City of Portsmouth College

Report and Financial Statements for the Year Ended 31 July 2022

City of Portsmouth College


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Contents

1 Reference and Administrative Details

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. These persons are the most senior members of the College and are represented by the following in the year ended 31 July 2022:

Katy Quinn
CEO and Principal

Matt Phelps
Deputy CEO and Principal
(Curriculum & Quality)

Maria Vetrone
Chief Operating Officer
(COO)

There were two further interim CEO and Principals during the course of the year: Penny Wycherley from 1 August 2021 until 31 October 2021; and Graham Morley from 1 November 2021 until 5 June 2022. Katy Quinn became the permanent CEO and Principal from 6 June 2022. Other Key Management Personnel during the year were: Simon Barrable, Interim Principal from 1 August 2021 until 31 December 2021; and Denise Cheng-Carter, Chief Finance Officer (CFO) from 1 August 2021 until 13 December 2021.

Board of Governors

A full list of Governors of the Corporation is given on page 43 of these financial statements.

Professional Advisors

External Auditors	Internal Auditors	Funding Auditors	Bankers
Mazars 5th Floor, Merck House Seldown Lane Poole Dorset BH15 1TW	Scrutton Bland Fitzroy House Crown Street Ipswich Suffolk IP1 3LG	KPMG 1 Forest Gate Brighton Road Crawley W Sussex RH11 9PT	Barclays Level 11 1 Churchill Place London E14 5HP

Principal and Registered Office

City of Portsmouth College (CoPC)
Highbury Campus Tudor Crescent Portsmouth PO6 2SA

2 Strategic Report of the Members of the Corporation

Nature, Objectives and Strategies

The Members of the Corporation present their annual report together with the financial statements and auditor's report for the City of Portsmouth College (CoPC) for the year ended 31 July 2022.

Legal Status

The Corporation was established under 'The Further and Higher Education Act 1992' for the purpose of conducting the business of Highbury College Portsmouth. On 1 August 2021, the City of Portsmouth College was created following a merger whereby Portsmouth College transferred its assets and liabilities to Highbury College Portsmouth which, after the dissolution of Portsmouth College corporation, then changed its name to the City of Portsmouth College under delegated authority from the Secretary of State.

The City of Portsmouth College's new Instrument and Articles of Government were approved by the Corporation on 17 August 2021.

The City of Portsmouth College ('the College') is an exempt charity for the purposes Part 3 of the Charities Act 2011. The College Group also encompasses Highbury Apprenticeships (Birmingham) Limited, which is 100% owned by the College and operates within separate governance arrangements including oversight by its own Board of Directors.

Public Benefit

The City of Portsmouth College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The Members of the Corporation, who are trustees of the charity and Governors of the College, are disclosed on page 43.

The Corporation is aware of its responsibilities in relation to charitable purposes in making decisions on the College's educational and vocational character and mission and in relation to the effective and efficient use of resources. In setting and reviewing the College's key strategic goals, the Corporation 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 therequirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its key strategic goals, the College provides identifiable public benefits through the advancement of education to over 8,000 students, including 191 students with high needs. As an exempt charity, the College uses all of its income to advance academic, technical, professional and higher education by providing high quality teaching, learning and assessment tailored to the needs of students, business and society. The College provides courses without charge to young people, to those who are unemployed, and adults taking English and maths courses. The College adjusts its courses to meet the needs of local employers and provides training to nearly 1,000 apprentices. The College is committed to providing information, advice and guidance to prospective and enrolled students, and to finding suitable courses for as many students as possible regardless of their educational background.

To deliver its key strategic goals, the College has developed as a comprehensive college, particularly after merger, with a wide range of subjects taught at all levels and across a diverse student body on campus and through distance learning.

The new merged College is proud of its long history from its legacy colleges of Highbury College Portsmouth and Portsmouth College. It Is an academic, technical and professional education institution, from which enduring commitments to widening participation, teaching, learning and progression are derived. It is ambitious and confident about its future as a new college, with a strong brand and reputation for excellence in many areas of provision.

Vision Statement

The Members considered and agreed the Corporation's vision in January 2022. The vision of the new College as approved by the Members is:

'The college of choice for the city of Portsmouth and our region'

Mission Statement

The mission of the new College as approved by the Members is:

'Shaping our city's future by unlocking the potential of its learners'

Implementation of the Strategic Plan CoPC 2026

The Corporation and management have considered the educational character of the new merged College to ensure that it best serves the needs of its students and has a strong curriculum and financial base for the future. In order to make a sustainable contribution to national, regional and local priorities, the College aims to consolidate existing provision against a robust curriculum quality and financial framework, whilst carefully considering opportunities for growth.

The Corporation has adopted a corporate Strategic Plan for the period 2022-2026, 'CoPC 2026'. The Strategic Plan includes developments in curriculum; quality; partnerships; people resources and organisational development; the estate and facilities; and financial plans. The Corporation monitors the performance of the College against these plans, which are regularly reviewed and updated.

The College continues to provide a wide-ranging academic, technical and professional curriculum offer to A Level, T Level and Level 3 and beyond. High Needs provision has grown significantly in recent years.

Key Strategic Goals

The College has five key strategic goals which underpin the delivery of the vision and mission:

1 **Inspirational, aspirational and inclusive place to work and learn**
2 **Responsive and relevant curriculum offer**
3 **High quality teaching, learning and assessment**
4 **Trusted partner for the communities we serve**
5 **Stabilised and sustainable finances**

There are a further three enabling themes:

1. Embrace digital technology in all we do
2. Beacon of sustainability best practice
3. Consolidation before expansion

The achievement of these key strategic goals will deliver high quality, student centred and business focused education and training that responds to the cultural diversity of the community, enriches lives and contributes to economic prosperity.The overall College offer is regularly reviewed and re-aligned to meet national, regional and local needs. Growth is achieved within a new streamlined and cost-efficient curriculum model that aims to maximise income and reduce cost through more effective design of the curriculum and more efficient utilisation of teaching hours.

Each of the College's five key strategic goals (KSGs) is further underpinned by a number of annual and longer-term objectives, which were agreed in January 2022. These are summarised as follows:

KSG1: Inspirational, aspirational and inclusive place to work and learn	
1	Provide a high-quality working and learning environment, which is fit for purpose and provides industry standard facilities.
2	Provide professional and personal development opportunities for all staff to improve their knowledge, skills, and practice.
3	Ensure a collaborative and inclusive workplace, where good practice is shared, and staff and students are motivated and supported to achieve their best.
4	Maintain a culture of respect, pride and ownership.
5	Provide staff with the tools they need to do their jobs well.
6	Deliver a clear and well-understood means of recognising and rewarding effort and achievement.
7	Invest in our College and staff.

KSG2: Responsive and relevant curriculum offer	
1	Deliver a strong careers education programme, enabling our students to successfully progress.
2	Deliver a curriculum that attracts and engages with a diverse student population.
3	Develop a forward thinking and cost-effective curriculum that meets skills priorities and reflects industry and socio-economic needs.
4	Plan an inclusive and progressive curriculum, with clear ladders of progression.
5	Work with employers of all sizes and types to increase the availability and take up of high-quality apprenticeships and to meet their workforce development needs.

KSG3: High quality teaching, learning and assessment	
1	Deliver a high-quality learning experience for all our students so they successfully progress and achieve their next steps.
2	Develop the tutorial and enrichment programme to support our students' broader learning and development.
3	Develop strong links with employers to source high-quality and meaningful work experience and industrial placements that benefit our students and local businesses.
4	Expand e-learning technologies.

KSG4: Trusted partner for the communities we serve	
1	Build and extend external relationships and stakeholder engagement.
2	Work in partnership with our local schools to support the delivery of impartial information, advice and guidance.
3	Develop strong relationships with our local schools and align curriculum resource to support this activity.
4	Work in partnership with a range of key stakeholders to deliver relevant specialist provision that meets community and student needs.
5	Provide the highest quality of customer service to our partners, students and customers.
6	Maximise opportunities for our students and the College to engage with and support our local communities, adding value and realising potential.

KSG5: Stabilised and sustainable finances	
1	Achieve sustainable growth and economies of scale in core business from increased student numbers.
2	Achieve sustainable growth through partnerships and commercial activity that is aligned to our vision, mission and values.
3	Maintain a sound contribution to overheads from teaching departments.
4	Encourage innovation across the College.
5	Future proof the College infrastructure.

Corporate Performance

Performance Indicators

The College is committed to observing the importance of sector measures and indicators. The College adopts a wide range of measures and indicators to review the achievement of financial, academic and curriculum objectives and targets, which are regularly reported to the Corporation.

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA) at the end of each year. The Finance Record produced a financial health grade for 2021-22 of 'Requires Improvement'.

Funding Targets and Student Numbers

The College received government funding in 2021-22 from the ESFA and the Office for Students (OfS). Performance in relation to key funding targets and student numbers is as follows:

1. Key Funding Targets

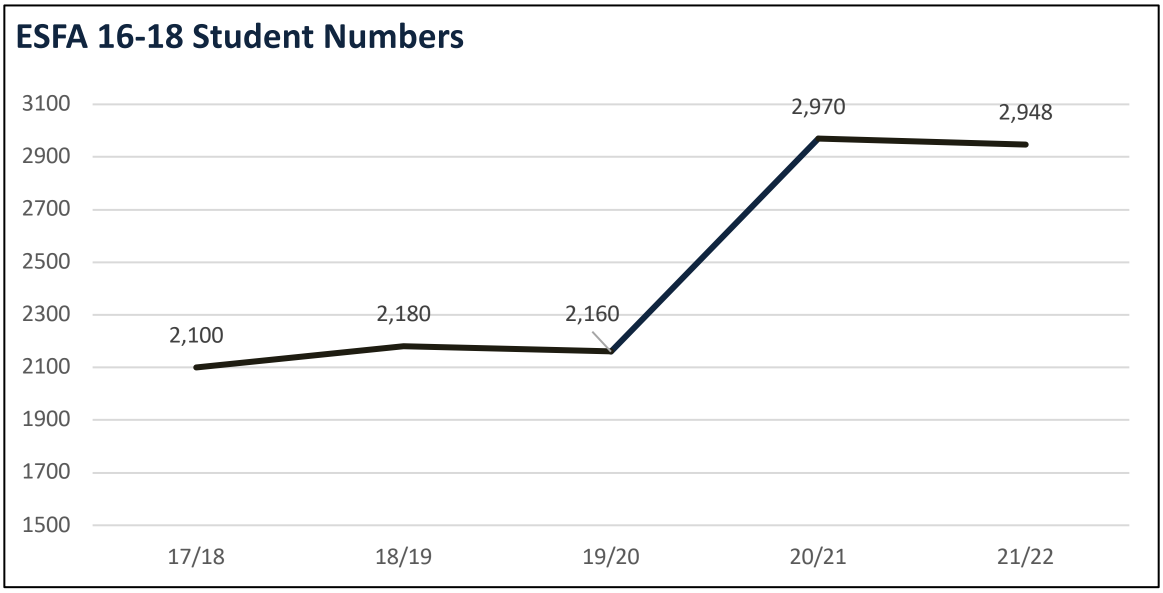
ESFA 16-18 funding	The College achieved 98% of its ESFA 16-18 lagged funding target of £14.4m of grant income, which excludes bursary funds. The College will be paid 100% of the allocation.
ESFA 19+ funding	The College achieved 103% of its ESFA Adult Education Budget (AEB) funding target of £3.6m of grant income. The College will be funded for over delivery up to 10%.
ESFA 19+ funding (National Skills Fund)	The College achieved 113% of its target of £340k. The College will be funded for over delivery up to 10%.
Advanced Learning Loans	The College used 79% of £1.1m loan facility available and will be funded for actual delivery. Under-delivery will not impact the 2022-23 loan facility.

2. Student Numbers (head count)

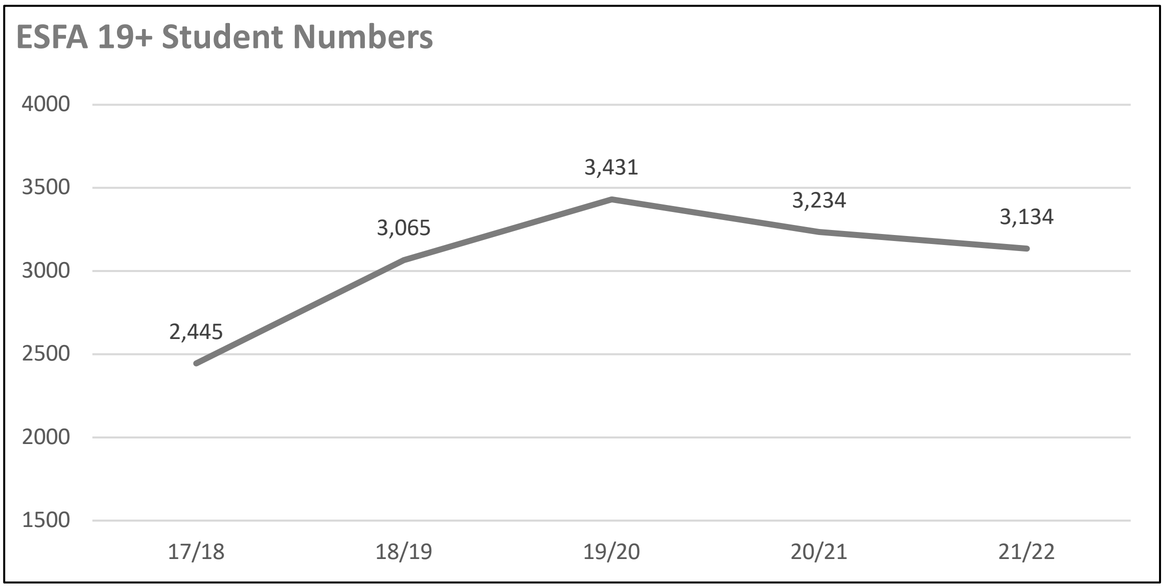
ESFA funded 16-18 student numbers
decreased by 22
to 2,948

ESFA funded students aged 19+
decreased by 100
to 3,134

ESFA 16-18 Student Numbers



ESFA 19+ Student Numbers



Student numbers in the tables above are based on Highbury College Portsmouth acquiring Portsmouth College on 1 August 2021. Student recruitment in 2021-22 has been impacted by the merger of the two legacy colleges.

In 2021-22 the College had a total of 8,146 students, 7,663 of which were funded (ESFA or Student Loans Company) and 483 non-funded, as analysed below:

	Headcount
ESFA funded 16-18 students	2,948
- Of which high need students	191
ESFA funded 19+ adult skills	3,134
- Of which community learning	238
Apprentices (ESFA & Levy)	994
ESFA advanced learner loan funded students	552
OfS funded students	35
Total funded students	**7,663**
Total non-funded students	**483**
Total students	**8,146**

Financial Performance

Financial performance in the sector is benchmarked against a number of ESFA established measures and targets. The following table confirms the College Group's actual results for the year ended 31 July 2022 against high-level ESFA key measures, national benchmarks and College Group targets:

ESFA Key Performance Indicator	National benchmark	College Group target 2021-22	College Group actual 2021-22	College Group performance against College target
Earnings Before Interest, Tax and Depreciation and Amortisation (EBITDA) as % of income	4.10%	-2.28%	-1.28%	✓
Staff costs as % of income (excluding subcontracted income)	68.9%	69.4%	67.4%	✓
Cash days in hand	25	16	46	✓
Adjusted current ratio	1.69	0.98	1.64	✓
Borrowing as % of income	23.50%	0.94%	0.72%	✓
Financial Health Score	Good	Requires Improvement	Requires Improvement	✓

The College Group achieved all of its budgeted measures and targets for the year. However, performance against some of the national benchmarks, including EBITDA and overall financial health, is still weak and is being addressed by management through the implementation of a new financial strategy. These actions will also help to lift the current ESFA Financial Notice To Improve (FNTI).

Academic and Curriculum Performance

The College's progress in achieving its key academic and curriculum targets is as follows:

Further Education

The College's headline Further Education achievement rate was 83.0% (84.0% in 2020-21). The achievement rate for young people was 80.5% and for adults the achievement rate was 83.1%. The achievement rate was lower than initially projected.

A Levels

The College achieved an overall pass rate of 99% in 2021-22 which represents a 1% increase on 2020-21 outturn. High grade achievement (A* to B) was 54% and 80% (A* to C), which is higher than the national average and compares favourably with other local 6th form colleges.

GCSE English and maths

Both high grade and overall achievement improved in 2021-22 for English and maths compared with 2018-19. Maths achievement is slightly above the national average (NA) at 22% (NA is 18%). English achievement is slightly below the national average at 21% (NA is 25%).

Apprenticeships

The College's apprenticeship provision has declined with an achievement rate of 46.0% which is significantly below the national average for Apprenticeship Standards which is 52%. This is due to: (a) delays in End Point Assessment (EPA) availability; and (b) a high number of out of funding apprentices who were no longer engaged in their apprenticeships and which has now been addressed.

Destinations

A total of 2,857 students progressed from the City of Portsmouth College at the end of the 2020-21 academic year. The College has tracked the actual destinations for 70% of the leaver cohort, with 84% of those contacted reporting a positive destination. The majority of A Level students progressed onto HE courses at university and a third of these students progressing to the University of Portsmouth. Students studying vocational and technical courses progress most commonly into related employment, particularly in construction and building services.

Student Achievements

Sports students who have been studying the BTEC L3 Extended Diploma completed a six-week sports coaching placement with the College's SEND department. This was a real test of their communication skills and leadership qualities, drawing on the theories of learning that had been taught in the classroom. Several students went on to secure paid coaching roles with Soccer Scholar Academy. The Elite Football Programme continued to thrive with all teams competing at a Local and National level with a combined team winning the Southampton School Sixes. Current student, Harrison Cable, is playing step 4 football for Lymington FC as is Ollie Davies at AFC Brockenhurst.

Our Uniformed Protective Services students displayed maturity and organisational expertise managing and controlling the baggage drop area at the Great South Run. With over 12,500 runners on the day, this is no mean feat! The Combined Cadet Force continues to provide excellent opportunities for the cadets on the programme, offering such skills as weapons handling and telecommunication skills. Public Services students Katie Hutton has now joined the Royal Military Police; Elliot Clare is a Physical Training Instructor; and Tom Gravier has joined the Royal Marines. The highlight this year (albeit in sad circumstances), was ex-student Ryan Warren who was in the Navy unit pulling the Queens Gun Carriage during the funeral.

Health and Social Care students used their knowledge and skills developed around current public health issues and the need to educate young people to be sexually healthy, to devise health campaigns for awareness of Sexual Health and healthy relationships, as well as the risks of smoking and drinking alcohol. The students set up stands in the student centre on different occasions and used this platform to raise awareness of these issues to the College community, using vibrant displays, activities and discussion. The students were very mature in their approach to these sensitive topics, showing empathy and kindness to those they spoke to and advised, respecting the personal choices and diversity of those they interacted with.

Visual Arts students had several speakers from the University of the Arts London (UAL) and Bournemouth University. Local artist Mister Simo came in to talk about their illustrations. Students did some virtual sessions with Neal Layton, a local illustrator for our CTEC/ UAL students. Our year 1 fine art artists exhibited as part of the Chichester University emerging future artists exhibition and several students had notable successes in their final results. In particular, Lucy Donaldson, an outstanding artist who understands the creative process and used this to allow her to explore her own passions and interests, achieved three A* in photography, graphics and 3D design.

In Humanities, the Law team secured a partnership with the University of Portsmouth Law Department who are funding the construction of a mock Law Court at Tangier Campus and providing university mentors for Law and Criminology students. Students attend regular trips to the Magistrates' Court and these were resumed post-COVID allowing students to witness justice in action and meet legal professionals. Students have set up a CoPC Law Society with virtual Q&A sessions with judges, Magistrates, solicitors, barristers and ex-students currently studying or practicing law.

Students in ICT and Digital Media got dressed up and performed dragon's-den style presentations for their Media product ideas in the Boardroom. And the BTEC E-Sports students took part in the e-Sports championships and also in the tournaments at the Belong Gaming Arena.

Floristry students created floral displays to order for the Teach Portsmouth event at the Guildhall. The event was their first large commission and enabled them to practice and develop their technical floristry skills while working to a specific client brief in real time. Floristry graduate Grace King achieved the highest grade in the country and won the Level 4 Education Award at this year's 2021 British Florist Association Industry Awards. Grace received the national award while working as manager of Fareham based florist Knot Just Blooms.

Travel student Stephanie Zulu successfully secured a position at Virgin Atlantic as cabin crew during her final year of studies on her Level 3 National Extended Diploma in Travel & Tourism. Steph worked hard to complete her course prior to commencing her training in June. Steph was aspirational for our students, signifying the rebirth of the travel industry and associated employment opportunities.

2 Strategic Report of the Members of the Corporation continued...

Art & Design students hosted a creative showcase within the Art Department to exhibit their work and achievements throughout the academic year. The event brought together work from our Level 2 and Level 3 students who had also had the opportunity to exhibit externally.

Level 3 UAL Applied General and Extended Applied General Art & Design students worked with the Aspex Gallery on a project brief that gave the students the opportunity to investigate "cutting edge" contemporary art collections, whose work incorporates augmented and virtual reality, games engines and Instagram filters. This culminated in an exhibition of their work at the gallery, which was so successful that its run was extended. The students were also invited to exhibit at Chichester University 'Future Artists' exhibition producing some stand out work. The exhibition was open to the general public.

Networking students started the 'PC Repair Shop' to strengthen their skills in computer systems maintenance and repair and also to give them real world scenarios and a customer based model. This involved troubleshooting and problem solving some unique and technical level PC issues. The shop was free of charge and added an enrichment bonus for students.

Three Computing students took part in the Worldskills UK Web Design competition but did not make it to the international final. This is something that we are looking to come back to in 2022-23 after the incredible success of Lewis Newton winning a Medallion of Excellence this month at the WorldSkills international final hosted in Korea.

Engineering students took part in 'Engineering Day' which was an internal competition in fabricating and welding the best vehicle. Students from all Levels in Engineering competed and created aircraft carriers, planes and tanks.

Media students focused on the British Film Industry this year, filming and presenting their 'Best British Film' as a documentary which was used within the Creative Showcase. Students also created films around COVID and how it has affected the nation in different ways, with one film doing so well that it was used at the entrance into the University of Arts in London.

Journalism students had real world experiences with The Portsmouth News, giving them one day a week work experience as fully employed journalists whilst studying at the College. One student, James Buckley, won the Bob Norris award and is now employed by The Daily Telegraph, with his first full page spread on the front of the newspaper.

Financial Review

Financial Results for the Year Ended 31 July 2022

The financial statements comprise the results of the activities of the CoPC Group.

Portsmouth College was dissolved on 31 July 2021. All of its assets and liabilities were transferred to Highbury College Portsmouth, now known as the City of Portsmouth College (CoPC), on 1 August 2021 as approved by the Secretary of State.

The College Group has three principal subsidiary companies as well as Highbury College (Nigeria) Limited. Only one of these was active during the year ended 31 July 2022, Highbury Apprenticeships (Birmingham) Limited, which is 100% owned by the College and included in the College Group financial statements. The activities of the company have diminished significantly in the year because the recruitment and training of new apprentices is now delivered entirely in-house through CoPC in Portsmouth. A summary position of the College's subsidiary companies is outlined below:

	Country of Incorporation	Ownership	Activity
Highbury Apprenticeships (Birmingham) Ltd	England & Wales	100%	Apprenticeship training
Highbury College Commercial Services Ltd	England & Wales	100%	Not trading
New Work Training Ltd	England & Wales	70%	Not trading
Highbury College (Nigeria) Ltd	Nigeria	99%	Not trading

Highbury College (Nigeria) Ltd has not been consolidated into the College Group financial statements as it is considered immaterial and remains dormant. Legal action continues to be pursued in Nigeria for monies still owed to the College Group, all of which are fully provided.

The financial results for the year ended 31 July 2022 are summarised in the following table. CoPC has adopted the acquisition method of accounting for the merger of Highbury College Portsmouth and Portsmouth College. Therefore, prior year comparators are provided for Highbury College Portsmouth only.

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Total income	28,574	28,574	17,325	17.055
Total expenditure	(32,392)	(32,383)	(19,540)	(20,557)
(Deficit) before other gains and losses	**(3,818)**	**(3,810)**	**(2,215)**	**(3,502)**
Gain/(loss) on disposal of assets	0	0	0	3,494
(Deficit) after other gains and losses	**(3,818)**	**(3,810)**	**(2,215)**	**(8)**
Add back:				
Pension costs relating to FRS 102	2,198	2,198	1,311	1,311
Underlying (deficit)/surplus for the year	**(1,620)**	**(1,612)**	**(904)**	**1,303**

The College Group posted an underlying operating deficit of £1.62m (£0.90m deficit 2020-21) against a planned deficit of £1.84m for the year ended 31 July 2022, excluding FRS 102 Local Government Pension Scheme (LGPS) adjustments to the Statement of Comprehensive Income which are non-cash accounting entries. These FRS 102 adjustments total £2.20m and reflect both interest on the pension deficit and the difference between the calculated cost of running the pension scheme and the contributions made during the year. The deficit result also includes the planned costs of merger, which were entirely self-funded by the College without any ESFA support funding.

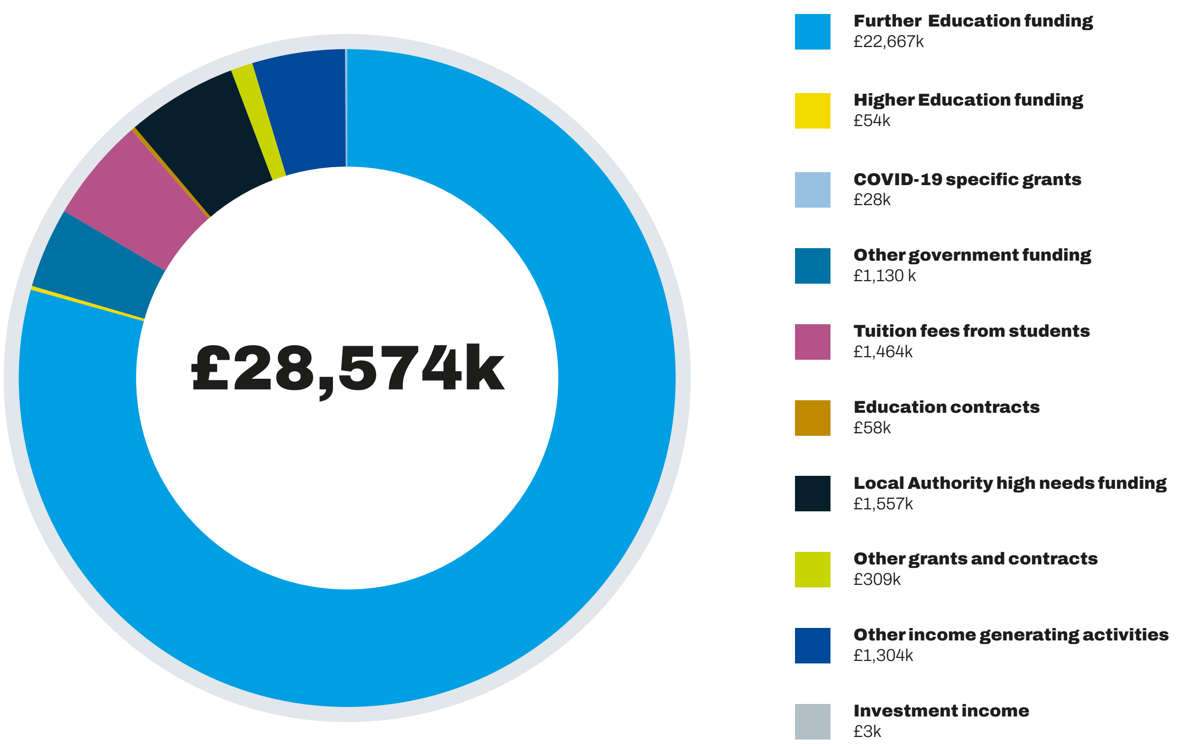
Total income for the College Group was £28.57m (£17,33m 2020-21), an increase of £11.25m from the previous year. Total expenditure was £32.39m (£19.54m 2020-21), increased by £12.85m from the previous year. As a result, the College Group generated an operating deficit after other gains and losses of £3.82m (£2.22m deficit 2020-21) including FRS 102 pension costs.

Total Comprehensive Income for the College Group was a surplus of £25.71m (£5.51m surplus 2020-21) caused mainly by an actuarial gain of £21.33m (£6.35m gain 2020-21) in respect of the LGPS pension scheme; and the fair value of net assets acquired on merger amounting to £8.20m.

The year ended 31 July 2022 continued to be impacted by COVID-19. The College has managed the financial impact caused by the pandemic effectively overall, although it adversely affected apprenticeship delivery and commercial activities including the operation of the College's Nursery and those courses attended by international students. The pandemic has created significant challenges for many of our students, not least having to adapt to, and continue with, online teaching and learning in the earlier part of the year. The College moved seamlessly between face to face, blended or fully online provision as required. COVID-19 has led to major changes at CoPC since the first lockdown in March 2020. Virus control measures were in place across our four campuses throughout the year to ensure health and safety. There has been significant investment in IT networks, hardware and software, particularly in the security and integrity of IT systems, so that effective delivery online could continue to take place as necessary.

Key analysis of total income for the College Group for the year ended 31 July 2022 is as follows:

Income analysis 2021-22



The increase in total income of £11.25m from the previous year was mainly as a result of merger and predominantly related to Further Education ESFA funded study programmes for 16-18 provision; adult funded courses; and non-levy funded apprenticeships. The largest proportion of College Group funding in 2021-22 was derived from Further Education ESFA funding contracts. Non-merger related additional income was in: (1) Further Education ESFA funding of £1.14m; and (2) other grants and contracts of £294k. The ESFA provided additional tuition funding for 16-18 provision mid-year to mitigate the disruption to learning in response to the COVID-19 pandemic and particularly to support small group tuition for students in English, maths and other subjects that have been disrupted. Adult funding allocations from the ESFA also increased in response to the pandemic in the form of national skills funding.

The College Group currently has very small numbers of Higher Education students and there has been no change in funding from the OfS of £54k from the previous year.

Other government funding comprises mainly the release of government capital grants, which increased by £335k from the previous year.

Adult education tuition fees as a whole decreased significantly from last year by £355k from the combined legacy colleges due to the introduction of the COVID-19 National Skills Fund (NSF) offer. Many tuition fee-paying courses were eligible for this funding, which caused students to transfer to free of charge NSF courses resulting in adverse variances in the College Group's planned tuition fee income. There were also large shortfalls in Further Education and Full Cost course enrolments caused by the economic effects of the pandemic but which were partially offset by the NSF offer.

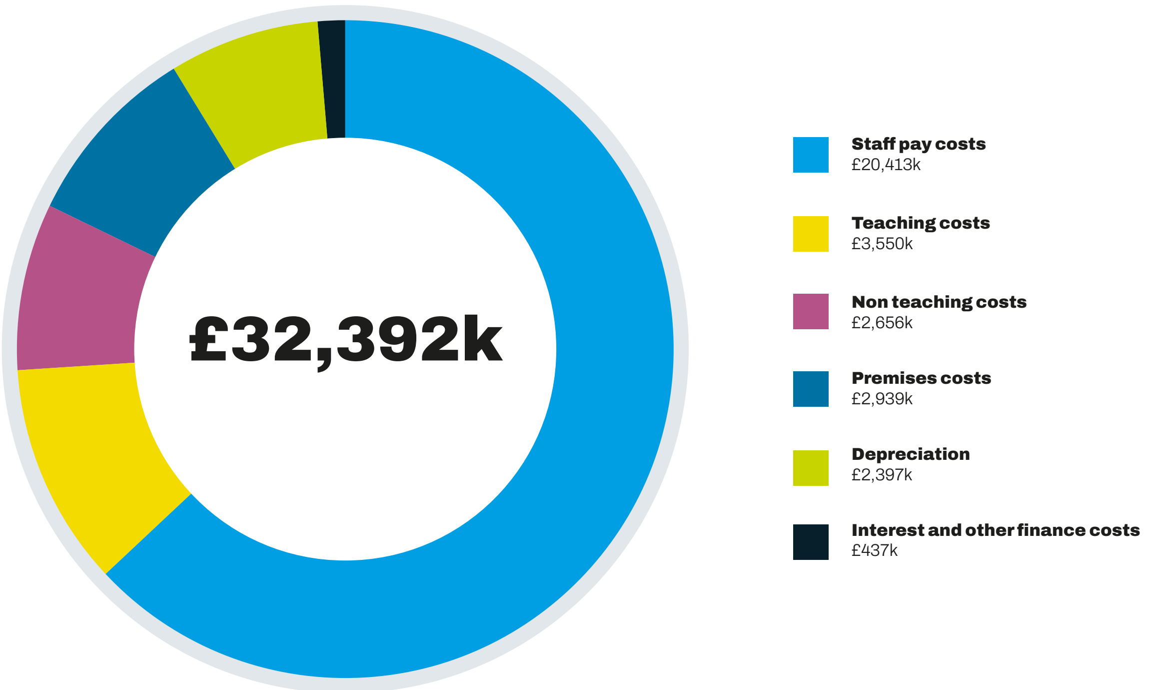
Local authority high needs funding income increased by £506k from the previous year because of higher numbers of high needs students referred to the College during the year from Portsmouth City Council.

Other grants and contracts income also increased from the previous year due mainly from additional revenue grant funding for the College's Net Zero Training Hub at North Harbour Campus, which was funded from Portsmouth City Council's Community Renewal Fund (CRF).

The College Group continues to place significant reliance on the education sector funding bodies for its principal funding sources, largely from the ESFA and some funding from Portsmouth City Council in relation to High Needs students. In 2021-22, these funding bodies provided 89.0% (88.5% 2020-21) of the College Group's total income.

Key analysis of total expenditure for the College Group for the year ended 31 July 2022 is as follows:

Expenditure analysis 2021-22



The largest proportion of the College Group's total expenditure is staff pay costs. These costs increased by £8.14m (66%) to £20.41m as a direct result of merger, representing 71.4% of total income and including pension costs. The average number of staff employed by the College Group in 2021-22 increased by 348 to 732.

The College operates two defined benefit pension schemes: the Teachers' Pension Scheme (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hampshire County Council. The latest formal actuarial valuation of the TPS was effective from 5 March 2019 and of the LGPS from 31 March 2019, updated to 31 July 2022 by a qualified independent actuary. Pension costs included in staff pay costs paid to TPS in the year amounted to £1.37m (£884k 2020-21) and those paid to LGPS in the year amounted to £1.63m (£1.34m 2020-21).

Other operating expenses, including teaching and non-teaching costs and premises costs, increased by £4.03m (12%) to a total of £9.15m in 2021-22 from the previous year as a result of merger.

Depreciation charges increased by £622k (35%) to a total of £2.40m in 2021-22 from the previous year and based on revalued net book values of land and buildings acquired from Portsmouth College on 1 August 2021.

The College Group also incurred £437k of interest and other finance costs in 2021-22, most of which is net interest on defined pension liability in the LGPS.

The College Group added £1.56m to tangible fixed asset values during the year. The capital programme for 2021-22 included a range of capital projects for delivery across the College estate to the budgeted value of £3.93m including grant funding. Grant funding made up £2.46m, the remaining £1.48m was funded from the College's cash reserves. Some capital projects have been completed shortly after 31 July 2022. Capital projects in 2021-22 included:

- Post-16 Capacity Fund £1.36m - Tangier Campus Expansion.
- T-levels Wave 3 £997k - Health and Science T levels preparation at Tangier and Highbury campuses. This involved the conversion of the top floor of the Tower at Highbury Campus into a healthcare training facility including a simulated hospital ward; and a new Science Lab at Tangier Campus.
- Strategic Development Fund (SDF) £212k - capital equipment for Net Zero Training Hub based at North Harbour Campus. This equipment will support training in areas such as heat pumps installation and maintenance and other clean technologies; and the creation of a high specification training centre in online conferencing and a facility for use by employers.
- IT infrastructure refresh projects £833k – new servers, backup solutions, mobile devices, smart screens, switches, networking and other infrastructure and equipment.

The College balance sheet at 31 July 2022 was significantly strengthened from the beginning of the year, predominantly because of improved market conditions influencing a huge reduction in defined benefit obligations of £14.45m in the LGPS. The defined benefit obligations relating to the LGPS are valued at £6.03m at 31 July 2022 with a charge of £2.2m to the Statement of Comprehensive Income. The balance sheet also benefited from the revaluation of tangible fixed assets transferred on merger from Portsmouth College with net gains on adjustment of fair value of £7.19m. Cash was carefully managed during the year with £3.2m in cash reserves, equating to 46 cash days in hand at 31 July 2022, and a current ratio of 1.64. The College Group has minimal borrowing at 0.72% of income relating to a small legacy Portsmouth College Salix loan.

The College Group has accumulated reserves of £16.62m after FRS102 pension adjustments.

Treasury Policies and Objectives

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

The College has implemented a separate treasury management policy, adopting the key recommendations of CIPFA's 'Treasury Management in the Public Services: Code of Practice' (the Code), as described in Section 4 of that Code. The College delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance and Resources (F&R) Committee. For the execution and administration of treasury management decisions, responsibility is delegated to the Chief Operating Officer (COO), who acts in accordance with the College's policy, and if they are a CIPFA member, in accordance with CIPFA's 'Standard of Professional Practice on Treasury Management'.

The College regards its treasury management priorities to be security and liquidity, as defined in its Treasury Management Policy. It balances risk and return within these priorities to achieve optimum income on its investments. The College also adopts an ethical investment policy based on the premise that the College's choice of where to make equity investments should reflect the ethical values it espouses in public life. The College will not knowingly invest in companies whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the College.

The College does not adopt a policy of short-term borrowing for temporary revenue purposes. The College has minimal borrowing and has no plans to borrow funds in the foreseeable future.

The College has arranged a secured overdraft facility of £1m with Barclays plc to support any temporary dip in cash reserves in the coming year.

Cash Flows and Liquidity

Net cash outflow from operating activities was £13k (2020-21: £1,375k). The Statement of Cash Flow analyses the movements in cash flows in more detail. The increase in debtors at the year end of £1.3m reduced the cashflow from operating activities, as higher amounts were owed to the College due to revenue growth and some advanced payments to secure better deals from online educational platforms and other suppliers.

Cash at bank as at 31 July 2022 was £3,199k, which equates to 46 cash days.

At 31 July 2022, the College's actual cash balance of £3,199k was higher than forecast. This was predominantly due to investing payments for T Levels Wave 3 and Post-16 Capacity projects running into the new financial year pending completion. The cashflow forecast has been updated for 2022-23 in line with the latest ESFA allocation statements and forecast information from the ongoing capital projects.

The College has adequate cashflow for the period covered by the forecast, although the cash flow forecast highlights that cash balances dip to around 6 cash days in April 2023. Cash will be maintained efficiently through daily and weekly monitoring and expenditure control to avoid cash being overdrawn. Should this arise, it is expected that this will be for a short period of time. The College has a secured bank overdraft facility in place sufficient for the needs of the College. There is no actual or potential requirement for either emergency funding or grant re-profiling from the ESFA. Cashflow does not rely on any revolving credit facilities. However, it may have to rely on the secured bank overdraft facility in the low cash month of April 2023.

Reserves Policy

The College aims to maintain a level of reserves that enables it to fulfil its future commitment to alumni and existing students, notwithstanding unforeseen adverse events.

The College's Treasury Management Policy requires that the College ensures that adequate cash resources are available to fund daily activities from the College's cash balances or from any designated borrowing facilities. This approach is taken to ensure compliance with the minimum liquidity levels as defined in the College's Treasury Management Policy.

The College maintains a cash flow forecast updated on a rolling monthly basis to the end of the current academic year and into the following two academic years to ensure that future cash requirements are identified and that investments and any borrowings that may be required are managed accordingly. The College monitors and forecasts cash flows and reports routinely to the F&R Committee and to the Corporation highlighting any significant variances.

The College Group maintained average cash balances of £4.6m for the year ended 31 July 2022.

At the Balance Sheet date, the College Group has accumulated reserves of £16.62m. The College Group wishes to continue to accumulate reserves and cash balances in order to meet future commitments and to create contingencies for future capital expenditure requirements to improve the student experience.

The College's current 'house' bankers are Barclays plc, with whom the College deposits cash in a current account andbusiness premium deposit account with auto transfers to the current account to manage payments.

At 31 July 2022, the College held a total of £3.199m in cash reserves analysed as follows:

Account	Balance	Interest Rate	Comment
Barclays Current	£100k	0%	Sweep facility
Barclays Deposit	£3,039k	0.80%	Instant access

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet inflation targets and in a way that helps to sustain growth and employment. The Bank rate was 0.1% on 1 August 2021. By 31 July 2022, the Bank Base Rate had risen to 1.25%.

The College earned a total of £3k in interest from bank cash balances in the year ended 31 July 2022.

Annual Capital Expenditure and Planned Maintenance Programme

The capital programme for 2021-22 was budgeted at £3.93m with £1.56m spent by 31 July 2022. Some capital projects completed shortly after 31 July 2022. The College now has an annual programme of capital expenditure for further refurbishment and development of the estate, facilities and infrastructure and to maintain asset values. Approved capital projects are reviewed, monitored, and controlled by the Chief Operating Officer (COO). The capital programme is carefully constructed and responds positively to feedback from students and staff regarding College facilities and infrastructure.

Over £370k was spent on premises maintenance in 2021-22 with approximately £500k budgeted for the coming year. An independent condition survey has recently identified backlog maintenance costed at just over £1m. Once the backlog is addressed there will be no priority 1 condition issues across the College's campuses.

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 taxationin respect of income or capital gains received within categories covered by Chapter 3 Part 11 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 (VAT), so that it can only recover a minor element of 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'ssubsidiary companies are subject to corporation taxes and VAT in the same way as any commercial organisation.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2021 to 31 July 2022, the College paid 82% of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period but is endeavouring to further improve this statistic.

Events After the End of the Reporting Period

On 29 November 2022, the Office for National Statistics (ONS) reclassified all college corporations as public sector institutions with immediate effect. This prompted the Department for Education to introduce some new rules for colleges which will take effect during 2023. The College considers this announcement to be a non-adjusting post balance sheet event and is evaluating the implications of the announcement and the potential new rules but do not consider that they will have an impact on these financial statements.

Going Concern

After making appropriate enquiries, the Corporation considers that the College Group 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.

The Corporation has considered the principal risks on the business. For 2022-23, student recruitment is buoyant, ahead of last year's funding allocation but slightly behind an ambitious curriculum plan for 2022-23. The College Group has the ability to deliver its courses face to face and/or in a variety of different modes including a blend of face-to-face and online teaching or entirely online if required as a result of government interventions. The Corporation sees no reason why there would be a decline in student recruitment for the next academic year starting in 2023-24.

The College Group financial plans for 2022-23 and 2023-24 indicate that the College Group has met all of its high level and operational financial KPIs for 2021-22 although an operating deficit of £878k is still planned to be delivered in 2022-23 turning into an operating surplus of £630k in 2023-24 if curriculum plans are delivered. The College Group is heavily reliant on revenue growth from apprenticeship provision and from new commercial provision in areas such as Net Zero; Commercial and Domestic Gas; and Airconditioning and Refrigeration. The College Group is also planning to increase 16-19 student recruitment from the recovery of market share, which is needed for improvement of the College's financial position. A new three-year curriculum plan identifies significant growth in learner numbers. This is based on a 9.8% increase in market share of ESFA funded 16-18 programmes and 13% year on year growth in apprenticeships and adult funded learners.

The risks associated with the financial plans for 2022-23 continue to be significant. Although financial plans include some small contingencies, an operating deficit Is budgeted. The Corporation has carried out an assessment of the key strategic risks facing the College Group, which includes solvency and liquidity risks. There are strategic and operational risk registers in place with mitigating action plans that are regularly monitored by management and which are particularly focused on sustainability whilst maintaining curriculum quality.

The financial plans indicate that the College Group is capable of increasing its income to £33.4m in 2023-24. However, the cost base is also expected to reach £32.8m to support growth in the business, realising a forecast operating surplus of £0.60m after interest, tax, depreciation and amortisation (ITDA). These forecasts are based on up to date but stretching underlying assumptions for student number growth.

The College Group's financial health remains 'requires improvement' in 2022-23 transitioning to 'good' in 2023-24 with more positive ESFA key performance indicators and net current assets if forecasts are met. The College Group's financial position is expected to improve with stronger cash generation, more healthy working capital, and no borrowing requirements. Cash days will be low whilst the College re-invests surplus funds back into the College estate and facilities to improve the student experience. The College Group's Balance Sheet is starting to intrinsically improve, with a revaluation of the College estate (Tangier Campus) to increase the net book value of non-current assets and with stronger cash generation and continued capital investment, increasing net assets in the business. Where Key Performance Indicators (KPIs) are adverse, management action is taken to address the underlying underperformance.

In the context of a newly merged College, and in a challenging operating environment, the Corporation has been working to stabilise finances and will continue to do so in the short to medium term. Delivery of the financial plans for 2022-23 and 2023-24 rely heavily on the College achieving its strategies for growth in student recruitment and increased cost effectiveness of curriculum delivery, particularly from more blended learning. The College will control the operating position to reflect reduced income wherever possible, and tight management over both pay and non-pay related expenditure. There is a provision of £2.69m of capital spend in 2022-23 to progress the College's Estates Strategy.

In addition to the risk management arrangements outlined elsewhere in this report, arrangements are in place to monitor closely the performance of the College's operations. The College is focused on growing income, controlling expenditure and achieving efficiencies to ensure that resources can be re-invested in core teaching and learning activities and income generating activities. Members remain confident about the College's ability to be a successful provider of education and training to its communities, and its ability to adequately resource its operations.

Development and Future Prospects

Curriculum Developments

There is a strong match between the College's curriculum at all levels and national priorities and local needs. This is a result of clear strategic direction, a four-year curriculum growth strategy to 2026 and beyond, and effective arrangements with partners, including the Solent Local Enterprise Partnership (LEP), businesses, and universities. Courses have been re-designed to align with local and regional economies and to ensure that students are able to move securely into employment.

For 2022-23 activity, curriculum planning sessions were informed by employers (via Employer Advisory Boards held prior to the sessions) and chaired by members of the Executive Leadership Team. Vice Principals presented their curriculum plan and proposals at these sessions, sharing information on curriculum content, recruitment, teaching approaches and student ability levels and backgrounds. The involvement of employers provided a valuable exchange of information, market intelligence and market insight as well as networking opportunities.

Managers cross-reference the technical and occupational skills and behaviours developed through their curriculum against local and national skills priorities. Managers have also identified wider skills development as part of curriculum planning, such as financial skills, digital skills, and health and wellbeing and have mapped these into the curriculum. These wider skills now also feature alongside the occupational and technical subject skills in the College prospectus and on the website.

The College's high needs provision has grown significantly and has an excellent reputation. The College works closely with the local authority, Portsmouth City Council, in relation to this provision. A High Needs Strategy at CoPC was approved in October 2022 and includes an ambitious growth plan. There has been a significant increase in demand for High Needs places together with requests for more school link programmes and more recently places for ESFA directly funded 14-16 year-old students. CoPC has been approved for funded delivery to young people aged 14-16 for 2022-23. In 2021-22 there were 191 High Needs students on roll. In 2022-23, the number has grown further to 230 students.

There has also been further growth in programmes which tackle social disadvantage and disrupted schooling to help get these young people into vocational programmes and work. The College's Pathways and Prospects programmes give these learners the opportunity to develop their personal, English, maths and vocational skills so that they can progress onto higher levels of full-time education and training within the College.

In apprenticeships, the College has stopped sub-contracting with no further starts from July 2022. In addition to this, the College has removed from the direct delivery offer low volume, non-priority and poor-quality apprenticeships. The provision which has been stopped includes health and social care at L2 and L3. From 2022-23 onwards, the directly delivered apprenticeship curriculum offer will consist of three main pillars around which the curriculum strategy will be built. The strategic occupational areas to be focused on will be IT and digital; construction; and leadership and business.

Future Prospects, Challenges and Opportunities

The newly merged City of Portsmouth College is a significant development for the city and the surrounding region. The College now offers the broadest and most comprehensive range of education and training across four campuses which are strategically located across Portsmouth.

There is a demographic increase particularly for school leavers across Portsmouth over the next seven years, and this will require growth in provision. This has been confirmed by the Responsive College Unit (RCU), who have analysed and provided a report on demographics in Portsmouth and its travel to learn area. The College is experiencing an increase in 16-18 learner numbers at the start of 2022-23 academic year which is expected to continue into the next few years.

The College continues to work in a challenging operating environment in Further Education. As expected, the government's last full Budget in March 2022 had little new for colleges or skills to add to the £700m announced in the spending review from November 2020. The Budget was about the measures needed to further help with the significant cost of living increase. The Chancellor at the time, and now Prime Minister Rishi Sunak, also said that the operation of the Apprenticeship Levy needed to be examined, given that UK employers are spending only half the European average on training their employees.

In January 2021, the government published the 'Skills for Jobs' White Paper, with a clear focus on the role that further and technical education has in helping people to get skills for good jobs now and in the future. The government's 'Plans for Jobs' recognises the importance of colleges in boosting productivity, strengthening communities, and supporting individuals. The Skills and Post-16 Education Act became law on 28 April 2022.

There are several important measures introduced by the Act that impact on the work of colleges:

1. Prioritising local needs and local people Placing a legal requirement on colleges and other providers to work with employers to develop skills plans, so that the training on offer meets the needs of local areas, and people no longer have to leave their hometowns to find work.

2. Supporting flexible study options Supporting the transformation of the current student loans system so that from 2025 learners can access a flexible loan for higher-level education and training at university or college, which they can use at any point in their lives.

3. Boosting the quality of education and training on offer Introducing new powers to intervene when colleges are failing to deliver good outcomes for the communities they serve.

4. Broadening careers advice for pupils Ensuring that all pupils meet providers of technical education so that they understand the wide range of career routes and training available to them, such as apprenticeships, T Levels or traineeships, not just the traditional academic options.

5. Prioritise green skills Prioritising green skills to help the training on offer across the country to meet the needs of the growing green economy and help to get more people into jobs.

Other key policy challenges in the sector currently include:

Ofsted inspections – meeting local needs.	**Qualifications** – Level 3 review and de-funding BTecs/ growth of T levels/ Level 2 and below/ Higher Technical Qualifications.
National Skills Fund (NSF) – Level 3 adult entitlement/ Bootcamps/ Lifelong Loan Entitlement.	**Skills accelerator funding/ Local Skills Improvement Plans (LSIPs)** – reshaping the technical skills system to better support the needs of local labour markets/ wider economy.
Higher Education changes – new metrics for outcomes/ consultations on minimum entry requirements/ number caps.	Further plans for **devolution**.
Review of the Apprenticeship Levy – government review will take place over Summer 2022 with businesses to consider if the Apprenticeship Levy invests enough in skills.	**SEND Green Paper** – proposals to improve an inconsistent, bureaucratic, and complicated system which often means delays in children with special needs accessing the right support.

The College will continue to develop a diverse range of programmes that will enable further increase in revenue for re-investment in the student experience. We are developing programmes that will be diverse in their delivery, mode of study and location. Though most of our programmes are delivered face to face, we will continue to focus on enhancing our digital capacity to deliver, teach and support students through virtual learning platforms. We are investing in the tools, training and technology to develop our e-learning environment to enable us to be flexible to adapt to a rapidly changing environment. We are responding to the changes in the employment market by offering new content such as digital technology and Net Zero/ Sustainability within the curriculum. Through our strong networks and connections, we are working with employers in developing apprenticeships and other content so that our students have the knowledge, skills and competencies to be successful in their careers.

Financial Outlook and Future Plans

The Corporation approved a financial plan in July 2022 for the year ending 31 July 2023, which sets objectives for the year. Forecasts have also been produced for the year ending 31 July 2024.

Total budgeted income in 2022-23 is set to increase to £31,661k from total budgeted income in 2021-22 by £3,405k (12.0%) and from total forecast Outturn 2021-22 by £2,986k (10.4%). From forecast Outturn 2021-22, the growth in total income is mainly from: (1) increased ESFA 16-19 core grant funding of £814k due to the increase in the funding rate; (2) increased delivery of Apprenticeship funding of £1,303k; and (3) increased Full Cost income of £597k due to expansion of the curriculum offer to meet the local need for skills

Total budgeted pay expenditure in 2022-23 is set to increase to £19,798k from total budgeted pay expenditure in 2021-22 by £199k (1%) and exceeds forecast Outturn 2021-22 by £1,180k (6.3%). From forecast Outturn 2021-22, the growth in pay costs arise from: (1) posts which are vacant and will be recruited to of £830k across teaching and support areas; (2) new posts to increase capacity of £418k to service the College and to support planned growth; and (3) the implementation of a new personal tutor model to improve quality as part of the new Curriculum Strategy, a net increase of £65k.

Total budgeted non-pay expenditure in 2022-23 is set to increase to £32,539k from total budgeted non pay expenditure in 2021-22 by £2,307k (22.11%) and from forecast Outturn 2021-22 by £1,367k (12.02%). Costs have increased in almost all expenditure lines to reflect: (1) increased costs of goods and services, particularly for utilities, IT subscriptions and licencing; and (2) an increase in depreciation charges due to capital expenditure required in 2022-23.

The operating deficit from 2021-22 is nearly halved in 2022-23, reduced by £741k to £878k. This is expected to turn into an operating surplus of £660k in 2023-24. The College is heavily reliant on revenue growth from apprenticeship provision and from new commercial provision in areas such as Net Zero; Commercial and Domestic Gas; and Airconditioning and Refrigeration. The College is also planning to increase 16-19 student recruitment from recovery of market share, which is needed for improvement of the College's financial position.

The Budget 2022-23 includes capital investment across the College's estate, particularly at Highbury, North Harbour and Arundel campuses. Provision is also made for further capital investment in IT infrastructure. Total planned capital expenditure for 2022-23 is £2.69m. Although the College was not successful in its recent bid to the Further Education (FE) Transformation Capital Fund to take forward its 'Connecting Futures Project' of £18.6m, there are plans to continue to find funding for this. The College estate contains a significant proportion of leased property, and the terms of these leases expire between 2024 and 2028. The rental and service charge costs amount to just under £1m per annum while an assessment of the condition of these properties identifies £350k of backlog and priority maintenance requirements at these sites. The College has recently delivered improvements using grant funding from the Fire Safety capital fund; Wave 3 T level capital fund; and the Post 16 capital fund. It has been awarded grant funding from the Wave 4 T level capital fund and further opportunities are anticipated with the next phases of Post 16, T level and Transformation funding. The College will continue to develop its estates in line with an updated Estates Strategy to ensure it provides high quality teaching and learning infrastructure that is both flexible and efficient.

All associated cashflows have been modelled and are tight but affordable from within the College's own cash reserves with no requirement for borrowing at this time. A secured bank overdraft facility of £1m is in place should the College require additional temporary cash injection during the year.

Despite recent uplifts, Further Education (FE) funding remains wholly inadequate, and compares extremely unfavourably with both university and school funding, with annual public funding per university student averaging £6,600 compared to £1,050 for adults in FE. The result of this underfunding is that colleges have had to narrow their curriculum and reduce the broader support they offer to students, including across careers advice and mental health services.

The current complexity of the approach to funding leads to planning uncertainties, burdensome data management and turbulence in cash flow. In addition, college finances have been hit hard as a consequence of the disruption caused by the pandemic, with significant drops in commercial and apprenticeship income which have been slow to recover.

Some key indicators of financial health in the sector include:

1 Funding levels and income

2 Financial health and vulnerability

3 College budgets and rising pay costs

4 Non pay costs

1. Funding levels and Income

In last Autumn's spending review, the Treasury agreed a £1.6bn (25.6%) increase in 16-18 education spending to cover several priorities including education recovery and the shift to T levels as well as a forecast of rising student numbers. For colleges, there is an average 8.5% rise in 16-18 cash allocations to deliver 2% rise in funding/students and an extra 40 hours teaching (7% extra). 16-18 course funding accounts for 45% of FE college income and, this year, there was an average 1% fall in 16-18 student numbers. Taking changes in post-18 into account, this implies a sector wide budget increase of 4.5%. The position for individual colleges varies widely. 16-18 funding as a percentage of income varies from 20% to 95%. 40% of colleges have an increase in 16-18 allocations of more than 10%. 10% of colleges have cash reductions. Treasury and DfE underfunding of post-18 education and training implies real-term cuts of an estimated £800m over the next three years.

2. Financial health and vulnerability

Colleges' financial health ratings have improved partly because they have repaid debt (now less than £1bn across the sector). This in turn reflects the fact that DfE capital spending on FE reached a 20-year low in 2021-22 at just £138m. There are plenty of plans for the future associated with a £2.8bn budget over the next three years but the money has not been spent yet. Despite a decade of austerity (in which funding per aged 16–18 fell by 14% in real terms and per 19+ FE student halved), college financial health has improved in recent years. Just 4% of colleges are currently graded with inadequate financial health. 9% have financial notices to improve. 83% have good or outstanding financial health.

3. College budgets and rising pay costs

There are several upward pressures on staff costs. In April 2022, the government increased employers national insurance contributions by 1.25% (to 15.05%) and increased the National Minimum Wage (NMW) by 6.6%. From April 2023, LGPS contributions may increase for some colleges while the Low Pay Commission is consulting on an 8.6% rise in the NMW (to £10.32 an hour). Decisions on college budgets and pay are more difficult and contentious than ever. Inflation is now above 10% with forecasts of increases to 11%. There are around 30 FE colleges facing pay ballots and more to come. The latest set of accounts for colleges (for the 2020-21 year) show a staff cost ratio of 66.6% for FE colleges and 70.7% for sixth form colleges. Both are slightly above the FE Commissioner's benchmark of 65%.

4. Non pay costs

Other unavoidable increases in non-pay costs include energy; higher interest rates (including on DFE loans); higher exam fees (typically increase 4% a year); and inflation in areas where colleges have no choice.

This forms the backdrop for the College's academic and financial planning for 2022-23 and beyond. The College is taking positive and active steps to ensure that it can continue to operate successfully in the evolving FE landscape and as a newly merged organisation.

Resources

The College Group has various resources that it can deploy in pursuit of its key strategic priorities as defined in CoPC 2026.

Financial

Total income for the College Group was £28.57m in 2021-22. The College Group has £16.62m of net assets, including £6.03m pension liability and almost no debt. Tangible resources include the main College sites at Highbury Campus and Tangier Campus.

People

The College Group employs 732 people (expressed as average headcount including sessional and casual staff), of whom 242 are teaching staff.

Reputation

The College Group works hard to maintain a good reputation with the local community and has an excellent reputation regionally and nationally in many areas of its provision. Maintaining a quality brand is essential for the College Group's success in attracting students andexternal relationships.

Streamlined Energy and Carbon Reporting

The College is committed to reducing its carbon emissions and has taken a number of measures in the year to improve energy efficiency including: (1) considerable changes to building management systems ensuring that they more closely monitor and control the operation of the plant and equipment utilised for heating and ventilation; (2) establishment of a senior management role for procurement to formalise and closely monitor procurement operations, along with the appointment of an engineering biased senior manager within the College's Estates team; and (3) reduction of boilers in use at Highbury Campus.

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. Comparators are for Highbury College Portsmouth only.

Intensity ratio

The chosen intensity measurement ratio is [Floor Area – m2].

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

UK Greenhouse used to calculate emissions (kWh)	1 August 2021 to 31 July 2022	1 August 2020 to 31 July 2021
Energy consumption used to calculate emissions (kWh)	5,929,259	6,567,594
Scope 1 emissions in metric tonnes CO2e		
Gas consumption	645.60	784.21
Owned transport	17.10	7.35
Total	662.72	791.56
Scope 2 emissions in metric tonnes CO2e		
Purchased electricity	536.82	510.54
Scope 3 emissions in metric tonnes CO2e		
Business travel in employee owned vehicles	Not known	Not known
Total gross emissions in metric tonnes CO2e	1,199.52	1,302.10
Intensity ratio		
Metric tonnes CO2e per floor area (m2)	0.029	0.032

Principal Risks and Uncertainties

The College has undertaken work during the year to further develop and embed the system of internal control, including risk management, which is designed to protect the College Group's assets and reputation. The College has strategic and operational risk registers in place with mitigating action plans that are regularly monitored by management to manage definedrisks, and which are particularly focused on financial sustainability and maintaining curriculum quality. The College's most significant strategic risks relate to:

1	Failure of key information systems and loss of data.
2	Failure to achieve full cost recovery income.
3	Failure to achieve Ofsted 'Good' or better.
4	Recruitment and retention of staff.
5	Staff morale.
6	Fit for purpose estate and facilities.
7	Management capacity.
8	Failure to achieve student satisfaction.

A strategic risk register is maintained at the College level, which is updated regularly by management and reviewed at each meeting of the Audit Committee. The risk register identifies key risks; the likelihood of those risks occurring and preventing the College's key strategic priorities from being achieved; their potential impact on the College; and the actions being taken toreduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The College also maintains an operational risk register at departmental level. The College has a Risk Management Action Group, which undertakes a comprehensive review of operational risks to which the College is exposed. The Group meets termly and identifies systems, procedures, controls and specific actions to prevent identified risks materialising and adversely impacting on the College.

Stakeholder Relationships

In line with other colleges and with universities, CoPC has many stakeholders. These include:

- Current, future and past students
- Education sector funding bodies
- FE Commissioner
- Staff and trade unions, Including the National Education Union and Unison
- Employers, who are mostly Small and Medium Sized Enterprises (SMEs)
- Local authorities, Including Portsmouth City Council
- Local Enterprise Partnerships (LEPs), Including Solent LEP
- Hampshire Chamber of Commerce, the lead for the Hampshire Local Skills Improvement Plan (LSIP)
- The local community
- Other FE and HE institutions, Including the University of Portsmouth and all local schools and colleges
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College internet and intranet sites and through meetings and events.

The College considers good communication with its staff to be important and particularly in 2021-22 which was the first year of the newly merged College. To this end, the College held many staff briefings, in person and virtually. The College circulates weekly electronic newsletters and messages from the Chief Executive and Principal, keeping all staff informed of activity in their area or any essential updates. The College encourages staff and student involvement through membership of formal committees and informal groups. There is a monthly Joint Consultative Committee (JCC) with representatives meeting with the Chief Executive and Principal and the Chief Operating Officer (COO). The 'Student Voice' has regular meetings at which staff and management are present. Students elect two Student Governors to Corporation.

Equality

The College is committed to ensuring equality of opportunity for all who learn and work at the City of Portsmouth College. We respect and value positively differences in race: gender; sexual orientation; disability; religion or belief and age. All forms of prejudice and discrimination are unacceptable and will not be tolerated at the College. This is monitored by the Operational Management Group where progress against Equality and Diversity Impact Measures (EDIMs) is monitored on a planned basis. The College's Equality and Diversity Policy is regularly reviewed to ensure that it is reflective of the College position and any legislative changes and this is published on the College's website and staff intranet. The College ensures that its curriculum departments scrutinise and put in place actions in their own areas in response to any EDIM achievement gaps. This ensures that interventions are relevant, local and focused.

The College seeks to ensure that it meets its public sector equality duty to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity, and foster good relations between people who share a protected characteristic and those who do not. In particular:

1. Equality and diversity are central to all that we do, and fundamental to our mission and values. The College has prepared appropriate polices and action plans, which are monitored by the Operational Management Group. The Equality and Diversity Policy has been developed and is reviewed to ensure that it meets the requirements of the Equalities Act 2010.

2. The College ensures that all staff receive training in equality and diversity and are updated as necessary. Students receive training at induction and opportunities to celebrate diversity are promoted throughout the year. All teaching and assessment materials are regularly monitored to ensure that they promote equality and diversity.

3. It is a legal requirement under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for all organisations to publish by 31 March every year on their websites and on a government website, the gender pay gap between male and female employees, based on the difference between their average earnings. This is a key step in addressing the gender pay gap and ensuring that the workplace works for everyone. The benefits of being committed toreducing the gender pay gap includes developing a reputation for being a fair and progressive employer, attracting a wider pool of potential recruits for vacancies, and the enhanced productivity that can come from a workforce that feels valued and engaged in a culture committed to tackling inequality.

4. The College is a 'Disability Confident Employer' and has committed to the principles and objectives of the Disability Confident scheme. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to support the employee and ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. This is in recognition of the support that is provided for disabled job applicants, and for staff with disabilities, and is regularly reassessed against this standard. The previous registration for Highbury College Portsmouth was transferred to the City of Portsmouth College and will be reviewed again in November 2022. As part of this commitment, the College has agreed the following:

    a) Actively looking to attract and recruit disabled people.
    b) Providing a fully inclusive and accessible recruitment process.
    c) Offering an interview to disabled people who meet the minimum criteria for the job.
    d) Flexibility when assessing people so disabled job applicants have the best opportunity to demonstrate thatthey can do the job.
    e) Proactively offering and making reasonable adjustments as required.
    f) Encouraging our suppliers and partner firms to be Disability Confident.

The College's Operational Management Group and the Learning and Quality Committee ensure that effective systems to monitor and evaluate equality and diversity practice are in place by:

1. Setting and monitoring equality and diversity performance indicators.
2. Monitoring and analysing data on student applications, enrolment, retention and achievement in terms of age, ethnicity, gender and disability with a view to comparing trends and highlighting and improving or narrowing the gap of any imbalances identified.
3. Monitoring and analysing student progression and destinations in terms of age, ethnicity, gender and disability,including progression within the College, progression into other educational institutions and, where possible, progression to employment.
4. Monitoring and analysing staff recruitment, grievance and disciplinary, staff progression and gender pay gap in terms of age, gender, and disability.
5. Monitoring and analysing the take-up of staff training and development opportunities.
6. Ensuring College policies in relation to equality and diversity are regularly monitored, reviewed and updated, in line with legal requirements.
7. Producing an Annual Equality and Diversity Report for approval by Corporation and publication on the College website.

Support for students with learning difficulties and/or disabilities

The College welcomes students with learning difficulties and/or disabilities. The Children and Families Act 2014 sets out the requirement for schools and colleges to make available the local SEND offer to prospective and existing students and their families.

The College provides on-going tailored support to make sure that students are successful in their learning. Students with learning difficulties or disabilities have a choice of pathways:

1. Mainstream courses with learning support.
2. Courses for students who have mild to moderate learning difficulties and/or disabilities and those who have no formal qualifications or are not in education.
3. Discrete SEND provision in Foundation Prospects for students with Social, Emotional and Mental Health needs. This provision is located at the Arundel Campus.
4. Discrete SEND provision in Foundation Prospects for students with moderate learning difficulties in a supported learning environment at the Highbury Campus.
5. Discrete SEND provision for Foundation Prospects students with more complex difficulties focussing on independent living and life skills which is based at the Tangier Campus.
6. Supported Employment and Further Education Pathways are also available if appropriate for the young person.
7. Discrete Prince's Trust provision for SEND.
8. SEND Classroom in the heart of industry.

To meet individual needs, some or all of the following may be provided to our students:

1. Small group support for language, literacy and numeracy outside of normal class.
2. Specialist software or adapted handouts and course notes.
3. Specialist interventions including: Dyslexia, Dyspraxia, Speech & Language, Emotional, Literacy Support Assistance, Behaviour support and Mental Health support.
4. Mentoring.
5. Learning support assistant for in class support or 1:1 support.
6. Sign Supported English communicator accessed from external agencies.
7. Access arrangements for exams such as a reader, scribe or extra time.
8. If students have a medical condition or physical disability, a care plan will be drawn up to share with the staff that work with them.
9. Access to the College Nurse and Counsellors.
10. Financial support and/or bursaries may be available.
11. Highbury Heights – residential provision to improve independent living skills.
12. Health & Wellbeing.
13. Study Centre support.
14. Maths & English coaches.
15. Sensory Rooms.
16. SEND Transition Coach.

Disability Statement

The College seeks to achieve the general and specific duties set down in the Equality Act 2010, and in particular makes the following commitments:

1. Following assessment, students may have access to assistive software such as Dragon, Read and Write Gold and Inspiration. CPens and laptops can also be made available. There is adjustable height furniture and other aids which can be used by students with learning difficulties/disabilities.
2. The admissions policy for all students is advertised on the College website and is clearly displayed in our Advice and Guidance area. Appeals against a decision not to offer a place are dealt with under the Complaints Policy. All students disclosing a learning difficulty or disability will attend an Identification of Needs meeting to ensure all required support is offered.
3. There are a number of learning support assistants who provide in-class support. Specialist Support Tutors are also employed who support learners with specific difficulties, particularly those accessing Level 2 and Level 3 programmes of study. This may be on a 1:1 or small group basis in addition to class times.
4. There is a programme of staff development to ensure that staff are aware of appropriate support for students who have learning difficulties and/or disabilities.
5. Courses and their entry requirements are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.
6. Counselling and welfare services are described in the College Prospectus and other materials distributed to students at induction, together with the College's Complaints and Disciplinary Procedure.

Gender Pay Gap Reporting

It is an annual legal requirement under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for the College to publish the gender pay gap between male and female employees, based on the difference between their average earnings. The data for CoPC has not yet been reported. Below is the snapshot of data for the predecessor Highbury College Portsmouth on 31 March 2021 and the year-on-year calculations:

	2021-22	2020-21	2019-20	2018-19	2017-18
Mean Gender Pay Gap	13.83%	18.90%	Not reported due to Covid	17.00%	14.50%
Median Gender Pay Gap	27.37%	38.20%		30.80%	35.50%
Mean Bonus Gender Pay Gap	0%	0%	Not reported due to Covid	0%	0%
Medium Bonus Gender Pay Gap	0%	0%		0%	0%

Mean calculates the difference between the average hourly rate of pay that male and female employees receive (total of all hourly rates divided by number of individuals).

Median calculates the difference between the 'middle-rate' of hourly pay that male and female employees receive (the hourly rate that appears halfway within an ascending list of all hourly rates).

In line with the regulations, the College must also report on the proportion of male and female employees in each of the four pay bands, where the lower quartile represents the lowest salaries, and the upper quartile represents the highest salaries. The proportion of males/females in each quartile is as follows:

Quartile Data	Male				Female			
	2021-22	2020-21	2018-19	2017-18	2021-22	2020-21	2018-19	2017-18
Lower Quartile	19.15%	15.46%	26.47%	15.09%	80.85%	84.54%	73.53%	84.91%
Lower Middle Quartile	24.73%	22.45%	17.82%	29.25%	75.27%	77.55%	82.18%	70.75%
Upper Middle Quartile	44.09%	42.42%	38.61%	48.11%	55.91%	57.58%	61.39%	51.89%
Upper Quartile	41.49%	47.47%	51.49%	45.71%	58.51%	52.53%	48.51%	54.29%

The College is committed to equality of opportunity for all and it is pleasing to see that we are continuing to attract, recruit and promote more women into our lecturing and management roles. The College will continue to work on decreasing the gender pay gap in the lower quartiles. The College has revised the Flexible Working Policy to offer all employees the opportunity to request flexible working from the first day of employment and this should support and encourage both male and female staff across the College to discuss arrangements to assist them with caring responsibilities without inhibiting their career progression.

All College staff are required to complete equality and diversity training. The theme of equality, diversity and inclusion is embedded into all study and apprenticeship programmes promoting equal opportunity and dispelling gender stereotypes.

Prevent Duty

In July 2015, a legal duty was placed on colleges, amongst others, to show "due regard to the need to prevent people from being drawn into terrorism." The College has put in place certain safeguards in recognition of this and has included the matteron its risk register so that it can be monitored regularly by the Corporation.

Trade Union Facility Time

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

Facility time is paid time taken by a relevant union official for trade union duties when acting as a representative of the union, for example, accompanying a worker to a hearing, attending union training courses etc. The government's explanation outlined that these requirements were designed to promote transparency and public scrutiny of facility time and to encouragepublic sector employers to moderate the amount of money spent on facility time in light of that scrutiny.

Below is the facilities time report data for the City of Portsmouth College. This report data covers the period from the point of merger on 1 August 2021 until 31 March 2022.

Trade union facility time data – 1 August 2021 to 31 March 2022
Your organisation City of Portsmouth College (CoPC)
Employees in your organisation 50 to 1,500 employees
Trade union representatives and full-time equivalents Trade union representatives: 2 FTE trade union representatives: 1.67
Percentage of working hours spent on facility time 0% of working hours: 0 representatives 1 to 50% of working hours: 2 representatives 51 to 99% of working hours: 0 representatives 100% of working hours: 0 representatives
Total pay bill and facility time costs Total pay bill: £12,295,000 Total cost of facility time: £7,429.22 Percentage of pay spent on facility time: 0.06%
Paid trade union activities Hours spent on paid facility time: 269 Hours spent on paid trade union activities: 39 Percentage of total paid facility time hours spent on paid TU activities: 14.5%

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 ofthat information.

Approved by order of the Members of the Corporation on 13 December 2022 signed on its behalf by:

Signed: ....

Paul Quigley
Chair

City of Portsmouth College Corporation

3 Statement of Corporate Governance and Internal Control

Governance Statement

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 ESFA requires colleges to comply with either the AoC's college governancecode, the UK corporate code or the charity governance code.

The College endeavours to conduct its business:

A. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and

B. 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 July 2022. An external review of Corporation's governance will be undertaken in the summer term 2022-23 in line with external requirements. This review will be undertaken by an independent reviewer with actions addressed through an action plan. 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, which it formally adopted in July 2020.

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

The Corporation

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

FE Corporation 2021-22

Name	Status of appointment	Committees served	Initially appointed	Re-appointed	Term of office expires / resigned	Attendance record in 2021/22*
Jafor Ahmed*	Independent	E&S	Dec-12	Confirmed 17-Aug-21	31-Dec-21	3/9
Shahalam Ali*	Independent	F&R, E&S, Audit	Sep-19	Confirmed 17-Aug-21	30-Sep-23	15/24
Prue Amner	Independent	L&Q, Audit, S&G	09-Dec-20	Confirmed 17-Aug-21	08-Dec-24	25/26
Lily Camacho	Student	F&R	07-Dec-21		31-Jul-22	4/11
Bernie Collins*	Independent	Remun, Audit	Jan-17	Confirmed 17-Aug-21	29-Apr-22	10/12
Mark Cooper*	Independent	S&G, L&Q, E&S	Dec-20	Confirmed 17-Aug-21	31-Dec-24	10/24
Ashley Cullen	Independent	Audit, L&Q, E&S	22-Sep-20	Confirmed 17-Aug-21	21-Sep-24	17/21
Alex Dartmouth	Independent	F&R	21-Jul-22		20-Jul-26	3/3
Graham Goddard	Independent	E&S	21-Jul-22		20-Jul-26	1/2
Katie Hill	Staff	F&R	04-Oct-21		31-Jul-23	15/15
Adele Hodgson*	Independent	F&R, Remun	Jul-18	Confirmed 17-Aug-21	11-Jan-22	7/9
Tim Jackson	Independent	E&S, F&R, L&Q	22-Sep-20	Confirmed 17-Aug-21	21-Sep-24	23/26
Tim Mason	Independent	S&G, L&Q	20-Mar-18	Confirmed 17-Aug-21	31-Dec-21	5/9
Samantha Miller	Staff	L&Q	07-Dec-21		31-Jul-22	10/12
Graham Morley	CEO	S&G	01-Nov-21		05-Jun-22	9/9
Shirley Nellthorpe	Independent	Audit	21-Jul-22		20-Jul-26	3/3
Rob Nitsch	Independent	S&G, Remun	05-May-20	Confirmed 17-Aug-21	04-May-24	11/20
Kit Peet	Student	L&Q	07-Dec-21		31-Jul-22	4/9
Mark Pembleton	Independent	Audit	27-Nov-18	Confirmed 17-Aug-21	21-Mar-22	9/12
Paul Quigley	Independent	F&R, Remun	28-Jan-20	Confirmed 17-Aug-21	27-Jan-24	18/18
Katy Quinn	Principal & CEO	S&G	06-Jun-22		N/A	6/6
Jeanette Smith*	Independent	S&G	Mar-18	Confirmed 17-Aug-21	20-Dec-21	3/8
Mike Stoneman	Independent	Remun, L&Q, E&S, F&R	17-Aug-21		16-Aug-25	15/21
Pauline Tiller	Independent	Audit, E&S	15-Jan-22		14-Jan-26	13/13
Paul Walton*	Independent	S&G, F&R	Nov-20	Confirmed 17-Aug-21	31-Jul-22	15/25
Penny Wycherley	Interim CEO		05-Dec-19		31-Oct-21	3/3

* Originally appointed by Portsmouth College
** Actual attendance over possible attendance

Ms Paola Schweitzer was Director of Governance from 1 August 2021 to the present.

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 on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets at least six times per academic year.

The Corporation conducts its business through a number of committees. Each committee has documented terms of reference, which have been approved by the full Corporation. These committees are: Finance and Resources; Learning and Quality; Remuneration; Estates and Sustainability; Search and Governance; and Audit.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website CoPC.ac.uk or from the Director of Governance at the College's registered address:

City of Portsmouth College (CoPC)
Tudor Crescent
Portsmouth
PO6 2SA

The Director of Governance maintains a register of financial and personal interests of the Members. The register is available for inspection at the above address.

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

Formal agendas, papers and reports are supplied to Members in a timely manner, prior to Corporation meetings. Briefings are provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive Members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

Appointments to the Corporation

Any new Member appointments to the Corporation are a matter for the consideration of the Corporation as a whole, acting on the recommendations of the Search and Governance Committee. The Committee is responsible for the selection and nomination of any new Member for the Corporation's consideration. The Corporation is responsible for ensuring thatappropriate training is provided as required.

Members of the Corporation are appointed for terms of office not exceeding a maximum of two terms of four years, in accordance with the Code.

Corporation Performance

It is good governance practice that the Corporation reviews its own performance on a regular basis. It is also a recommendation in the Code. Governors self-assessed their performance for 2021-22 and identified key strengths and areas for development. The proposed self-assessment grade was 'Good' and a Governance Improvement Plan will address areas for development in 2022-23.

The College produces the Governance KPI table which is derived from an annual Review of Governance taken to the Search & Governance Committee each Autumn term. The following table summarises performance in 2021-22:

Area		Performance Indicator	Evidence	Comments
Attendance	1	80% attendance at all main Corporation meetings in the year	Corporation meeting minutes	This was not achieved: 71% at all 4 scheduled meetings and 67% at all scheduled & non-scheduled meetings. This lower attendance can be attributed to the high number of Special Corporation meetings.
		80% attendance at all committee meetings in year	Committee meeting minutes	This was achieved by Audit Committee (92%), Learning & Quality Committee (85%), Remuneration Committee (100%) and Search & Governance Committee (88%).
		All scheduled meetings are quorate	Corporation/Committee meeting minutes	There were two inquorate meetings: Learning & Quality Committee (24 November 2021) and Corporation (14 April 2022). Both were non-scheduled meetings.
Guiding and monitoring the strategic direction of the College	2	Corporation to consider the strategic direction of the College once each year	Corporation meeting minutes	College vision and objectives were agreed by Corporation at Strategic Planning Day on 15 January 2022 and subsequently confirmed on 15 March 2022.
	3	Key strategic objectives and financial performance of the College to be formally monitored by Corporation each term.	Corporation meeting minutes & Annual Accounts	The College's transitional strategic objectives were monitored by Corporation through the CEO/interim CEO's report to Corporation on 5 October 2021 and 7 December 2021. On 15 March 2022 and 21 July 2022 Corporation considered the strategic business plan 2022/26 identifying how the College's new strategic objectives would be achieved. Management accounts were considered at all scheduled Corporation meetings and the 2020/21 financial statements for both Portsmouth College and Highbury College were agreed by Corporation on 7 December 2021.
	4	Monitor achievement of College annual targets for retention and achievement.	Corporation meeting minutes	Retention and achievement reported through Principal/CEO's report at every scheduled Corporation meeting.
Senior post holders/Clerk	5	Annual appraisal of Principal and Clerk undertaken by Chair.	Chair's report to Corporation	2021/22 has been a transitional year with three Accounting Officers: Penny Wycherley, Graham Morley and Katy Quinn. Katy joined the College as Principal & CEO on 06 June 2022 and has agreed a series of probationary targets with the Chair. The Director of Governance was appraised by the Chair in February 2022 and this was reported to Corporation on 15 March 2022.
Equality of Opportunity	6	Monitoring Reports are presented to the Corporation as appropriate.	Corporation/Committee meeting minutes	The Equality & Diversity Policy was agreed by Corporation on 5 October 2021 and monitoring/updates were subsequently considered by Learning & Quality Committee.
Risk Management	7	Corporation approves annual Risk Management Action Plan. Audit Committee monitors implementation of the Plan.	Corporation/Committee meeting minutes	Revised Risk Management Policy and Strategic Risk Register agreed by Corporation on 7 December 2021. Audit Committee monitored the register at each of its meetings in 2021/22 (including at the joint meeting with Finance & Resources Committee on 30 November 2021).

Area	Performance Indicator		Evidence	Comments
Audit Arrangements	8	Corporation receives Annual Report from Audit Committee.	Corporation Minutes	Corporation received Highbury College Audit Committee's Annual Report to Corporation and Portsmouth College Audit Committee's Annual Report to Corporation on 7 December 2021.
		Audit Committee and Auditors comply with Audit Code of Practice.	Audit Committee minutes and Audit/Inspection reports.	Audit Committee minutes and Annual Report to Corporation summarise activity, including internal and external audit reports, and confirm compliance with Audit Code of Practice.

Good = >80% Average = 70-79% Poor = <69%

Governors have undertaken training and development activities throughout 2021-22 and up to the present day including induction meetings and safeguarding training (including an update on the Keeping Children Safe in Education changes introduced in September 2022). Governors agreed the new College's vision, mission and objectives, an exercise that required consideration of College, local government and Local Enterprise Partnership data. Governors keep abreast of sector developments through the Principal and CEO's termly report to the Board and the weekly Association of Colleges CEO newsletter. The Director of Governance remains up to date with changes in the sector through regular FE Governance Professional network meetings, Eversheds briefings and as an active member of the online FE Clerks' Network. Throughout 2021-22, she was mentored by a National Leader of Governance.

Remuneration Committee

Throughout the year ended 31 July 2022, the College's Remuneration Committee comprised: The Chair of the Corporation; the Vice Chair of the Corporation; and one other independent Member. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Chief Executive and Principal, and other senior post holders.

The College complies with the AoC Senior Staff Remuneration Code for Colleges.

Details of remuneration for the year ended 31 July 2022 are set out in Note 7 to the financial statements.

Audit Committee

The Audit Committee comprises up to five members of the Corporation (excluding the Accounting Officer and the Chair). The Committee has authority to appoint additional external co-opted members as necessary. The Committee operates inaccordance with documented terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance.

The Audit Committee meets at least on a termly basis and provides 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. The Committee also receives and considers reports from the main funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented. The Audit Committee also advises the Corporation on the appointment of the internal auditors, the reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

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 Chief Executive and Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he or she is personally responsible, in accordance with the responsibilities assigned to them in the Conditions of Funding Agreement between the College and the funding bodies. He/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 based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they berealised; and to manage them efficiently, effectively and economically. The system of internal control has been in place at the College for the year ended 31 July 2022 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The College's risk management arrangements have been overhauled during the year. 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 ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control environment

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

A. comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;

B. regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;

C. setting targets to measure financial and other performance;

D. clearly defined capital investment control guidelines; and

E. the adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA'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. As a minimum annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity at the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College'ssystem of risk management, controls and governance processes.

Risks faced by the Corporation

The College adopts an enterprise risk management approach to ensure that strategic priorities are achieved. A number of risk registers are maintained and regularly reviewed to determine additional management interventions. The College's strategic risk register currently has 25 risks. The most significant strategic risks with the highest net risk analysis relate to:

1. Failure of key information systems and loss of data.
2. Failure to achieve full cost recovery income.
3. Failure to achieve Ofsted 'Good' or better.
4. Recruitment and retention of staff.
5. Staff morale.
6. Fit for purpose estate and facilities.
7. Management capacity.
8. Failure to achieve student satisfaction.

Control weaknesses Identified

The College's internal auditors raised one high risk recommendation during the year to address a significant control weakness in the College's IT infrastructure which is being actioned by management. The Audit Committee is satisfied that the actions being taken are sufficient to address the control weakness.

Responsibilities under funding agreements

The Corporation is made aware of its contractual responsibilities under all funding agreements at the time of budget setting each year and any changes to these responsibilities from the prior year. There are processes in place to ensure that any failure to meet these contractual responsibilities are raised at the earliest opportunity and addressed. There were no reported instances during the year of failure to meet any contractual responsibilities under funding agreements and contracts.

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 that the Corporation has effective internal controls in place. The specific areas of work undertaken by the Audit Committee in 2021-22 and up to the date of the approval of the financial statements include: internal and external audit reviews and reports; other independent reviews and reports; financial statements; risk management; and health and safety.

Review of effectiveness

As the Accounting Officer, the Chief Executive and Principal has responsibility for reviewing the effectiveness of the system ofinternal control. Their review of the effectiveness of the system of internal control is informed by:

A. the work of the internal auditors;

B. the work of the executive managers within the College who have responsibility for the development and maintenanceof the internal control framework; and

C. comments made by the College's external/ financial statements auditors, the reporting accountant for regularity assurance, and the appointed funding auditors 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 ofinternal 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.

3 Statement of Corporate Governance and Internal Control continued...

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, 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 October 2022 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Senior Management Team and internal audit and taking account of events since 31 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 13 December 2022 and signed on its behalf by:

Signed:

Paul Quigley

Chair

City of Portsmouth College Corporation

Signed:

Katy Quinn

CEO & Principal

4 Statement of Regularity, Propriety and Compliance

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

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

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

Signed:
13 December 2022

Paul Quigley
Chair
City of Portsmouth College Corporation

Signed:
13 December 2022

Katy Quinn
CEO & Principal

5 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 the Education and Skills Funding Agency (ESFA) and the Office for Students (OfS), 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', the ESFA's 'College Accounts Direction, and the UK's Generally Accepted Accounting Practice, and which give a true and fairview of the state of affairs of the Corporation and the deficit of income over expenditure for that period.

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

A. select suitable accounting policies and apply them consistently;
B. make judgements and estimates that are reasonable and prudent;
C. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosedand explained in the financial statements;
D. assess whether the Corporation is a going concern, noting the key supporting assumptions, qualifications ormitigating actions, as appropriate; and
E. prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Corporationwill continue in operation.

The Corporation is also required to prepare a Members' Report, which describes its aims and how it is achieving them, including the legal and administrative status of the Corporation.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

The Corporation is responsible for the maintenance and integrity of its websites; the work carried out by auditors does not involve consideration of these matters and, accordingly, auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsiblefor ensuring that funds from ESFA, and any other public funds, are used only in accordance with 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 13 December 2022 and signed on its behalf by:

Signed:

Paul Quigley

Chair, City of Portsmouth College Corporation

6 Independent Auditor's Report to the Corporation of City of Portsmouth College (COPC) on the Financial Statements

Opinion

We have audited the financial statements of City of Portsmouth College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2022 which comprise the Group and College Statement of Comprehensive Income and Expenditure, the Group and College Statement of Changes in Reserves, the Group and College Balance Sheet, the Group Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2022 and of the Group's and College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Members of the Corporation'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 and College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members of the Corporation 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 Corporation is 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.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 51, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation 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 Corporation is responsible for assessing the Group's and 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 Corporation either intend 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 the financial statements.

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

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.

Based on our understanding of the Group and the College and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the ESFA funding agreements, the OfS regulatory framework, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Group and the College is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the College which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation.

In addition, we evaluated the Members of the Corporation and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to: posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut-off assertion) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Members of the Corporations and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Other required reporting

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

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 OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated.

Use of the audit report

This report is made solely to the Corporation as a body in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to 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 Group and the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
Address 5th Floor, Merck House, Seldown Lane, Poole, Dorset BH15 1TW

Date: 16 December 2022

7 Independent Reporting Accountant's Report on Regularity

to the Corporation of City of Portsmouth College (CoPC) and the Secretary of State for Education acting throughthe Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated [x] and further to the requirements and conditions of funding in the 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 City of Portsmouth 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 City of Portsmouth College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of City of Portsmouth 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 City of Portsmouth College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of City of Portsmouth College and the reporting accountant

The corporation of City of Portsmouth 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:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA/funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Tested a sample of individual learner records.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

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.

Signed: Mazars LLP **Date:** 16 December 2022

Mazars LLP
5th Floor, Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

8 Consolidated and College Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2022 Group £'000	Year ended 31 July 2022 College £'000	Year ended 31 July 2021 Group £'000	Year ended 31 July 2021 College £'000
INCOME					
Funding body grants	2	23,879	23,879	13,852	13,602
Tuition fees and education contracts	3	1,523	1,523	1,530	1,530
Other grants and contracts	4	1,557	1,557	1,172	1,172
Other income	5	1,613	1,613	771	751
Endowment and investment income	6	3	3	0	0
Total income		**28,574**	**28,574**	**17,325**	**17,055**
EXPENDITURE					
Staff costs	7	20,296	20,250	12,240	12,095
Restructuring costs	7	117	115	31	26
Other operating expenses	8	9,145	9,217	5,114	6,314
Depreciation and amortisation	11/12	2,397	2,364	1,775	1,742
Interest and other finance costs	9	437	437	380	380
Total expenditure		**32,392**	**32,383**	**19,540**	**20,557**
(Deficit) before other gains and losses		**(3,818)**	**(3,810)**	**(2,215)**	**(3,502)**
Share of operating surplus/(deficit) in joint venture/associate		0	0	0	3,494
(Deficit)/surplus before tax		**(3,818)**	**(3,810)**	**(2,215)**	**(8)**
Taxation	10	0	0	0	0
(Deficit)/surplus for the year		**(3,818)**	**(3,810)**	**(2,215)**	**(8)**
Gain on disposal of Joint Venture		0	0	1,374	0
Fair value of net assets acquired	25	8,199	8,199	0	0
Actuarial gain in respect of pensions schemes	24	21,330	21,330	6,348	6,348
Total comprehensive income for the year		**25,711**	**25,720**	**5,507**	**6,340**
Represented by:					
Unrestricted comprehensive income		25,711	25,720	5,507	6,340
		25,711	**25,720**	**5,507**	**6,340**
(Deficit)/Surplus for the year attributable to:					
Group		(3,818)	(3,809)	(2,215)	(8)

9 Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total excluding Non-controlling interest	Non-Controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
Group					
Balance at 1 August 2020	**(14,490)**	**-**	**(14,490)**	**(107)**	**(14,597)**
(Deficit) from the income and expenditure account	(2,215)	-	(2,215)	-	(2,215)
Gain on disposal of JV	1,374	-	1,374	-	1,374
Other comprehensive income	6,348	-	6,348	-	6,348
Balance at 31 July 2021	**(8,983)**	**-**	**(8,983)**	**(107)**	**(9,090)**
Investments write off	(4)	-	(4)	-	(4)
(Deficit) from the income and expenditure account	(3,818)	-	(3,818)	-	(3,818)
Other comprehensive income:					
Acquired from merger with Portsmouth College	8,199	-	8,199	-	8,199
Actuarial gain in respect of pension scheme	21,330	-	21,330	-	21,330
Total comprehensive income for the year	**25,707**	**-**	**25,707**	**-**	**25,707**
Balance at 31 July 2022	**16,724**	**-**	**16,724**	**(107)**	**16,617**

9 Consolidated and College Statement of Changes in Reserves continued...

	Income and Expenditure account	Revaluation reserve	Total excluding Non-controlling interest	Non-Controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
College					
Balance at 1 August 2020	**(15,723)**	**-**	**(15,723)**	**-**	**(15,723)**
(Deficit) from the income and expenditure account	(8)	-	(8)	-	(8)
Other comprehensive income	6,348	-	6,348	-	6,348
Balance at 31 July 2021	**(9,383)**	**-**	**(9,383)**	**-**	**(9,383)**
(Deficit) from the income and expenditure account	(3,809)	-	(3,809)	-	(3,809)
Other comprehensive income:					
Acquired from merger with Portsmouth College	8,199	-	8,199	-	8,199
Actuarial gain in respect of pension scheme	21,330	-	21,330	-	21,330
Total comprehensive income for the year	**25,720**	**-**	**25,720**	**-**	**25,720**
Balance at 31 July 2022	**16,337**	**-**	**16,337**	**-**	**16,337**

10 Balance Sheets as at 31 July 2022

	Notes	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Fixed assets					
Tangible fixed assets	11	48,427	48,366	33,245	33,153
Intangible fixed assets	12	91	79	127	112
Investments in joint venture	13	0	1,204	0	1,204
		48,519	**49,649**	**33,372**	**34,469**
Current assets					
Trade and other receivables	14	2,769	4,319	1,915	3,495
Cash and cash equivalents	19	3,199	3,189	3,609	3,597
		5,968	**7,508**	**5,524**	**7,092**
Less: Creditors – amounts falling due within one year	15	(5,308)	(8,259)	(3,615)	(6,573)
Net current assets/(liabilities)		**660**	**(751)**	**1,909**	**519**
Total assets less current liabilities		**49,178**	**48,898**	**35,281**	**34,988**
Less: Creditors – amounts falling due after more than one year	16	(26,529)	(26,529)	(23,889)	(23,889)
Provisions					
Defined benefit obligations	24	(6,032)	(6,032)	(20,482)	(20,482)
Total net liabilities		**16,617**	**16,337**	**(9,090)**	**(9,383)**
Unrestricted reserves					
Income and expenditure account		16,724	16,337	(8,983)	(9,383)
Revaluation reserve		0	0	0	0
Non-controlling interest		(107)	0	(107)	0
Total unrestricted reserves		**16,617**	**16,337**	**(9,090)**	**(9,383)**
Total reserves		**16,617**	**16,337**	**(9,090)**	**(9,383)**

The financial statements on pages 57 to 61 were approved and authorised for issue by the Corporation and were signed on its behalf on 13 December 2022 by:

Signed:

Paul Quigley
Chair of Governing Body

Signed:

Katy Quinn
Accounting Officer

11 Consolidated Cash Flow Statement

	Notes	2022 £'000	2021 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year	SOCI	(3,818)	(2,215)
Adjustment for non-cash items			
Depreciation	11/12	2,398	1,518
Deferred capital grants released to income	2	(1,130)	(795)
(Increase)/decrease in debtors	14	(1,298)	371
Increase/(decrease) in creditors due within one year	15	1,628	(2,969)
Increase/(decrease) in creditors due after one year	16	0	0
Pension finance cost	24	413	350
Pensions costs less contributions payable	24	1,785	961
Adjustment for investing or financing activities			
Interest payable	9	9	30
Gain on disposal of JV		0	1,374
Net cash flow from operating activities		**(13)**	**(1,375)**
Cash flows from investing activities			
Acquired from the merger with Portsmouth College	25	1,765	0
Dividend from JV		0	4,278
Grants receipts	15/16	127	4,511
Payment made to acquire fixed assets	11	(1,562)	(3,841)
		330	**4,948**
Cash flows from financing activities			
Interest paid	9	(9)	(30)
Payments on Finance Leases	18	(106)	86
Repayments of amounts borrowed	15	(563)	(188)
ESFA Loans	15	(49)	(1,381)
		(727)	**(1,513)**
(Decrease)/increase in cash and cash equivalents in the year		**(410)**	**2,060**
Cash and cash equivalents at beginning of the year	20	3,609	1,549
Cash and cash equivalents at end of the year	20	3,199	3,609

12 Notes to the Financial Statements

for the Period from 1 August 2021 to 31 July 2022

Note 1 - Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these 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 SORP); the College Accounts Direction for 2021 to 2022; and the Financial Reporting Standard 102 (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

The following exemptions have been taken in these financial statements.

- Revaluation as deemed cost – at 31 July 2019, the former Highbury College Portsmouth had retained the carrying values of freehold properties as being deemed cost and measured at fair value. There was an impairment review done as at 1 August 2019.

- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition.

- The College has taken advantage of the exemptions provided in FRS 102 and the 2019 FE HE SORP and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of Accounting

The consolidated financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

The consolidated financial statements are presented in Sterling which is also the functional currency of the College, and all monetary values are rounded to the nearest whole £1,000 except where otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiaries Highbury Apprenticeships (Birmingham) Ltd; Highbury College Commercial Services Limited; and New Work Training Limited. Highbury College (Nigeria) Limited has not been included in the consolidation as it is deemed immaterial, controlled by the Group, for the financial year to 31 July 2022. Control is achieved where the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. All financial statementsare made up to 31 July 2022. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

Going Concern

The consolidated financial statements are prepared on a going concern basis. The College Group is reliant on the continuing support of the external funding bodies and its banks in order to continue to operate on this basis.

The activities of the College Group, together with the factors likely to affect its future development and performance, are set out in the Report of the Members of the Corporation. The financial position of the College Group, its cashflow, liquidity and borrowings are described in the financial statements and accompanying Notes.

The College Group currently has around £4.3m of cash balances as at 30 September 2022; and around £16.6m of reserves as at 31 July 2022.The College Group's forecasts and financial projections indicate that it will be able to operate for the foreseeable future. Accordingly, the College Group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future and for this reason will continue to adopt the going concern basis in the preparation of itsfinancial statements.

Income Recognition

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102. Recurrent grants from the ESFA are recognised in line with the latest estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget (AEB) is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. 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 the funding audits. 16-18 funding is not subject to reconciliation and is therefore not subject to contract adjustments.

Income from Levy-funding and ESFA funding for apprenticeships attracting co-investment is measured in line with best estimates of the provision delivered in the year.

Non-recurrent grants from the ESFA or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

The recurrent grant from the Office for Students (OfS) represents the funding allocations attributable to the current financial year and is recognised within 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.

Income from tuition fees including employer funding for co-investment funded apprenticeships is stated gross of any expenditure which is not a discount and is recognised within the Statement of Comprehensive Income in the period in which it is received. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from the sale of goods or services is recognised within the Statement of Comprehensive Income when the goods or services are supplied to the external customers, or the terms of the contract have been satisfied.

All income from short-term deposits is recognised in the Statement of Comprehensive Income in the period in which it is earned. Investment income is recognised within the Statement of Comprehensive Income on a receivable basis.

Capital Grant Funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-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.

The SORP identifies two types of government grant as being other capital grants and revenue grants. It also allows a choice of accounting policy for these grants, namely the accrual model or the performance model, although it specifies that grants for land must be accounted for under the performance model.

Under the accrual method, income and other capital grants are recognised in income on a systematic basis over the period in which the related costs are recognised (income) or over the expected useful life of the asset (capital). Under the performance method, income and capital grants are recognised in income when performance-related conditions are met.

The College has mainly adopted the accrual method of accounting for capital grants.

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 the 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 provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out ofthe State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees'working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. As stated in Note 24, 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 scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measuredusing 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 eachBalance Sheet date. The amounts charged to the income statement 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 is also recognised in the income statement 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 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.

Short Term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the 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 theCollege's Statement of Comprehensive Income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the Balance Sheet using the enhanced pension spreadsheet provided by the funding bodies.

Finance Leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Assets held under finance leases are recognised initially at their 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 an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated over the period of the lease in proportion to the capital element outstanding.

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the income statement. Any lease premiums or incentives relating to leased signed after 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 August 2014.

Foreign Currency Translation

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

Termination Benefits

The College has a redundancy procedure for staff approved by the Corporation. Termination decisions are made by the Accounting Officer unless submitted to Corporation due to strategic significance.

Inventories

Inventories are stated at the lower of their cost (using the first in first out method) and net realisable value, being selling priceless costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Non Current Assets – Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings

Inherited freehold buildings and buildings acquired since incorporation are stated inthe Balance Sheet at valuation on the basis of depreciated replacement cost. Land and buildings acquired, and building improvements made, since incorporation are included in the Balance Sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of 60 years. The period of depreciation for freehold buildings has been increased from 50 years to 60 years to reflect the longer economic benefit that the College is going to experience from its investment into ongoing capital projects. The impact of this change in policy to the income and expenditure account is positive because of a reduction in the depreciation charge by £351k. 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 set out above. The related grants are credited to a deferred capital grant account and are released to the Statement of Comprehensive Incomeover the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable. An impairment review was carried out as at 1 August 2019.

Assets Under Construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs,incurred to 31 July 2022. They are not depreciated until they are brought into use. Where purchases are made as part of a wider project, there is no cost limit below which items are written off to the Statement of Comprehensive Income rather than being capitalised.

Equipment

Non-computer equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. Computer equipment costing less than £500 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority (LEA) is included in the balance sheet at deemed cost. The period of depreciation for computer equipment has been increased from 4 years to 5 years to reflect the longer economic benefit that the College is experiencing from these assets. The impact of this change in policy to the income and expenditure account is positive because of a reduction in the depreciation charge by £47k. Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- Motor Vehicle and Electronic Equipment 5 - 6 years.
- Other General Equipment 10 years.
- Heavy Duty Equipment 15 years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet. Where equipment is acquired with the aid of grants designated for capital purposes, it is capitalised and depreciated in accordance with the above policy, with the related grant being treated as a liability in the Balance Sheet and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Maintenance of Premises

The costs of routine corrective maintenance are recognised in the Statement of Comprehensive Income in the period that it is incurred.

Investments

Investments in subsidiaries

Interest in subsidiaries are assessed for impairment in the individual financial statements of the College.

Investments in Joint Ventures (JV)

Investments in JVs are recognised initially in the consolidated Balance Sheet at the transaction price and subsequently adjusted to reflect the group's share of total comprehensive income and equity of the JV less any impairment.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the JV recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the JV. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in a JV are recorded as a provision only when the College has incurred legal or constructive obligations or has made payments on behalf of the JV.

Interest in JVs are assessed for impairment in the individual financial statements.

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 three months or lessfrom the date of acquisition.

Cash flows comprise increases or decreases in cash.

Provisions and Contingent Liabilities

Provisions are recognised in the financial statements when:

A. the College has a present obligation (legal or constructive) as a result of a past event;

B. it is probable that a transfer of economic benefits will be required to settle the obligation; and

C. a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the Notes to the financial statements.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover minor elements of the VAT charged onits inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets asappropriate, 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.

Financial Instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial Assets and Liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. 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 financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Intangible Assets

Intangible assets are measured initially at cost. The asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life over which period the asset will be amortised is 10 years, beginning from the first full financial year after which the College has acquired the asset. If the asset is linked to a contractual period, the asset will be amortised in accordance with the duration of the contract.

Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

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

- To prepare the financial statements on the basis of acquisition accounting rather than merger accounting.
- To acquire the assets of Portsmouth College on the basis of fair value.
- 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, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance ofthe 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:

- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- 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 24, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to 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.

2. Funding body grants

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
ESFA – adult education budget	3,879	3,879	2,944	2,944
ESFA – 16-18	15,965	15,965	7,655	7,655
ESFA – Apprenticeships	2,396	2,396	2,054	1,804
Office for students	54	54	54	54
Specific grants				
Covid related funding	28	28	92	92
Teachers' pension scheme contribution grant	427	427	258	258
Releases of government capital grants	1,130	1,130	795	795
Total	**23,879**	**23,879**	**13,852**	**13,602**

3. Tuition fees and education contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	150	150	505	505
Fees for FE loan supported courses	894	894	898	898
Fees for HE loans supported courses	64	64	63	63
International learners' fees	357	357	0	0
Total tuition fees	**1,465**	**1,465**	**1,466**	**1,466**
Education contracts	58	58	65	65
Total	**1,523**	**1,523**	**1,530**	**1,530**

4. Other grants and contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other grants and contracts	1,557	1,557	1,051	1,051
Coronavirus Job Retention Scheme Grant	0	0	121	121
Total	**1,557**	**1,557**	**1,172**	**1,172**

5. Other income

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other income generating activities	704	704	609	609
Miscellaneous income	909	909	162	142
Total	**1,613**	**1,613**	**771**	**751**

6. Investment income

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other investment income	0	0	0	3,494
Other interest receivable	3	3	0	0
Total	**3**	**3**	**0**	**3,494**

7. Staff costs – Group and College

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

	2022	2022	2021	2021
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	242	241	117	114
Non-teaching staff	490	490	267	267
	732	**731**	**384**	**381**

Staff costs for the above persons	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Wages and salaries	14,280	14,240	8,776	8,647
Social security costs	1,221	1,216	718	704
Other pensions costs	4,795	4,794	2,746	2,744
Payroll sub total	**20,296**	**20,250**	**12,240**	**12,095**
Restructuring costs - contractual	81	79	31	26
Restructuring costs – non contractual	36	36	0	0
Total Staff costs	**20,413**	**20,365**	**12,271**	**12,121**

7. Staff costs – Group and College continued...

Other pension costs include £1,785k for S28 FRS 102 adjustments. 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 Executive Leadership Team which comprises the Principal and Chief Executive Officer, Interim Principal, Interim Chief Executive Officer, Deputy Principal, Vice Principal, Chief Operating Officer and Interim Chief Finance Officer.

Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of key management post holders, Accounting Officer, and other higher paid staff

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:	7	8

The number of key management post holders and other staff who received annual emoluments, excluding pension and NI contributions but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2022	2021	2022	2021
£20,001 to £25,000	1			
£40,001 to £45,000	1			
£45,001 to £50,000	1	1		
£50,001 to £55,000				1
£55,001 to £60,000	1			
£60,001 to £65,000		2	2	2
£65,001 to £70,000			2	
£70,001 to £75,000		2	1	
£75,001 to £80,000	2			
£90,001 to £95,000		1		
£95,001 to £100,000	1			
£100,001 to £105,000				1
£105,001 to £110,000		1		
£120,001 to £125,000		1		

The above bandings are disclosed on a paid basis and are impacted by in year joiners and leavers part year emoluments.

7. Staff costs – Group and College continued...

Key management post holder emoluments are made up as follows:

	2022	2021
	£'000	£'000
Basic salary	419	642
Employers National Insurance	54	80
Benefits in kind	0	9
	473	**731**
Pension contributions	45	89
Total key management personnel compensation	**518**	**820**

A Vice Principal's accommodation was paid in the year, the total amount paid was £2,250 (2021: £9,218).

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

The below compensation includes amounts paid to the Principal and Chief Executive who is the Accounting Officer and the highest paid member of staff. Their pay and remuneration are as follows:

	2022	2021
	£'000	£'000
Penny Wycherley (Aug 21 – Jan 22)		
Basic salary	47	105
National Insurance	6	13
Pension contributions	16	29
	69	**147**

	2022	2021
	£'000	£'000
Graham Morley (Nov 21 – Jun 22)		
Basic salary	76	-
National Insurance	11	-
Pension contributions	-	-
	87	**-**

	2022	2021
	£'000	£'000
Katy Quinn (from Jun 22)		
Basic salary	24	-
National Insurance	3	-
Pension contributions	6	-
	33	**-**
Total Emoluments	**189**	**147**

7. Staff costs – Group and College continued...

The pension contributions in respect of the Accounting Officer are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other employees. The Members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

The Accounting Officer's salary based on current benchmarking falls into the upper quartile of similar Colleges. This reflects the level of responsibility the role requires in order to enable all our learners to succeed whilst overcoming human, political, demographic, financial, economic and social issues within the locality and education sector. The Salary has been approved by the College's Remuneration Committee

Pay Multiple

The Accounting Officer's basic pay divided by the median pay of all other corporation employees (all on a full-time equivalent basis was 6.3 (2021: 4.5).

Compensation for loss of office paid to former key management personnel

	2022	2021
	£	£
Compensation paid to the former post-holders	35,100	0
Estimated value of other benefits. Including provisions for pension benefits	0	0

8. Other operating expenses

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,550	3,534	2,255	2,211
Non-teaching costs	2,656	2,876	984	2,361
Premises costs	2,939	2,807	1,875	1,742
Total	**9,145**	**9,217**	**5,114**	**6,314**

Other operating expenses include: Auditor's remuneration				
Financial statements audit	70		60	
Internal audit	31		35	
Depreciation and amortisation	2,398		1,775	
Hire of assets under operating leases	841		953	

9. Interest and other finance costs

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
On banks, overdrafts, and other loans	9	9	30	30
	9	**9**	**30**	**30**
On finance leases	15	15	0	0
Net interest on defined pension liability (Note 24)	413	413	350	350
Total	**437**	**437**	**380**	**380**

10. Corporation Tax

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

11. Tangible fixed assets (Group)

	Land and buildings Freehold £'000	Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation				
At 1 August 2021	48,187	2,421	5,326	55,934
Acquired from the merger with Portsmouth College	15,540	441	-	15,981
Additions	24	560	978	1,562
Transfers	5,224	-	(5,224)	-
At 31 July 2022	**68,975**	**3,422**	**1,080**	**73,477**
Depreciation				
At 1 August 2021	21,565	1.123	-	22,688
Charge for the year	1,868	494	-	2,362
At 31 July 2022	**23,433**	**1,617**	**-**	**25,050**
Net book value at 31 July 2022	**45,542**	**1,805**	**1,080**	**48,427**
Net book value at 31 July 2021	**26,621**	**1,297**	**5,326**	**33,244**

Tangible fixed assets transferred on merger from Portsmouth College were adjusted to fair value as at 1 August 2021 (the date of merger). For fixtures, fittings and equipment fair value was considered to be the net book value immediately prior to the merger.

Freehold land and buildings acquired from the acquisition of Portsmouth College were valued at market value on an existing use basis. The valuation of land and buildings was undertaken by Gerald Eve LLP, a firm of independent chartered surveyors. The net gains on adjustment of fair value of these assets was £7,193k.

11. Tangible fixed assets (College only)

	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2021	48,010	2,160	5,326	55,496
Acquired from the merger with Portsmouth College	15,540	441	0	15,981
Additions	24	560	978	1,562
Transfers	5,224	0	(5,224)	0
At 31 July 2022	**68,798**	**3,161**	**1,080**	**73,039**
Depreciation				
At 1 August 2021	21,451	891	0	22,342
Charge for the year	1,847	484	0	2,331
At 31 July 2022	**23,298**	**1,375**	**0**	**24,673**
Net book value at 31 July 2022	**45,500**	**1,786**	**1,080**	**48,366**
Net book value at 31 July 2021	**26,559**	**1,268**	**5,326**	**33,153**

12. Intangible fixed assets (Group)

	Software	Total
	£'000	£'000
Cost or valuation		
At 1 August 2021	**267**	**267**
Additions	0	0
At 31 July 2022	**267**	**267**
Amortisation for Intangibles		
At 1 August 2021	**140**	**140**
Charge for the year	36	36
At 31 July 2022	**176**	**176**
Net book value at 31 July 2022	**91**	**91**
Net book value at 31 July 2021	**127**	**127**

12. Intangible fixed assets (College)

	Software	Total
	£'000	£'000
Cost or valuation		
At 1 August 2021	**245**	**245**
Additions	0	0
At 31 July 2022	**245**	**245**
Amortisation for Intangibles		
At 1 August 2021	**133**	**133**
Charge for the year	33	33
At 31 July 2022	**166**	**166**
Net book value at 31 July 2022	**79**	**79**
Net book value at 31 July 2021	**112**	**112**

13. Non-current investments

	Group 2022 £'000	Group 2021 £'000	College 2022 £'000	College 2021 £'000
Investments in subsidiary companies	0	0	1,204	1,204
Total	**0**	**0**	**1,204**	**1,204**

The College owns 100% of the issued ordinary shares of Highbury Apprenticeships (Birmingham) Limited, and 100% of the issued ordinary shares of Highbury College Commercial Services Limited, both companies being incorporated in England and Wales. Throughout the period, the College owned 1,200,000 ordinary shares in Highbury College Commercial Services Limited, but the amount remained unpaid.

Highbury Apprenticeships (Birmingham) Limited commenced trading in November 2014. The business specialises in provision of Apprenticeships. The activities of the company have been diminishing over the years and have significantly declined in 2021-22 in the recruitment and training of new apprentices as most of the recruitment and training is now delivered in house through CoPC in Portsmouth.

The principal business activity of Highbury College Commercial Services Limited was to manage on site student accommodation on behalf of the College. This activity has now been transferred to the College and Highbury College Commercial Services Limited is not currently trading.

The College disposed of its shareholding in a Saudi Arabian registered company operated as Highbury Burton Saudi Arabia Ltd. The principal activity of the company was to manage and operate an education institution in the Kingdom of Saudi Arabia. The College had a holding of 50% of the shares with voting rights attached to those shares on a share per share basis.

In the year 2020-21, the College divested from its Saudi Arabian joint venture.

The College acquired a 70% holding in the company New Work Training Limited in April 2016, for a sum of £0.2m. The company's business is to establish an apprenticeship jobs board platform that would both create a commercial opportunity providing services to other organisations whilst also driving apprenticeship growth through the College from the Sussex region. Difficult trading conditions and the need for investment led to the company ceasing operations in 2017-18.

14. Trade and other receivables

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Amounts falling due within one year:				
Trade receivables	882	882	588	588
VAT	211	0	183	0
Prepayments and accrued income	915	880	569	534
Amounts owed by the ESFA	761	761	575	577
Amounts owed by group undertakings:				
Subsidiary undertakings	0	3,439	0	3,218
Provision for doubtful debt	0	(1,643)	0	(1,422)
Total	**2,769**	**4,319**	**1,915**	**3,495**

15. Creditors: amounts falling due within one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans and overdrafts	-	-	563	563
ESFA loans	49	49	-	-
Payments received in advance	952	952	553	559
Trade payables	1,165	1,121	258	214
Amount owed to group undertakings	-	3,000	-	3,000
Pension creditors	397	397	111	111
Obligations under finance leases	34	34	43	43
Other taxation and social security	391	391	246	246
Accruals and deferred income	1,174	1,169	1,046	1,042
Deferred income – government capital grants	1,125	1,125	795	795
Deferred income – government revenue grants	9	9		
Amounts owed to the ESFA	12	12	-	-
Total	**5,308**	**8,259**	**3,615**	**6,573**

The College had a £563k loan with Svenska Handelsbanken AB, repaid on 2 August 2021.

16. Creditors: amounts falling due after one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
ESFA loans	74	74	0	0
Obligations under finance leases	46	46	143	143
Deferred income - government capital grants	26,365	26,365	23,746	23,746
Deferred income – lease premium	44	44	0	0
Total	**26,529**	**26,529**	**23,889**	**23,889**

17. Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
In one year or less	0	0	563	536
Total	**0**	**0**	**563**	**563**

(b) ESFA loans

ESFA loans are repayable as follows:

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
In one year or less	49	49	0	0
Between one and two years	46	46	0	0
Between two and five years	28	28	0	0
Total	**123**	**123**	**0**	**0**

(c) Finance leases

The net finance lease obligation to which the institution are committed are:

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
In one year or less	34	34	43	43
Between one and two years	32	32	-	-
Between two and five years	14	14	143	143
Total	**80**	**80**	**186**	**186**

Finance lease obligations are secured on the assets to which they relate.

18. Provisions

	At 1 August 2021	Transfer on merger with Portsmouth College	Actuarial (Gain)	At 31 July 2022
	£'000	£'000	£'000	£'000
Group and College Defined benefit obligations	20,482	4,682	(19,132)	6,032
Total	**20,482**	**4,682**	**(19,132)**	**6,032**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme (LGPS). Further details are given in Note 24.

19. Cash and cash equivalents (Group)

	At 1 August 2021	Cash flows	At 31 July 2022
	£'000	£'000	£'000
Cash and cash equivalents	3,609	(410)	3,199
Total	**3,609**	**(410)**	**3,199**

20. Capital commitments

	Group and College	
	2022	**2021**
	£'000	£'000
Commitments contracted for at 31 July	**918**	**300**

21. Lease obligations

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

	Group and College	
	2022	**2021**
Future minimum lease payments due	£'000	£'000
Land and buildings		
Not later than one year	831	831
Later than one year and not later than five years	2,809	3,002
Later than five years	189	827
	3,829	**4,660**
Other		
Not later than one year	0	43
Later than one year and not later than five years	0	143
Later than five years	0	0
	0	**186**
Total lease payments due	**3,829**	**4,846**

21. Lease Obligations continued...

The CoPC Group has sublet the premises at part fourth floor, Quayside Tower, Birmingham under the sublease agreement to APCYMRU Ltd.

The merged former Portsmouth College granted a lease to Goals Soccer Centres Plc in 2010 for 50 years at a current annual rent of £55,262 which is reviewed every five years linked to RPI. A pre-lease agreement required Goals Soccer Centres Plc to build a soccer centre on the College land which they now maintain under the terms of the lease. The College, along with other local education providers, are able to use the facility without charge during the normal College day as part of a town planning S106 agreement.

22. Contingent liabilities

The conclusion of the Harpur Trust v Brazel case in July 2022 determined that workers who only work for part of the year, but who are on permanent contracts, are effectively entitled to the same holiday allowance as workers who work all year. The College is reviewing its position to ensure it is in compliance with the Court's interpretation of the relevant regulations and is considering the impact on existing and past contracts. The College is unable currently to determine with any certainty whether a provision is required to be reflected in the financial statements for the year ended 31 July 2022 and the quantum of any such provision. It is acknowledged that any liability which may arise will need to be recognised in future years.

23. Events after the reporting period

On 29 November 2022, the Office for National Statistics (ONS) reclassified all college corporations as public sector institutions with immediate effect. This prompted the Department for Education to introduce some new rules for colleges which will take effect during 2023. The College considers this announcement to be a non adjusting post balance sheet event and is evaluating the implications of the announcement and the potential new rules but do not consider that they will have an impact on these financial statements.

24. Defined benefit obligations

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

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

Total pension cost for the year

		2022		2021
		£'000		£'000
Teachers' Pension Scheme: contributions paid		1,369		884
Local Government Pension Scheme:				
Contributions paid	1,626		1,340	
FRS 102 (28) charge	1,785		961	
Charge to the Statement of Comprehensive Income		3,411		2,301
Total Pension Cost for Year		**4,780**		**3,185**

24. Defined benefit obligations continued...

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 educational 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 2016. 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.

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 2018/9. 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 £1,369k (2021: £884k)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hampshire County Council. The total contribution made for the year ended 31 July 2022 was £1,995,000, of which employer’s contributions totalled £1,626,000 and employees’ contributions totalled £369,000. The agreed contribution rates for future years are 23.6 % for employers and range from 5.5% to 12.5% for employees, depending on salary.

24. Defined benefit obligations continued...

Local Government Pension Scheme continued...

Principal Actuarial Assumptions

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

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.60%	3.60%
Future pensions increase	2.60%	2.60%
Discount rate for scheme liabilities	3.40%	1.70%
Inflation assumption (CPI)	2.60%	2.60%
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	At 31 July 2021
	years	years
Retiring today		
Males	22.90	23.10
Females	25.40	25.50
Retiring in 20 years		
Males	24.70	24.80
Females	27.10	27.30

CPI assumption

Pension Increase Orders are used to set the level of pension increases with effect from 1 April of each year, with reference to the change in CPI inflation over the 12 months to the previous September, which was announced in October. This was 10.1% and was considerably higher than the CPI assumption set by employers as at 31 July 2022. Although Pension Increase orders have always been set with reference to the September CPI for the last 10 years and the September RPI for the preceding 20 years, they are not automatically set and they are only known with absolute certainty when the Pension Increase Order is enacted by Parliament, which is usually in April of the following year. Similarly, the likely level of the forthcoming Pension Increase Order 2023 was not known at 31 July. Consequently, no adjustment has been made to recognise the possible 2023 Pension Increase Order within the CPI assumption.

	Fair value at 31 July 2022	Fair value at 31 July 2021
	£'000	£'000
Equities	26,654	22,817
Bonds	6,861	6,739
Property	3,755	2,443
Cash	371	394
Other	8,715	7,014
Total market value of assets	**46,356**	**39,407**
Actual return on plan assets	**(1,825)**	**(5,837)**

24. Defined benefit obligations continued...

Local Government Pension Scheme continued...

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

	2022	2021
	£'000	£'000
Fair value of plan assets	46,390	39,407
Present value of plan liabilities	(50,885)	(57,992)
Present value of unfunded liabilities	(1,537)	(1,899)
Net pensions (liability)/asset (Note 19)	**(6,032)**	**(20,484)**

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

	2022	2021
	£'000	£'000
Amounts included in staff costs		
Current service cost	3,533	2,216
Past service cost	34	0
Total	**3,567**	**2,216**
Amounts included in investment income		
Net interest income	413	350
	413	**350**
Amounts recognised in Other Comprehensive Income		
Return/(loss) on pension plan assets	(2,636)	5,037
Experience gains/(losses) arising on defined benefit obligations	23,966	1,311
Amount recognised in Other Comprehensive Income	**21,330**	**6,348**

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

	2022	2021
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	**(20,484)**	**(25,519)**
Movement in year:		
Current service cost	(3,533)	(2,216)
Employer contributions	1,784	1,253
Past service cost	(34)	0
Net interest on the defined (liability)/asset	(413)	(350)
Actuarial gain/(loss)	21,330	6,348
Net transfer from Portsmouth College	(4,682)	0
Net defined benefit (liability) at 31 July	**(6,032)**	**(20,484)**

24. Defined benefit obligations continued...

Local Government Pension Scheme continued...

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2022	2021
	£'000	£'000
Defined benefit obligations at start of period	**59,891**	**58,712**
Current service cost	3,533	2,216
Interest cost	1,224	817
Contributions by Scheme participants	366	231
Experience gains on defined benefit obligations	(23,935)	(1,008)
Changes in financial assumptions	0	0
Estimated benefits paid	(1,230)	(1,107)
Past service cost	34	0
Curtailments and settlements	0	30
Liabilities assumed from Portsmouth College	12,538	0
Defined benefit obligations at end of period	**52,421**	**59,891**

Reconciliation of Assets	2022	2021
	£'000	£'000
Fair value of plan assets at start of period	**39,407**	**33,193**
Interest on plan assets	811	467
Return/(loss) on plan assets	(2,636)	5,370
Employer contributions	1,782	1,123
Contributions by Scheme participants	366	231
Estimated benefits paid	(1,230)	(977)
Assets assumed from Portsmouth College	7,856	0
Fair value of plan assets at end of period	**46,356**	**39,407**

25. Merger of Highbury College and Portsmouth College

On 1 August 2021, Highbury College merged with Portsmouth College, the newly formed entity being City of Portsmouth College. The merger was classed as Type B merger with the Portsmouth College Corporation being dissolved and all trade, assets and liabilities transferring to City of Portsmouth College on 1 August 2021. The transaction has been treated as a gift in substance in line with FRS102 s19 and Public Benefit Entity 34.77 to Public Benefit Entity 34.79 . Due to the integration of the two Colleges' systems and structure, it is impracticable to analyse income and expenditure for Portsmouth College on its own in the financial year ended 31 July 2022.

The net assets acquired as at 1 August 2021 were as follows:

	Book value at 31 July 2021	Fair value adjustment	Total value on merger
	£'000	£'000	£'000
Tangible fixed assets			
Freehold land and buildings	8,347	7,193	15,540
Fixtures, fittings and equipment	441	0	441
	8,788	**7,193**	**15,891**
Current assets			
Stock	3	0	3
Trade and other receivables	444	0	444
Investments	500	0	500
Cash and cash equivalents	1,265	0	1,265
	2,212	0	**2,212**
Less: Creditors – amounts falling due within one year	(1,730)	0	(1,730)
Net current liabilities	**482**	0	**482**
Total assets less current liabilities	**9,270**	**7,193**	**16,463**
Less: Creditors – amounts falling due after one year	(3,582)	0	(3,582)
Provisions			
Defined benefit obligations	(4,682)	0	(4,682)
Total net assets	**1,006**	**7,193**	**8,199**
Unrestricted reserves			
Income and expenditure account	(1,026)	9,225	8,199
Revaluation reserve	2,032	(2,032)	0
Total reserves	**1,006**	**7,193**	**8,199**

26. Related party transactions

Owing to the nature of the College's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £325 (2021: £718). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and other events in their official capacity. The number of Governors in receipt of expenses was 2 (2021: 1).

Key Management compensation disclosure is given in Note 7.

27. Amounts disbursed as agent

Learner Support Funds

	2022	2021
	£'000	£'000
Funding body grants	932	445
	932	**445**
Acquired from Portsmouth College on acquisition	116	0
Distributed to learners	(632)	(338)
Administration costs	(34)	(17)
Balance unspent as at 31 July, included in creditors	**472**	**90**

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.

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