes CO<sub>2</sub>e</b>	<b>1,434.98</b>	<b>1,445.18</b>
Intensity ratio Tonnes CO <sub>2</sub> e per pupil	0.19	0.16

### **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 CO<sub>2</sub>e per pupil, the recommended ratio for the sector.

### **Measures taken to improve energy efficiency**

During this period, we have:

- installed more LED lighting across our campuses



- use Biomass at our Wigston campus
- undertaken a phased replacement of the underground gas pipework at our Nuneaton Campus.
- gained better control of our BMS system for heating & hot water
- reduced opening hours on sites in holidays. Staff continue to attend meetings online.

## 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 £8.51m of loans outstanding with a combination of Lloyds (3 loans) and Natwest/RBS. All loans were re-negotiated in the academic year 2021-22. The loan with RBS is repayable by December 2037, and the loan with Lloyds are term loans with a payment profile of 20 years.

The College was fully compliant with the covenants agreed to 31<sup>st</sup> July 2022, and its bankers agreed three new covenants at the same time as extending the loans as below:

- 1) **Leverage** - to maintain Leverage measured as Gross Debt over EBITDA at or below 5x beginning the quarter ended Oct 2022.
- 2) **Cash Reserves** - to maintain a minimum cash balance of £250k in Feb and Mar 2023, and £850k for the rest of the financial year.
- 3) **Debt Service** - to ensure Cash Flow Available For Debt Service (CFADS) in the year is maintained at 1.1.

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 2022, the College held a general reserve of £20,729,000 which includes a pension reserve of £0. The College had cash reserves of £1,823,000 (2020-21: £1,016,000).

The College generates a three-year Medium-Term Business Plan (MTBP) each year. The latest MTBP extends out to 2023-2025. The forecasts and financial projections within this plan indicate that the College will be able to operate within its existing facility for the next twelve months from the signing of these financial statements.

The College is facing new challenges such as the volatility in the energy market and higher than usual levels of inflation. The College has managed to fix its unit rates for gas and electricity until the end of September 2023 below the deemed market value and is working through mitigating actions to address further challenges.

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 or above the required 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. 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 2021-22, the impact of the COVID-19 pandemic has manifested in students joining the College with higher levels of anxiety and requirements around mental health, which the College has resourced to support. Unlike previous years, assessment took place as normal in the 2021-22 College year. There was a notable change in students entry grade profiles in the 2021/22 college year, with students coming with higher than anticipated GCSE outcomes, particularly in English and maths, their grades were not reflective of their performance through the College initial diagnostic assessment.

Currently, NWSLC is finalising achievement rates based on the assessment processes internally and externally. Initial indications are that students have been successful in their qualifications when compared to previous College performance in 2020/21 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). For the 2022/23 College year the College has moved away from Functional Skills English and maths and will only be delivering English and maths at GCSE (where appropriate), it is expected that this decision will have a positive impact on progress and outcomes for students requiring English and/or maths as part of their study programme.

Recruitment dipped in the 2021-22 for 16-18 study programmes, a trend that was replicated at other local Further Education providers, it has been widely accepted that this was a result of students gaining higher GCSE grades as part of the teacher assessed grades process. Under the lagged funding methodology, the decrease in core funded income did not impact in the 2021-22 year but is reflected in the contract for 2022/23. Robust management of operational budgets and increased scrutiny has continued to contribute to the transformation of the financial performance of the College, which continues to be graded as requires

improvement by the ESFA. Whilst the enrolment process is ongoing until October, current numbers suggest core income stream targets will be met, with potential growth in several areas.

The College had several positive in year changes in the 2021-22 year, which included the ongoing development of T-level for all relevant routes, which are now being offered as part of the 2022-23 curriculum. 'Supported Internships', are also a key driver for the College in becoming OFSTED outstanding, and were successfully launched with a full cohort of ten students completing their qualifications and gaining employment as a result of their internship. For a third 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 College returned to an onsite delivery model throughout the 2021-22 College year, which has been well received by students and stakeholders and is in line with expectations from DFE and OFSTED. Throughout the year the College was able to flex and adjust delivery to ensure students continued to get their planned delivery, including the successful implementation of 'small groups' as part of the government 16-19 Tuition Fund support package, which was reviewed by OFSTED as part of a national research programme, with positive feedback in June 2022.

The College has continued the planned new build project as part of the 'Nuneaton Towns redevelopment' bid and is working with stakeholders on the development of a new digital learning hub in the town centre. This will see the rehousing of the College's catering provision and training restaurant into the town centre.

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 the same high level of enrolment on distance learning provision and plans to maintain this level of enrolment in to the 2022-23 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, Coventry University.

## **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. There are a range of initiatives developed by the College, often working with external partners, to diversify the college income and continue to effectively address local, regional and national skills needs and ensure we are the first-choice college for employers and wider stakeholders.

The College currently engages with several employers annually from across our regions and is working collaboratively with other local colleges in the development of new projects funded by the DfE such as the Strategic Development Fund (SDF), which focus on developing new curriculum in priority sectors. The College is currently leading a c.£2.75m SDF project with three other regional colleges to develop new employer focused training programmes in electric and hydrogen vehicles. This establishes the college as the first in the UK to deliver training on Hydrogen Heavy Goods Vehicles to several employers initially.

Other significant live projects include:

- **Mira Technology Institute (MTI)** - In partnership with HORIBA MIRA (Motor Industry Research Association), the local LEP and three universities, the College opened the MTI in September 2018 after many years of development.
- **AutoLive** - A UFI funded programme which has seen the College receiving c. £250,000 funding to develop a virtual training tool for manufacturing businesses using Virtual Reality (VR) gaming technology to provide health and safety and production management training.

- **CLEAR** – Developed in partnership with GLP and Wincanton, the purpose developed will provide apprenticeship and full cost training to the logistics and supply chain sector.

## **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 2021 to 31 July 2022, the College paid 37 per cent of its invoices within 30 days. Allowing for acceptable workflow delays, 48 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.

## **Key Performance Indicators**

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

First and foremost, student recruitment, retention and achievement are measured internally and 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 2022
Mean gender pay gap	4.92%
Median gender pay gap	20.99%
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	32%	68%
2	20%	80%
3	35%	65%
4 – Upper quartile	49%	51%

### 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 three employees that this relates to in 2021-22 with the time being spent and approximate costs shown below.

Percentage of time	Number of employees
0%	0
1-50%	3
51-99%	0
100%	0

Total cost of facility time	£14,424
Total pay bill	£15,944,095
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
- combined authority
- banks
- 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 several 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 as below.

### **Financial**

At the balance sheet date the College had £20,729,000 of net Assets including a £0 pension liability (£33,152,000 at 31<sup>st</sup> July 2021), and long term debt of £8,511,000 (2020-21; £8,988,000).

### **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 2021-22 the College continued to expend funds to ensure all its sites remained fit for purpose.

### **People**

During the year the College employed an average of 726 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 15<sup>th</sup> December 2022 and signed on its behalf by:**



**R Linforth  
Chair of Corporation**

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- 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 31<sup>st</sup> July 2022. This opinion is based on an internal review undertaken against the Code and presented to the People, Strategy & Governance Committee on 27<sup>th</sup> October 2022. 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 (and updated by the AoC in September 2021), which it formally adopted on 25<sup>th</sup> June 2015, on the basis it comprehensively reflects the Corporation's legal structure, operations and stakeholders. The Corporation has complied with that Code during 2021/22. 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 2021/22	Overall Att. 2021/22
Mrs K Baxter	22/02/2019	4 years to 31/07/2023	16/10/2021	Staff	SLQ	50%
Mr C Brewer	01/08/2018	4 years to 31/07/2022	31/07/2022	External	Audit	83%
Mr D Cooper	01/08/2018	4 years to 31/07/2022	31/07/2022	External	Resource	41%
Mrs H Holley	11/05/2020 08/07/2021	1 year to 31/07/2021 4 years to 31/07/2025	31/07/2021	External	Audit	83%
Mr R Hothi	02/02/2021	1 year to 31/07/2022	08/10/2021	External	SLQ	0%
Mr S Kirby	08/07/2021 05/07/2022	1 year to 31/07/2022 4 years to 31/07/2026	31/07/2022	External	SLQ	75%
Mrs T Lakhani	12/07/2018 11/07/2019 09/07/2020 20/09/2021	1 year to 31/07/2019 1 year to 31/07/2020 1 year to 31/07/2021 4 years to 31/07/2025	31/07/2019 31/07/2020 31/07/2021 20/06/2022	Co-optee Co-optee Co-optee External	Audit	35%
Prof R Linforth	01/08/2017 08/07/2021	4 years to 31/07/2021 4 years to 31/07/2025	31/07/2021	External	PSG / SLQ	75%
Mr A Majithia	01/08/2018 05/07/2022	4 years to 31/07/2022 4 years to 31/07/2026	31/07/2022	External	Audit	90%
Mrs B Mosavian	16/03/2022	4 years to 31/07/2026	29/09/2022	Staff	SLQ	83%
Ms L Newitt	30/09/2020 08/07/2021	1 year to 31/07/2021 1 year to 31/07/2022	31/07/2021 31/07/2022	Co-optee	SLQ	50%



Name	Appointment	Term of Office	Resignation / Tenure End	Status	Committees Served 2021/22	Overall Att. 2021/22
	05/07/2022	1 year to 31/07/2023				
Mrs M Plant	03/04/2004	Ex-officio Principal	-	Principal	PSG / SLQ Resource	100%
Mr C Read	01/08/2018 01/08/2022	4 years to 31/07/2022 4 years to 31/07/2026	31/07/2022	External	Resource / PSG	100%
Mr N Simkins	05/07/2022	1 year to 31/07/2023	-	Co-optee	Audit	
Mrs T Simkins	22/02/2019 09/07/2020	1 year to 31/07/2020 4 years to 31/07/2024	31/07/2020	External	Resource	90%
Dr A Turner	23/01/2020 08/07/2021	1 year to 31/07/2021 4 years to 31/07/2025	31/07/2021	External	SLQ	90%
Miss C Walton	26/09/2019 30/09/2020 28/09/2021	1 year to 31/07/2020 1 year to 31/07/2021 1 year to 31/07/2022	31/07/2020 03/07/2021 31/07/2022	Student	SLQ	100%
Mrs R Marshall acts as Clerk to the Corporation						

**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 concerning 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 2021/22 the Corporation met on 7 occasions. Four meetings were held via Microsoft Teams Meetings, (due to compliance with 'Covid-19 Government requirements and College policy) and the final meeting of the year was held on campus. These meetings also included the annual Creative Meeting and the Strategy Day which were conducted as hybrid meetings with Members in attendance and joining through Microsoft Teams Meetings.

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 25<sup>th</sup> March 2020) continued throughout the year and in line with the approach agreed at the Corporation meeting on 9<sup>th</sup> 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 several 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 2021/22: 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. During the year, the Clerk undertook a number of development activities including attending AoC Midlands Clerks & Governance Professionals' Network, participating in a number of governance development webinars and online training and the Clerks' Network DPO Group and a schools/trust DPO group.

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.

### **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 Corporation carried out a self-assessment of its own performance for the year ended 31 July 2022 and graded itself as 'Good' on the Ofsted scale. Corporation committees also undertake annual effectiveness reviews and reviews against their terms of reference.

The Corporation is committed to development and undertook the following development activities during 2022:

- Updating themselves on the amendments to the Keeping Children Safe in Education Guidance.
- Attending four update briefings delivered before Corporation meetings.
- Two new Members attended two induction sessions delivered by the Clerk to the Corporation.

In line with Department for Education guidance on Board reviews 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 has commissioned an external governance review to take place during the spring term of academic year 2022/23.

## People Strategy & Governance Committee

Throughout the year ending 31<sup>st</sup> July 2022, the People Strategy & Governance Committee comprised six 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 two 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, effective and timely and that appropriate advice on membership matters had been provided;
- 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 31<sup>st</sup> July 2022 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;
- 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; and
- receive and consider reports from the main FE funding bodies as they affect the College's business.

The College's internal audit 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.

The members of the Committee and their attendance records are shown below:

<b>Committee Member</b>	<b>Meetings Attended</b>
C Brewer	4
H Holley	4
T Lakhani	1
A Majithia	5

### **Resource Committee**

The Resource Committee comprised five Corporation members. The Committee operated in accordance with written terms of reference approved by the Corporation. The Committee met 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; and
- 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 met 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, and 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 31<sup>st</sup> July 2022 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 31<sup>st</sup> July 2022 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; and
- 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.

### *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 an operational level risk report which includes relevant key operational, financial, compliance, and other risks. The report is owned and reviewed by the Executive and scrutinised and challenged by the Audit Committee at each of its meetings and by the Corporation. The Audit Committee receives a risk owner briefing at each of its meetings.

The Chief Operating Officer/Deputy Chief Executive 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 2021/22 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 2021/22 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. For the 12 months ended 31<sup>st</sup> July 2022 the internal audit opinion for North Warwickshire and South Leicestershire College was, based on the work undertaken during the year that “the organisation has an adequate and effective framework for risk management, governance and internal control. The internal audit work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”

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

<b>Internal Audits Undertaken</b>	<b>Opinion</b>	<b>Recommendations</b>
Follow-up of Secure Remote Working, Information Security and Operational Resilience Arrangements - January 2022	Reasonable Progress	3 medium priority management actions
Framework for Compliance with Legal Requirements: Health and Safety - February 2022	Reasonable Assurance	2 low and 3 medium priority management actions
Framework for Compliance with Legal and Regulatory Requirements: GDPR Governance Framework - March 2022	No Opinion - Advisory	7 advisory management actions
Framework for Compliance with Legal and Regulatory Requirements: Student Welfare - April 2022	Reasonable Assurance	10 low and 1 medium management recommendations
Framework for Efficiency - Curriculum Planning - May 2022	Substantial Assurance	2 low priority management actions
Follow-Up - June 2022	Reasonable Progress	7 low and 4 medium priority management actions
HE Data - Learner Number Systems - July 2022	No Opinion - Advisory	2 low and 4 medium priority management actions
Key Operational Controls - August 2022	Substantial Assurance	6 low and 1 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

The committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

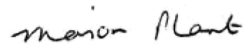
The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2022 meeting, the Corporation carried out the annual assessment for the year ended 31<sup>st</sup> July 2022 by considering documentation from the senior management team and internal audit and taking account of events since 31<sup>st</sup> July 2022.

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"*.

**Approved by order of the Members of the Corporation on 15<sup>th</sup> December 2022 and signed on its behalf by:**



**R Linforth**  
**Chair of Corporation**



**M Plant**  
**Principal and Accounting Officer**

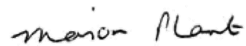


### **Statement of Regularity, Propriety and Compliance**

As accounting officer I confirm that the corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.

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

I 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 ESFA.



**M Plant**  
**Principal and Accounting Officer**  
**Date:** 15 December 2022

### **Statement of the chair of governors**

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



**R Linforth**  
**Chair of Corporation**  
**Date:** 15 December 2022

## 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, and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.

The corporation is also required to prepare a 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 15<sup>th</sup> December 2022 and signed on its behalf by:**



**R Linforth**  
**Chair of Corporation**

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

### **Opinion**

We have audited the financial statements of the Corporation of North Warwickshire and South Leicestershire College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2022 which comprise the Consolidated and College statements of comprehensive income and expenditure, the Consolidated and College statements of changes in reserves, the Group and College balance sheets, the Consolidated statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is 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 Group's and of the College's affairs as at 31 July 2022 the Group's and College's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

### **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 Group and College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Matters on which we are required to report by exception**

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

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

## **Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)**

In our opinion, in all material respects

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students and the Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions.
- The requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matters:

- The College's grant and fee income, as disclosed in the financial statements, has been materially misstated; or
- The College's expenditure for the financial year, as disclosed in the financial statements, has been materially misstated.

We have no matters to report arising from this responsibility.

## **Responsibilities of the Governing Body of North Warwickshire and South Leicestershire**

As explained more fully in the Statement of Corporation Responsibilities on page 26, the Members of the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing Body 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 Governing Body is responsible for assessing the Group's and the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Body either intends to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below

- Obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Group operates in and how the Group is complying with the legal and regulatory frameworks;

- Enquiry of management and those charged with governance actual and potential litigation and claims;
- Enquiry of College staff to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

### **Use of our report**

This report is made solely to the Governing Body, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.



**MHA MacIntyre Hudson**  
**Leicester, United Kingdom**

Date: 21 December 2022

## **Independent Reporting Accountant's 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 7 November 2022 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by North Warwickshire and South Leicestershire College during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

### **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 & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

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

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;

- Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, that the financial transactions do not conform to the authorities that govern them nor have been improper.



MHA MacIntyre Hudson  
Leicester, United Kingdom  
Date: 21 December 2022

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

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group £'000	College £'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	2	25,933	25,933	27,013	27,013
Tuition fees and education contracts	3	2,763	2,763	2,521	2,521
Other grants and contracts	4	459	459	512	512
Other income	5	2,686	2,686	1,587	1,587
Investment income	6	-	-	-	-
<b>Total income</b>		<b>31,841</b>	<b>31,841</b>	<b>31,633</b>	<b>31,633</b>
<b>EXPENDITURE</b>					
Staff costs	7	23,280	23,280	22,489	22,489
Other operating expenses	8	8,188	8,188	8,024	8,024
Depreciation	10	2,021	2,021	2,030	2,030
Interest and other finance costs	9	884	884	793	793
<b>Total expenditure</b>		<b>34,373</b>	<b>34,373</b>	<b>33,336</b>	<b>33,336</b>
<b>Deficit before other gains and losses</b>		<b>(2,532)</b>	<b>(2,532)</b>	<b>(1,703)</b>	<b>(1,703)</b>
Profit on disposal of assets	10	-	-	-	-
<b>(Deficit) before tax</b>		<b>(2,532)</b>	<b>(2,532)</b>	<b>(1,703)</b>	<b>(1,703)</b>
<b>(Deficit) for the year</b>		<b>(2,532)</b>	<b>(2,532)</b>	<b>(1,703)</b>	<b>(1,703)</b>
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial gain/(loss) in respect of pensions schemes	22	36,303	36,303	818	818
<b>Total Comprehensive Income for the year</b>		<b>33,771</b>	<b>33,771</b>	<b>(885)</b>	<b>(885)</b>
<b>Represented by:</b>					
Unrestricted comprehensive income		33,771	33,771	(885)	(885)
Restricted comprehensive income		-	-	-	-
		<b>33,771</b>	<b>33,771</b>	<b>(885)</b>	<b>(885)</b>



**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
<b>Group</b>				
<b>Balance at 1st August 2020 Restated</b>	(20,978)	8,869	-	(12,109)
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)	-	-
	(621)	(264)	-	(885)
<b>Balance at 31st July 2021</b>	(21,599)	8,605	-	(12,994)
Surplus/(deficit) from the income and expenditure account	(2,532)	-	-	(2,532)
Other comprehensive income	36,303	-	-	36,303
Transfers between revaluation and income and expenditure reserves	264	(264)	-	-
<b>Total comprehensive income for the year</b>	34,035	(264)	-	33,771
<b>Balance at 31 July 2022</b>	<b>12,436</b>	<b>8,341</b>	-	<b>20,777</b>
<b>College</b>				
<b>Balance at 1st August 2020 Restated</b>	(21,026)	8,869	-	(12,157)
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)	-	-
	(621)	(264)	-	(885)
<b>Balance at 31st July 2021</b>	(21,647)	8,605	-	(13,042)
Surplus/(deficit) from the income and expenditure account	(2,532)	-	-	(2,532)
Other comprehensive income	36,303	-	-	36,303
Transfers between revaluation and income and expenditure reserves	264	(264)	-	-
<b>Total comprehensive income for the year</b>	34,035	(264)	-	33,771
<b>Balance at 31 July 2022</b>	<b>12,388</b>	<b>8,341</b>	-	<b>20,729</b>

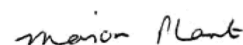
**North Warwickshire and South Leicestershire College**  
**Balance sheets as at 31 July 2022**

	Notes	Group 2022 £'000	College 2022 £'000	Group Restated 2021 £'000	College 2021 £'000
<b>Non current assets</b>					
Tangible fixed assets	10	65,474	65,474	66,866	66,866
Investments	11	-	180	-	180
		<b>65,474</b>	<b>65,654</b>	<b>66,866</b>	<b>67,046</b>
<b>Current assets</b>					
Trade and other receivables	12	1,993	1,993	1,687	1,687
Cash and cash equivalents	17	1,823	1,823	1,016	1,016
		<b>3,816</b>	<b>3,816</b>	<b>2,703</b>	<b>2,703</b>
<b>Less: Creditors – amounts falling due within one year</b>	13	(7,109)	(7,337)	(6,188)	(6,416)
<b>Net current liabilities</b>		<b>(3,293)</b>	<b>(3,521)</b>	<b>(3,485)</b>	<b>(3,713)</b>
<b>Total assets less current liabilities</b>		<b>62,181</b>	<b>62,133</b>	<b>63,381</b>	<b>63,333</b>
Less: Creditors – amounts falling due after more than one year	14	(41,233)	(41,233)	(43,009)	(43,009)
<b>Provisions</b>					
Defined benefit obligations	22	-	-	(33,152)	(33,152)
Other provisions	16	(171)	(171)	(214)	(214)
<b>Total Net Assets/(Liabilities)</b>		<b>20,777</b>	<b>20,729</b>	<b>(12,994)</b>	<b>(13,042)</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		12,436	12,388	(21,599)	(21,647)
Revaluation reserve		8,341	8,341	8,605	8,605
<b>Total unrestricted reserves</b>		<b>20,777</b>	<b>20,729</b>	<b>(12,994)</b>	<b>(13,042)</b>
<b>Total reserves</b>		<b>20,777</b>	<b>20,729</b>	<b>(12,994)</b>	<b>(13,042)</b>

The financial statements on pages 32 to 61 were approved and authorised for issue by the Corporation on 15th December 2022 and were signed on its behalf on that date by:



**R Linforth**  
**Chair of Corporation**



**M Plant**  
**Principal and Accounting Officer**

# North Warwickshire and South Leicestershire College

## Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
<b>Cash inflow from operating activities</b>			
Surplus/(deficit) for the year		(2,532)	(1,703)
<b>Adjustment for non cash items</b>			
Depreciation	10	2,021	2,030
Deferred Capital grants released to income		(1,084)	(1,111)
(Increase)/decrease in debtors		(306)	394
Increase/(decrease) in creditors due within one year		539	(330)
Increase/(decrease) in creditors due after one year		-	-
Increase/(decrease) in provisions		(43)	(22)
Pensions costs less contributions payable		3,151	2,383
<b>Adjustment for investing or financing activities</b>			
Investment income	6	-	-
Interest payable	9	333	338
Profit on sale of fixed assets		-	-
		<b>2,079</b>	<b>1,979</b>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	-
Investment income	6	-	-
Payments made to acquire fixed assets		(629)	(1,649)
		<b>(629)</b>	<b>(1,649)</b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(333)	(338)
ESFA capital grants received		-	1,212
Other project capital grants received		167	15
New unsecured loans		-	-
Repayments of amounts borrowed		(477)	(1,247)
		<b>(643)</b>	<b>(358)</b>
<b>Increase/(Decrease) in cash and cash equivalents in the year</b>		<b>807</b>	<b>(28)</b>
Cash and cash equivalents at beginning of the year	17	1,016	1,044
Cash and cash equivalents at end of the year	17	1,823	1,016

## **Notes to the Financial Statements for the year ended 31 July 2022**

### **Statement of accounting policies and estimation techniques**

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

#### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2021-22 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College’s accounting policies.

#### **Basis of accounting**

The financial statements are prepared 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 2021-22. Both companies are dormant.

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 1<sup>st</sup> August 2016 the company has not traded and is a dormant company.

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 31<sup>st</sup> July 2022.

#### **Going Concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in 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 £8.51m of loans outstanding with a combination of Lloyds (3 loans) and Natwest/RBS. All loans were re-negotiated in the academic year 2021-22. The loan with RBS is repayable by December 2037, and the loan with Lloyds are term loans with a payment profile of 20 years.

The College was fully compliant with the covenants agreed to 31<sup>st</sup> July 2022, and its bankers agreed three new covenants at the same time as extending the loans as below:

- 1) **Leverage** - to maintain Leverage measured as Gross Debt over EBITDA at or below 5x beginning the quarter ended Oct 2022.
- 2) **Cash Reserves** - to maintain a minimum cash balance of £250k in Feb and Mar 2023, and £850k for the rest of the financial year.
- 3) **Debt Service** - to ensure Cash Flow Available for Debt Service (CFADS) in the year is maintained at 1.1.

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 2022, the College held a general reserve of £20,729,000 which includes a pension reserve of £0. The College had cash reserves of £1,823,000 (2020-21: £1,016,000).

The College generates a three-year Medium-Term Business Plan (MTBP) each year. The latest MTBP extends out to 2023-2025. The forecasts and financial projections within this plan indicate that the College will be able to operate within its existing facility for the next twelve months from the signing of these financial statements.

The College is facing new challenges such as the volatility in the energy market and higher than usual levels of inflation. The College has managed to fix its unit rates for gas and electricity until the end of September 2023 below the deemed market value and is working through mitigating actions to address further challenges.

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 because 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 or above the required 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. 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 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 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 based on 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 because 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 1<sup>st</sup> 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 based on 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 based on the 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.

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to the Statement of Comprehensive Income and Expenditure in the period it is incurred, unless it increases the future benefits to the college, in which case it is capitalised and depreciated on the relevant basis.

## **b. Equipment**

Equipment costing less than £1,500 per individual item, except for computers, are written off to the Statement of Comprehensive Income and Expenditure 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 1<sup>st</sup> 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 1<sup>st</sup> 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 Statement of Comprehensive Income and Expenditure 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. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

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 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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

**2 Funding body grants**

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult education budget	5,722	5,722	6,835	6,835
Education and Skills Funding Agency – 16 -18	16,565	16,565	16,546	16,546
Education and Skills Funding Agency - apprenticeships	2,293	2,293	2,224	2,224
Office for Students	124	124	184	184
<b>Specific Grants</b>				
Releases of government capital grants	690	690	631	631
Teacher Pension Scheme contribution grant	531	531	559	559
COVID-19 Testing Grant	8	8	34	34
<b>Total</b>	<b>25,933</b>	<b>25,933</b>	<b>27,013</b>	<b>27,013</b>

**3 Tuition fees and education contracts**

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	162	162	92	92
Fees for FE loan supported courses	958	958	880	880
Total tuition fees	1,120	1,120	972	972
Education contracts	1,643	1,643	1,549	1,549
<b>Total</b>	<b>2,763</b>	<b>2,763</b>	<b>2,521</b>	<b>2,521</b>

**4 Other grants and contracts**

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Coronavirus Job Retention Scheme grant	-	-	32	32
Other Contract Income	65	65	-	-
Non-government capital grants	394	394	480	480
<b>Total</b>	<b>459</b>	<b>459</b>	<b>512</b>	<b>512</b>

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

**5 Other income**

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	251	251	57	57
Other income generating activities	1,039	1,039	785	785
Miscellaneous Income	1,396	1,396	745	745
Other grant income	-	-	-	-
<b>Total</b>	<b>2,686</b>	<b>2,686</b>	<b>1,587</b>	<b>1,587</b>

**6 Investment income**

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	-	-	-	-
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# 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 was:

	2022 No.	2021 No.
Teaching staff	272	272
Non teaching staff	454	455
	<b>726</b>	<b>727</b>
<b>Staff costs for the above persons</b>		
	2022 £'000	2021 £'000
Wages and salaries	15,907	15,848
Social security costs	1,480	1,415
Other pension costs	5,893	5,223
<b>Payroll sub total</b>	<b>23,280</b>	<b>22,486</b>
Contracted out staffing services	-	-
	<b>23,280</b>	<b>22,486</b>
Fundamental restructuring costs - contractual	-	3
non contractual	-	-
	<b>23,280</b>	<b>22,489</b>

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

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:	3	3

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

	<b>Senior post-holders</b>		<b>Other staff</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£60,001 to £65,000	-	-	3	5
£65,001 to £70,000	-	-	1	-
£70,001 to £75,000	-	-	1	2
£80,001 to £85,000	-	-	1	-
£95,001 to £100,000	1	1	-	-
£100,001 to £105,000	1	1	-	-
£165,001 to £170,000	-	1	-	-
£195,001 to £200,000	1	-	-	-
	<b>3</b>	<b>3</b>	<b>6</b>	<b>7</b>

**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:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Basic salary	395	367
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	23	51
<b>Total key management personnel compensation</b>	<b><u>418</u></b>	<b><u>418</u></b>

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:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Basic salary	196*	169
Performance related pay and bonus	-	-
Other including benefits in kind	-	-
Pension contributions	-	29
	<b><u>196</u></b>	<b><u>198</u></b>

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 8th December 2020. The Corporation received the Annual Senior Post Holder Remuneration Report, on the recommendation of the People Strategy & Governance Committee, at its meeting on the 15th December 2022.

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Principal's basic salary as a multiple of the median of all staff	7.6	6.2
Principal and CEO's total remuneration as a multiple of the median of all staff	7.6	6.4

*\*The CEO's pension contributions ceased during the period and have been paid as a salary.*

**Compensation for loss of office paid to former key management personnel**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Compensation paid to the former post-holder - contractual	-	-
Estimated value of other benefits, including provisions for pension benefits	-	-
	<b><u>-</u></b>	<b><u>-</u></b>

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	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	1,581	1,581	1,128	1,128
Non teaching costs	4,594	4,594	5,056	5,056
Premises costs	2,013	2,013	1,840	1,840
<b>Total</b>	<b>8,188</b>	<b>8,188</b>	<b>8,024</b>	<b>8,024</b>

**Other operating expenses include:**

	2022	2021
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	35	54
Internal audit**	34	39
Other services provided by the financial statements auditors (VAT Advisory Services)	5	-
Other services provided by the internal auditors	6	6
Losses on disposal of non current assets	-	-
Hire of assets under operating leases	177	310

\* includes £32,640 in respect of the College (2020/21 £51,168)

\*\* includes £34,242 in respect of the College (2020/21 £39,758)

**9 Interest payable - Group and College**

	2022	2021
	£'000	£'000
On bank loans, overdrafts and other loans:	333	338
	333	338
On finance leases	-	-
Net interest on defined pension liability (note 22)	551	455
<b>Total</b>	<b>884</b>	<b>793</b>



**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
<b>Cost or valuation</b>					
At 1 August 2021	87,178	50	12,300	578	100,106
Additions	35	-	473	121	629
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
<b>At 31 July 2022</b>	<b>87,213</b>	<b>50</b>	<b>12,773</b>	<b>699</b>	<b>100,735</b>
<b>Depreciation</b>					
At 1 August 2021	22,290	26	10,924	-	33,240
Charge for the year	1,619	4	398	-	2,021
Disposals	-	-	-	-	-
<b>At 31 July 2022</b>	<b>23,909</b>	<b>30</b>	<b>11,322</b>	<b>-</b>	<b>35,261</b>
<b>Net book value at 31 July 2022</b>	<b>63,304</b>	<b>20</b>	<b>1,451</b>	<b>699</b>	<b>65,474</b>
Net book value at 31 July 2021	64,888	24	1,376	578	66,866

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 (2020/21 – £Nil) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £Nil (2020/21 – £Nil).

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

**11 Non current Investments**

	<b>College 2022 £'000</b>	<b>College 2021 £'000</b>
Investments in subsidiary companies	180	180
<b>Total</b>	<b>180</b>	<b>180</b>

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**

	<b>Group 2022 £'000</b>	<b>College 2022 £'000</b>	<b>Restated Group 2021 £'000</b>	<b>College 2021 £'000</b>
Amounts falling due within one year:				
Trade receivables	401	401	151	151
Prepayments and accrued income	522	522	520	520
Other debtors	693	693	571	571
Amounts owed by the ESFA	377	377	445	445
<b>Total</b>	<b>1,993</b>	<b>1,993</b>	<b>1,687</b>	<b>1,687</b>

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

**13 Creditors: amounts falling due within one year**

	<b>Group</b>	<b>College</b>	<b>Restated</b>	
	<b>2022</b>	<b>2022</b>	<b>Group</b>	<b>College</b>
	<b>£'000</b>	<b>£'000</b>	<b>2021</b>	<b>2021</b>
			<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	479	479	484	484
Trade payables	1,791	1,791	1,007	1,007
Subsidiary undertakings		216		216
Other Creditors	561	561	719	719
Other taxation and social security	716	716	686	686
Accruals and deferred income	1,944	1,956	1,852	1,864
Deferred income - government capital grants	1,101	1,101	1,111	1,111
Deferred income - government revenue grants	517	517	329	329
<b>Total</b>	<b><u>7,109</u></b>	<b><u>7,337</u></b>	<b><u>6,188</u></b>	<b><u>6,416</u></b>

**14 Creditors: amounts falling due after one year**

	<b>Group</b>	<b>College</b>	<b>Group</b>	<b>College</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank loans	8,032	8,032	8,504	8,504
Other creditors	-	-	401	401
Deferred income - government capital grants	33,201	33,201	34,104	34,104
<b>Total</b>	<b><u>41,233</u></b>	<b><u>41,233</u></b>	<b><u>43,009</u></b>	<b><u>43,009</u></b>

## 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:

	<b>Group 2022 £'000</b>	<b>College 2022 £'000</b>	<b>Group 2021 £'000</b>	<b>College 2021 £'000</b>
In one year or less	479	479	484	484
Between one and two years	1,308	1,308	1,448	1,448
Between two and five years	3,645	3,645	2,477	2,477
In five years or more	3,079	3,079	4,579	4,579
<b>Total</b>	<b><u>8,511</u></b>	<b><u>8,511</u></b>	<b><u>8,988</u></b>	<b><u>8,988</u></b>

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 1 August 2025. The Fourth (RBS) of £5,400,000 is repayable at 2.25% above the banks base rate committed to until 1 December 2037.

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 £9,396,163 and North Warwickshire and Hinckley College, Hinckley Rd, Nuneaton which has a carrying value of £9,034,862. These two properties are detailed as the NWHC property. South Leicestershire College, Blaby Rd, Wigston, LE18 4PH which has a carrying value of £30,078,930. 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**

	<b>Group and College Enhanced pensions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
At 1 August 2021	214	214
Expenditure in the period	(18)	(18)
Transferred from the Statement of Comprehensive Income	(25)	(25)
<b>At 31 July 2022</b>	<b><u>171</u></b>	<b><u>171</u></b>

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:

	<b>2022</b>	<b>2021</b>
Price inflation	3.30%	1.60%
Discount rate	2.90%	2.60%

**17 Cash and cash equivalents**

	<b>At 1 August 2021 £'000</b>	<b>Cash flows £'000</b>	<b>At 31 July 2022 £'000</b>
Cash and cash equivalents	1,016	807	1,823
Overdrafts	-	-	-
<b>Total</b>	<b><u>1,016</u></b>	<b><u>807</u></b>	<b><u>1,823</u></b>

**18 Capital commitments**

At 31st July 2022 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:

	<b>Group and College</b>	
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	231	240
Later than one year and not later than five years	649	866
later than five years	-	-
	<u>880</u>	<u>1,106</u>
<b>Other</b>		
Not later than one year	142	189
Later than one year and not later than five years	148	257
later than five years	-	-
	<u>290</u>	<u>446</u>
Total lease payments due	<u>1,170</u>	<u>1,552</u>

### 20 Contingent liabilities

There are no material contingent liabilities requiring disclosure as at 31st July 2022

### 21 Events after the reporting period

Following a review by the Office for National Statistics, it has been formally announced, on 29 November 2022, that FE Colleges and their subsidiaries will be reclassified as forming part of central government sector. This reclassification will change the framework in which College operates. Having reviewed initial guidance from the Department for Education and the Association of Colleges the Governors do not believe this reclassification has an impact on the financial results prepared within these financial statements as conditions arose after the end of the reporting period. The College will continue to be funded and operate in the manner described within the members report and as such no adjustments have been made in regard to this event and any potential impacts will be recognised in future accounting periods.

## 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.

<b>Total pension cost for the year</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Teachers Pension Scheme: contributions paid	1,624	1,641
Local Government Pension Scheme:		
Contributions paid	1,687	1,668
FRS 102 (28) charge	<u>2,600</u>	<u>1,928</u>
Charge to the Statement of Comprehensive Income	4,287	3,596
Enhanced pension charge to Statement of Comprehensive Income	-	-
<b>Total Pension Cost for Year within staff costs</b>	<b><u>5,911</u></b>	<b><u>5,237</u></b>

#### 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 2021-22 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 £1,624,000 (2021: £1,641,000).

##### 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 2022 was £2,132,000, of which employer's contributions totalled £1,687,000 and employees' contributions totalled £445,000. 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 2022 by Hymans Robertson LLP. 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 2022	At 31 July 2021
Rate of increase in salaries	3.5%, 3.2%	3.6%, 3.3%
Future pensions increases	2.70%	2.80%
Discount rate for scheme liabilities	3.50%	1.60%
Inflation assumption (CPI)	2.70%	2.80%
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 2022 years	At 31 July 2021 years
<i>Retiring today</i>		
Males	21.6, 21.5	21.8, 21.7
Females	24.1, 24.0	24.2, 24.2



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

**22 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

<i>Retiring in 20 years</i>		
Males	22.7, 22.4	23.0, 22.6
Females	25.9, 25.7	26.1, 25.9

<b>Sensitivity analysis</b>	<b>At 31 July 2022 £'000</b>	<b>At 31 July 2021 £'000</b>
Discount rate -0.1%	1,536	2,367
Salary Increase Rate +0.1%	105	161
Pension Increase Rate +0.1%	1,439	2,172
1 Year Increase in member life expectancy	2,807	4,205

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

	<b>Long-term rate of return expected at 31 July 2022</b>	<b>Fair Value at 31 July 2022 £'000</b>	<b>Long-term rate of return expected at 31 July 2021</b>	<b>Fair Value at 31 July 2021 £'000</b>
Equity instruments	3.50%	43,570	1.60%	41,750
Debt instruments	3.50%	23,287	1.60%	20,875
Property	3.50%	6,761	1.60%	5,039
Cash	3.50%	1,502	1.60%	4,318
<b>Total fair value of assets</b>		<b><u>75,120</u></b>		<b><u>71,982</u></b>
<b>Actual return on plan assets</b>		<b><u>1.373</u></b>		<b><u>11.684</u></b>

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

	<b>2022 £'000</b>	<b>2021 £'000</b>
Fair value of plan assets	75,120	71,982
Present value of plan liabilities	(70,190)	(105,134)
Present value of unfunded liabilities	-	-
Derecognition of surplus	(4,930)	-
<b>Net pensions (liability) (Note 22)</b>	<b><u>-</u></b>	<b><u>(33,152)</u></b>

**Enhanced pension benefits**

	<b>Group and College</b>	
	<b>Enhanced pensions £'000</b>	<b>Total £'000</b>
At 1 August 2021	214	236
Expenditure in the period	(18)	(20)
Transferred from income and expenditure	(25)	(2)
<b>At 31 July 2022</b>	<b><u>171</u></b>	<b><u>214</u></b>

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:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts included in staff costs</b>		
Current service cost	4,287	3,596
Past service cost	-	-
<b>Total</b>	<b><u>4,287</u></b>	<b><u>3,596</u></b>

### **Amounts included in investment income**

Net interest income	551	455
	<b><u>551</u></b>	<b><u>455</u></b>

### **Amounts recognised in Other Comprehensive Income**

Changes in demographic assumptions	366	(1,351)
Return on pension plan assets	1,373	11,684
Experience losses arising on defined benefit obligations	(267)	1,224
Changes in assumptions underlying the present value of plan liabilities	39,761	(10,739)
Amount recognised in Other Comprehensive Income	<b><u>41,233</u></b>	<b><u>818</u></b>

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit (liability)/asset in scheme at 1 August	(33,152)	(31,587)
Movement in year:		
Current service cost	(4,287)	(3,596)
Employer contributions	1,687	1,668
Past service cost	-	-
Net interest on the defined (liability)/asset	(551)	(455)
Actuarial gain or loss	41,233	818
Derecognition of surplus	(4,930)	-
<b>Net defined benefit (liability) at 31 July</b>	<b><u>-</u></b>	<b><u>(33,152)</u></b>

# 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

	2022 £'000	2021 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	105,134	90,407
Current Service cost	4,287	3,596
Interest cost	1,707	1,283
Contributions by Scheme participants	445	449
Experience gains and losses on defined benefit obligations	267	(1,224)
Changes in financial assumptions	(39,761)	10,739
Estimated benefits paid	(1,523)	(1,467)
Changes in demographic assumptions	(366)	1,351
Curtailments and settlements		
<b>Defined benefit obligations at end of period</b>	<b>70,190</b>	<b>105,134</b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	71,982	58,820
Interest on plan assets	1,156	828
Return on plan assets	1,373	11,684
Employer contributions	1,687	1,668
Contributions by Scheme participants	445	449
Estimated benefits paid	(1,523)	(1,467)
<b>Fair value of plan assets at end of period</b>	<b>75,120</b>	<b>71,982</b>

The actuarial reports in terms of the LGPS pension schemes suggest a surplus of assets over liabilities of £4,930,000. In accordance with FRS102, a pension scheme asset is only recognised to the extent that it is recoverable. As the College cannot demonstrate that this asset is recoverable via a cash payment or reduction in future premiums it has not been recognised in the primary statements. A zero position has been reflected.

## 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 (2020/20 £0). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity

No Governor has received any remuneration or waived payments from the college or its subsidiaries during the year (2021: £0).

#### Midland Academies Trust

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

During 2021/22, the Trust comprised of 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;

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Inspire (Alternate Provision)	245	145
Finance Support	129	129
Clerking, Legal and Sponsor Support	53	53
HR and Payroll Support	94	94
Estates Support	30	30
HR and Finance Software	104*	21
IT Support (including reprographics)	221	206
Chaplaincy Services	7	6
Marketing Services	30	30
General Support	73	-
	<b>986</b>	<b>714</b>

\*This includes implementation costs for HR and Payroll software introduced in 2022.

#### 24 Amounts disbursed as agent

##### **Learner support funds**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Carried Forward	123	(1)
16-18 bursary grants	970	914
Other Funding body grants	-	-
Interest earned	-	-
	<b>1,093</b>	<b>913</b>
Disbursed to students	(1,061)	(763)
Administration costs	(32)	(27)
Balance unspent as at 31 July, included in creditors	<b>-</b>	<b>123</b>

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.

## **North Warwickshire and South Leicestershire College**

### **Notes to the Accounts (continued)**

#### **25 Change to Prior year adjustment - holiday pay accrual**

When the holiday pay accrual was first reflected in the financial statements in 2018-19 only the in-year movement was recognised and the accrual was therefore understated by the opening amount of £456,000. A prior year adjustment has therefore been made of £456,000 which reduced the brought forward reserves by this amount and debtors by £262,000 and resulting in an increase to creditors of £194,000.