Annual Report and Financial Statements

Year ended 31 July 2022

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Reference and administrative details

Key management personnel

Key management personnel are defined as members of the College Senior Management Team and were represented by the following in 2021/22:

Daniel Pearson, Principal and CEO; and Accounting Officer
Steven Hendy, Chief Finance Officer
John Revill, Vice Principal Partnerships Funding & Business Planning (resigned 3rd June 2022)
Clare White, Deputy Principal Corporate & Student Services
Jon Briggs, Vice Principal Quality & Curriculum
Seval Fadil, Assistant Principal Academic (resigned 31st July 2022)

Members of Corporation

A full list of the members is given on pages 19-20 of these financial statements.

Sue Glover was Clerk to the Corporation throughout 2021/22.

Professional advisers

External auditors:

Buzzacott LLP
130 Wood Street
London

Internal auditors:

Scrutton Bland
Fitzroy House
Crown Street
Ipswich

Bankers:

Barclays Bank Plc
Priory Place
Level 3
New London Road
Chelmsford

Solicitors:

Birketts EC3 Legal
106 Leadenhall Street
London

Bates Wells Braithwaite
10 Queen Street Place
London

Strategic Report

Objectives and Strategy

The members present their annual report and the audited financial statements for USP College 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 USP College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as South East Essex Sixth Form College. On 21 July 1995, the Secretary of State granted consent to the Corporation to change the College's name to Seevic College.

The College did not exercise its right to designate as a Sixth Form College in 2010 and now identifies itself as a General Further Education College.

On 1 August 2017, Seevic College merged with Palmers Sixth Form College. As part of this category B merger, the Seevic College name remained until April 2018 when the College rebranded as USP College (Unified Seevic Palmers College).

On the 12 November 2018, the Secretary of State granted consent to the Corporation to change the College's name to Unified Seevic Palmers College (USP College).

On the 11 October 2018, USP College received formal notification that it had been successful with its application for the acquisition of ITEC Learning Technologies Ltd (ITEC) as a subsidiary of USP College. Following a successful expression of interest process and due diligence, USP College completed the acquisition of ITEC on 1st January 2019.

At a strategic level, USP College acquired ITEC with the understanding of the importance of developing a successful apprenticeship delivery model. Apprenticeships are core to the USP College strategic plan, as a vehicle for supporting young people and adults into careers and to ensure that the training needs of local businesses are being supported. Following the outcome of the Ofsted inspection of ITEC carried out in October 2021, which graded the provision as inadequate, the decision has been made to teach out remaining learners and wind down the apprenticeship provision.

Strategic Plan and Mission

In 2018/19, the College adopted a strategic plan based on Career Focused Learning, property and financial plans. This plan still includes the College Pledge following post-merger and its key strategic aims, as follows:

College Pledge – *By 2025 we will train 15,000 young people with the skills to stand out against their competitors to gain aspirational and exciting careers*

Strategic Aim

1. Our students will be inspired towards ambitious careers through exciting continuous professional development giving them the edge to succeed
2. Our environment will inspire and stimulate excellence and provide the space to grow
3. Our people will be high performing self-motivated, accountable and creative in their thinking and actions
4. Our focused financial priorities will be targeted to enable the College to support progressive and ambitious change
5. Our College will pro-actively engage with people, places and thinking that stimulate progressive approaches to work

Strategic Report (continued)

The College's key values and behaviours are:

- Respect
- Accountability
- Resilience

Implementation of strategic plan

In 2018/19, the College adopted a strategic plan for the period 1 August 2018 to 31 July 2021. This strategic plan included property and financial plans. Due to the ongoing COVID-19 pandemic, business planning was significantly interrupted at USP College which meant the planned update to the strategic plan did not take place. Consequently, the College continued to adopt the 2018/19 strategic plan with the view that the planned update will be approved in 2022/23. Therefore, during 2021/22, the Corporation continued to monitor the performance of the College against the original strategic plan.

The College's strategic objectives are to:

- Focus our resources on all that enhances our Academic, Professional and Technical routes
- Develop partnerships with employers and community organisations
- Increase the provision of outstanding teaching and learning
- Support our students to develop life and work skills with resilience and drive
- Develop a strong reputation for meeting local needs
- Develop new ways of working to maintain financial viability
- Promote a safe and inclusive professional environment
- Make an operating surplus to ensure the College is able to invest and remain financially strong

The College's specific objectives for 2021/22 were:

- Student attendance, punctuality, retention, achievement and value added
- Teaching that embodies high expectations and focus on individual need
- Reputation - placing USP College back at the top of the list of local post-16 providers, with a strong Sixth Form
- Recruitment - maintaining healthy enrolment levels in the face of increasing competition and falling year 11 numbers
- Teamwork and morale - develop aspiring new leaders
- Business development - reducing our dependency on ESFA 16-18 funding
- A Community College - grow our foundation learning provision

The College has not met all of its targets for 2021/22. Actual performance of specific targets are highlighted under performance indicators below.

Financial objectives

The College's financial objectives are:

- to achieve an annual operating surplus (before exceptional items and pension adjustment)
- to increase commercial group income including immersive delivery
- to ensure all College Campuses are financially viable
- to further improve the College's short-term liquidity by achieving cash inflow on cash and cash equivalents
- to achieve outstanding financial health
- to commit to year-on-year capital investment

A series of performance indicators have been agreed to monitor the successful implementation of the policies with actual performance against key indicators stated below.

Strategic Report (continued)

Public Benefit

USP College is an exempt charity under the Part 3 of the Charities Act 2011 and its principal regulator is the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on pages 20 and 21.

In setting and reviewing the College's strategic objectives, 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 the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

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

The delivery of other public benefits is covered throughout the Strategic Report.

Strategic Report (continued)

Future Development and Performance

Financial results

The College Group generated a deficit in the year of £2,774k (2021: surplus £6,796k), with total comprehensive income of £10,895k (2021: £10,323k). The total comprehensive income in 2021/22 is stated after accounting for the re-measurement of the Defined Benefit pension scheme.

The net assets position has improved significantly from the original budget that was approved by the Corporation. The re-measurement adjustment to the pension scheme of £11,713k was a significant movement as the recent valuation has the plan assets valued higher than the defined benefit obligation which has resulted in the net pension deficit now being removed from the financial statements. The Group had an underlying operating deficit in 2021/22 of £640k (2021: £579k). This is primarily due to the ongoing deficits made by ITEC Learning Technologies in the delivery of apprenticeships and challenges associated with the delivery of Higher Education (HE).

The College's underlying operating position after exceptional items is summarised as follows:

	£,000
Total Comprehensive Income for the year (page 35)	10,895
Less: Pension Scheme Re-measurement	(11,713)
Add: Exceptional costs	178
Group Operating Deficit	**(640)**
Analysed by:	
College deficit	(306)
ITEC deficit	(334)

The College Group has accumulated income and expenditure reserves of £23,730k (2021: £12,741k) and cash and short-term investment balances of £1,553k (2021: £1,507k). The College strategy is to continue to accumulate reserves and cash balances in order to create a contingency fund and this is demonstrated through the College Financial Forecast Report.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants, which was 78% in 2021/22. The Group has seen some diversification on other sources of income from commercial activities following the pandemic. HE partnerships have also developed in 2021/22.

Tangible fixed asset additions during the year totalled £1,341k and a further £1,782k which was under construction at the end of 2020/21 have been brought into use. The two major projects accounting for the majority of this investment is the XTEND Centre on Canvey Island and College Condition Funding for capital condition improvements.

The College had one 100% owned subsidiary company in 2021/22, ITEC Learning Technologies Ltd. Their results are consolidated within this set of Financial Statements

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place.

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Strategic Report (continued)

Cash flows and liquidity

The cash position of the group is reported at £1,553k (2021: £1,507k). The College was able to manage its cashflow during the low funding periods between January and April.

The College does not have a bank overdraft in place currently. Current forecasts show the College will be able to manage its cashflow effectively during 2022/23. The reclassification of Colleges to the public sector will require future borrowing discussions to be approved by the ESFA prior to agreeing any additional facility.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year, this margin was comfortably exceeded.

Reserves Policy

The College Group approved a Reserves Policy in 2021/22 as it recognised the importance of reserves in the financial stability of any organisation to ensure that there are adequate reserves to support the College's core activities.

As at the balance sheet date, total reserves of the College Group were £27,895k (2021: £17,000k) which included Income and Expenditure reserves of £23,730k (2021: £12,741k) and Revaluation Reserves of £4,165k (2021: £4,259k).

The College Group set out in its Reserves Policy its approach to improving liquidity and the financial plan indicates an improving picture over the next three years. In-year budget reviews during 2022/23 will monitor this position to ensure the College Group has the necessary working capital to continue its day-to-day operations.

It is the Corporation's intention to increase reserves over the life of the strategic plan and beyond through the generation of annual operating surpluses. This has been reflected in the Reserves Policy for 2021/22.

Financial Health

The results for 2021/22 indicate a financial health score of 'Requires Improvement'; the financial plan and original budget were forecast to be 'Good' but deterioration in the EBITDA has lowered this forecast. The forecast score for 2022/23 is 'Good' based on the three-year financial plan submission to the ESFA.

The financial plan submitted to the ESFA for 2022/23 and beyond presents the financial forecast for the College. The underlying financial health score for 2022/23 is 'Good' and 'Good' for 2023/24. This will be reviewed during the course of 2022/23 as part of the budget review planned in January 2023 as the College monitors its financial performance.

Impact of COVID-19

The pandemic has had a significant impact on the College finances over the last two years as these financial statements show. 2021/22 was a challenging year due to the uncertainty surrounding the COVID-19 pandemic and the easing and tightening of restrictions. The budget approved for 2022/23 assumes normality returning to college life and no further financial impact from the pandemic, but it is acknowledged that mitigating actions will need to be taken should further lockdowns be imposed.

Strategic Report (continued)

Performance indicators

The College uses a number of Key Performance Indicators (KPIs) internally as well as the measures assessed externally such as Financial Health and these are set out in the strategic plan. The targets and the College Group's performance in 2021/22 against them are set out in the following table:

Key performance indicators	**Target**	**Actual for 21/22**
Operating surplus/EBITDA as a % of income (Educ. Specific)	>5%	3.5%
Staff costs as a % of income (adjusted)	<68%	66%
Cash days in hand	>25 days	25 days
Borrowing as a % of income	<20%	17%
Current ratio (adjusted)	1.2:1	0.84:1
Reliance on ESFA income	<85%	78%
Financial Health Score	Good	Requires Improvement
Other key performance indicators	**Target**	**Actual for 21/22**
Attendance	92%	82.3%
Retention	95%	91.2%
Value added ALPS Grade (1-9)	6	7
Achievement Rate	86%	80.4%

Ofsted Inspection

Ofsted inspected the College in November 2021: the outcome resulted in a grading of 'Good' for six of the seven key areas, and 'Outstanding' for the remaining area. This resulted in an overall grading of 'Good'.

Since the merger in 2017, the College has taken active steps to further improve the quality of its provision. This has resulted in prioritising five key sector areas by aligning to local industry needs and national skills shortages while enhancing the quality and design of the curriculum. The report recognised the progress and effectiveness of these strategic priorities.

Provision for learners with high needs was judged as Outstanding. The Ofsted report commented: "Leaders have developed an outstanding curriculum for learners with high needs. This widens learners' experiences and life skills, enabling them to progress confidently to their next steps in learning and life."

The report highlighted a few other key areas where the College particularly impressed Ofsted:

- The College leadership's work with a broad range of employers
- How learners gain and build on existing knowledge
- The highly effective manner in which the College assesses learning
- The high quality of digital resources that the College has on offer to learners

Furthermore, the report highlighted the effectiveness of the College's leadership in managing Safeguarding.

Strategic Report (continued)

Academic Performance

2021/22 was the first year where students sat formal examinations after two years of centre and teacher assessed grades. Despite the challenges this posed to students, A level achievement (at 91.1%) was 11.7% higher than the last year when exams were sat (2019: 79.4%).

Vocational achievement at 80.4% showed a decline of 8% from 2018/19 due to the introduction of compulsory external examination units at both level 2 and level 3.

Vocational students achieved between 0.28 and 0.34 (value added) grade higher than expected. Academic students achieved between -0.39 and 0.06 (value added) grade than expected which is an improvement of 0.37 from the last year exams were sat (2018/19). Overall value added for all qualification types showed an increase of 0.14 to -0.10 from the last year exams were sat (2019: -0.24)

English and Maths achievements and pass rates continue to be above the National Average rates. Achievement gaps between groups of students is good and further diminished with positive and sustained destinations.

The impact of the pandemic on students impacted the college's ability to meet its targets. Students received inflated Teacher Assessed Grade (TAGs) in 2020-21 and Calculated grades (CAGs) in 2019-20. This meant that students were qualified to study types and levels of courses where in previous years they may not have been qualified to do so. The college attempted to address this through a robust induction programme (Transition 42 or T-42) and through its quality assurance processes and to an extent mitigated against this risk but not sufficiently to meet our student outcome targets. Furthermore, important study habits including regular attendance to school and college were impacted negatively by the pandemic and a significant number of students experienced mental health and wellbeing challenges. This had a negative impact on student attendance and on some occasion's retention and achievement. This was also the first year at the College where all vocational subjects, with the exception of our University of the Arts London (UAL) courses, included externally assessed examination components making achievement and value-added comparisons difficult.

Student numbers

In 2021/22, the College has delivered activity that has produced £18.3m (2021: £17.4m) in funding body main allocation funding. The College had 3,459 (2021: 3,466) funded and nil non-funded 16-18 students; projections for 2022/23 show a 2.7% increase to 3,517.

In order to mitigate the risk to student recruitment, the College has introduced stronger progression routes to retain current students and has focused on building positive relationships with external organisations including local schools. In addition, the College continues to make improvements to both marketing and quality.

Curriculum developments

The College has continued with the curriculum enhancement review and all curriculum areas have mapped the industry specific and generic transferrable skills needed for relevant careers against all of the courses delivered and the future career options. From internship to degrees, all courses have a clear line of sight to employment and sit within the College's five key sector areas and revised career pathways. These career pathways are in line with the Local Skills Improvement Plan and the College's student destination data.

The curriculum offer has been further reformed to ensure courses that we have not delivered successfully have been cut and all offers have a clear route to employment. Where appropriate, there is parity across both campuses and some otherwise financially unviable courses are being delivered via Immersive technology and other unique delivery models. Furthermore, the College is introducing T-Levels for the first time in 2023 in the Health & Science, Digital, Education & Childcare and Legal

Strategic Report (continued)

Services sectors. The College intends to diversify this offer further in 2024 and beyond. The College is also reviewing and developing its Higher Education offer, specifically looking at introducing more Higher Technical Qualifications (HTQ's) in specific areas of identified growth and expertise.

Career Packages

The College mission is to connect young people to great career pathways, through exciting work and learning opportunities. We have researched the job opportunities in the UK and have a good understanding of regional career options in Essex. We have combined this knowledge with our expertise in training, working with employers to shape professional education into the form of career pathways using the latest SELEP Skills Strategy.

Our Career Focused Learning philosophy centres around sector areas that have been further refined:

- Creative Industries
- Medical Technologies and Life Sciences
- Sport and Healthcare Professionals
- Financial & Professional Services
- Digital Innovation & Emerging Technologies (currently under development)

The College has further developed the Academic Career Pathways that promote A Levels enabling students to make informed decisions about their next steps toward HE, Employment and Apprenticeships. A level and academic applied subjects have been structured into career pathways with essential and optional subjects clustered into blocks. This aims to ensure that students who intend to follow particular career or university pathways are supported by subject combinations.

Our career packages within each sector area focus on students acquiring the skills required to enter a chosen career or industry. Career packages are built on national and regional career opportunities and across the UK. The key components and principles of our career packages include:

- An academic or professional (vocational) cluster of qualifications and skills designed with career as the start and end point of its design.
- A direct route to higher study and employment with multiple entry points for students to follow, giving them clear progression towards career goals.
- All packages are within our chosen sectors of specialism.
- All College packages are based specifically on aspirational careers or professions as opposed to jobs.
- College career packages cater for professions requiring a range of professional and academic skills.
- All students engage in a substantial CPD programme designed based around 3 dedicated Student CPD days and other employer engagement opportunities.
- Sector Boards composed of key employers and curriculum directors that identify and validate skills.

Student Continuing Professional Development

The College has invested in providing all students with the opportunity to develop their understanding of key industry skills related to their chosen career pathway through 3 dedicated Student CPD days. Students are provided with menus created by the sector areas with industry involvement enabling them to choose the session and skills most relevant to their chosen career. Through quality assurance activities, these CPD days have undergone continual development and refinement and will continue into 2022/23.

Strategic Report (continued)

College Learning Companies

Further developments of College learning companies have seen increases in students working on live project briefs and with industry experts through client projects. Students develop employer readiness in completion of these project briefs developing industry specific and important employability skills.

Career Portal

USP College is committed to maintaining a Career Portal, with our staff trained to support students find career information, investigate the skills required to be successful, work with employers and provide progression routes that include qualifications and university opportunities. The College has invested in GroFar as a central recording area for all components of a student's study programme that link to careers. All managers and teaching staff have been trained in how to use the system for 2022/23.

Digital Innovation

The College has invested in five immersive learning rooms which use state of the art technology to allow teachers to deliver lessons to two groups simultaneously in different classrooms. This has allowed classes at each campus with low numbers to be taught rather than cut because of non-financial viability. This has also allowed more groups of students to access our best teachers. A small number of courses have also pre-recorded high quality content using a state-of-the-art content capture facility. Innovative timetabling has allowed these courses to merge groups together to access this high-quality lesson at the same time.

The College has heavily invested in state-of-the-art digital facilities at the new XTEND campus on Canvey Island. These facilities enhance the student learning experience and include a Discovery Suite, Immersive rooms, Volumetric Studio, Emerging Technologies Suite, Media Wall, Motion Capture Room and Enterprise Suite. These facilities have enhanced existing curricula in the Creative & Digital sector and allowed for the development of new curricula such as the UAL Level 3 Diploma in Digital Innovation & Virtual Reality and Level 3 Extended Diploma in E-Sports.

Both immersive rooms and the Xtend centre have continued to promote the College as sector leading within Digital Technology. The College is leading a group of 60 UK wide colleges in developing, testing and launching a Virtual Reality application for teaching and learning.

Group companies

The College has one subsidiary company, ITEC Learning Technologies Ltd (ITEC) which was acquired in January 2019. The principal activity of ITEC is the provision of delivering apprenticeship. This supports the USP strategic plan, in particular regarding meeting the needs of employers and supporting local people through progression routes into apprenticeships and employment.

In October 2021, ITEC received an Ofsted inspection. The outcome of this inspection resulted in ITEC being graded as inadequate.

As a result, ITEC will not be able to recruit or deliver to new apprentices. ITEC will continue to teach out the remaining delivery to its current students, but once these apprentices complete, ITEC will cease apprenticeship delivery in 2022.

Strategic Report (continued)

College Financial Forecast Report

The College governors approved the College Financial Forecast in July 2022 which sets objectives for the period to 31 July 2023. The College aims to achieve a financial health rating of 'Good' but recognises the challenges faced due to the energy cost crisis and rising inflation. The current forecast of a small surplus for the year to 31 July 2023 is deemed reasonable in the current climate and indications are that good financial health will be achieved. The forecast shows that the College expects to increase its surplus further in 2023/24 as its student numbers improve and growth plans are implemented.

Higher Education delivery formed a significant part of the College finances in 2021/22. As the main contract with Oxford Business College winds down in 2022/23, the College will continue to diversify its HE partners and develop internal delivery of this programme.

The College is prioritising improving its cash position over the coming years and this may dictate the level of future capital investment. However, the College will look to take advantage of further capital funding that is made available by the ESFA. The College has been successful in applying for funding to build a new Medical Sciences building at the Seevic Campus for completion in 2024 and T Level bids for investment in Digital Health and Science and Education and Childcare. These projects require a level of match funding and additional borrowing will be required.

The College will target efficiency measures to increase its contribution and reduce its dependency on the funding bodies.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the three main College campuses:

- Seevic Campus, Benfleet – freehold
- Palmers Campus, Grays – long leasehold on the Buildings only
- XTEND Centre, Canvey Island – long leasehold on the Buildings only

Originally anticipated in 2021/22, the proposed land sale at the Seevic Campus has been delayed due to Castle Point Borough Council rejecting the local masterplan following local elections in May 2022. The College continues to work with the Council and other key stakeholders on the masterplan and has identified a development partner who will support the College through the sale process.

Financial

The College Group has £27,895k (2021: £17,000k) of net assets and long-term debt of £4,062k (2021: £4,363k).

People

As at 31 July 2022, the College employs 493 people of whom 202 are teaching staff. Student recruitment for 2022/23 went well with the funding allocation being exceeded. Through lagged funding, the College expects the funding position for 2023/24 to be slightly above 2022/23.

Strategic Report (continued)

Reputation

The College has a good reputation locally and nationally but seeks to make further improvements at all Campuses to match its goal of being an outstanding College. Maintaining a quality brand is essential for the College's success at attracting students and external relationships and this will be aided as the College promotes its strategic plan linked to Career Focused Learning.

Principal Risks and Uncertainties

The College has developed strategies for managing risk that now embed risk management in all that it does. Risk management software and processes have been implemented to protect College assets, reputation and financial stability. The Corporation has overall responsibility for risk management and its approach to managing risks and internal controls are explained in the Statement on Corporate Governance.

Future development is planned to further embed the system of internal control, including financial, operational and risk management designed to protect the College's assets and reputation. During 2021/22, effective departmental risks were developed as part of departmental risk management training which is now reported alongside the core College headline risks. Departmental risks will continue to be reviewed and updated on a quarterly basis with an annual risk report presented to the Risk and Audit Committee.

Based on the strategic plan, management undertake a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, management will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at least annually by the Risk and Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

During the COVID-19 pandemic, the College implemented an additional COVID-19 risk register which identified the key risks the College faced following the outbreak of this virus. Particular focus was given to the health and safety of our students and staff as well as the financial implications caused by this pandemic. The focus on this risk register has now been reduced as COVID-19 becomes part of everyday life. Should the COVID-19 position deteriorate then risk monitoring will be increased.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

- Risk that student recruitment targets are not achieved for classroom-based delivery and Higher Education
- Governance arrangements are not clearly defined
- College unable to attract/retain Governors with appropriate skills
- Inability to recruit, retain and/or to attract new talent to key Teaching & Management roles
- Insufficient levels of funding effecting the going concern status of the College
- Risk of breaching bank loan covenants effecting the going concern status of the College
- Inadequate systems and procedures relating to Health & Safety
- Inadequate safeguarding / prevent awareness policies and procedures

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

- The College is unable to react in a focused timely manner to unforeseen Business Interruption (Disasters, Cyber Attack etc)

- The College is unable to secure necessary funds to deliver its property strategy which will ensure all three campuses are developed so they are fit for purpose and meet the strategic objectives
- Risk that the impact of current inflation rates prevent the College from achieving its plan to strengthen its financial health
- Risk that increased energy costs adversely impact the Colleges ability to report surplus budgets and strengthen it financial health

Strategic Report (continued)

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2021/22, 78% of the College's total income came from these sources: this achieved our KPI of having a reliance rate of less than 85%. This has largely been achieved by the growth in HE admissions. However, the reliance rate is likely to increase in 2022/23 as HE activity is reduced. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- Possible reduction to HE funding following poor partner performance and recruitment
- Devolution of the adult education budget
- The recruitment and retaining of key staff who can innovate and support key College areas, including English and Maths

This risk is mitigated in a number of ways:

- Update of the new College Strategic Plan linked to Career Focused Learning
- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensure additional funding opportunities are taken
- Detailed monitoring of curriculum delivery, including strong self-assessment, key management training and robust lesson observations
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Income diversity and focused grant funding
- Positive change to the local area demographic
- Collaboration with other partner Colleges and working closely with other external partners
- Growing commercial opportunities and apprenticeships through our subsidiary company

2 Tuition Fee Policy

Tuition fee caps are set by the UK Government. In line with the majority of other colleges, USP College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change

3 Maintain adequate funding of pension liabilities

The financial statements include the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. The latest valuation is reporting the scheme as a net pension asset, although the regulations do not allow this to be shown as an asset in the financial statements. More information is included in note 18.

This risk is mitigated by an agreed deficit recovery plan with the Essex Pension Fund. A new recovery plan and contribution rate will be agreed in 2023 following the triennial valuation of the fund.

Strategic Report (continued)

4 Failure to maintain the financial viability of the College

The College's current financial health grade is classified as 'Requires Improvement' as described above. This is largely the consequence of under delivery of HE and restrictions to apprenticeships delivery following an inadequate Ofsted rating. This has resulted in reduced earnings before interest, tax depreciation and amortisation and reporting a net deficit before pension liability adjustments.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies and improved finance systems
- Finance & Resources Committee task and finish group
- SMT finance focused meetings

Stakeholder Relationships

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

- Students;
- Staff;
- Governors
- Education sector funding bodies
- FE Commissioner
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site and by meetings.

Strategic Report (continued)

Equality and Diversity

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value the differences in race, gender, sexual orientation, disability, religion or belief and age within our College. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. 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 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.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit and the results of this formed the basis of funding capital projects aimed at improving access.
b) The College has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
f) Specialist programmes are described in College prospectuses and achievements and destinations are recorded and published in the standard College format.
g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Strategic Report (continued)

Going Concern

The College Group financial position for 2021/22 reports an education adjusted surplus before interest, tax and depreciation of £839k. The operating deficit detailed on page 6 of £306k presents the College financial position after excluding the impact of the pension remeasurement and financial performance of the subsidiary. The group operating deficit before pension remeasurement is £640k.

The Group is reporting total net current liabilities of £923k and for 2022/23 indications are the Group will move into a net asset position as it strengthens its financial position. Cash held at the end of the financial year was reasonable at £1,553k with a positive net cash flow from operating activities. The bank loan stands at £4,062k.

The Corporation recognises the difficult times further education is facing and has implemented tight controls to ensure financial performance is monitored effectively by the Finance Executive Group. This group includes the Corporation Chairman and the Finance and Resources Committee Chairman, along with the Principal & Chief Executive and the Chief Finance Officer. This group provides additional financial oversight and can recommend urgent approval of key financial matters outside scheduled committee meetings.

Although the cashflow position is tight at certain points in the year, the current two-year cashflow forecasts shows an improving cash position. Through the recent turbulent times, our bank has remained supportive towards the Group.

With the refinancing of its loans during 2020/21, the bank issued new bank loan covenants for 2020/21 and beyond. The College has confirmed with its bank that for 2021/22 it has not breached its current bank loan covenants. These covenants are tracked within the monthly management accounts and are reviewed regularly by the bank as part of their oversight procedures. Based on current forecasts for 2022/23 and 2023/24, the College anticipates meeting its loan covenants.

The Corporation instructed the College to carry out a high level budget review in November 2022 in addition to the detailed, routine reforecast in January 2023 as they see these reviews as crucial to providing the level of assurance needed to demonstrate to the Corporation that the College can continue to operate. Following the budget review in November 2022 the College Group is forecasting a surplus before interest, tax and depreciation of £2,079k and a surplus after interest, tax and depreciation of £48k. Based on these forecasts, cash is expected to be £1,944k at 31 July 2023 with further improvement made in 2023/24 to £2,065k subject to capital investment. The College recognises that this high level review contains significant financial challenges during 2022/23 and these include the energy crisis, inflation, bank interest rate rises, uncertainty of meeting key income targets and the possibility of unexpected costs. The Office for National Statistics reclassification announced in November 2022 has also created additional uncertainty around future borrowing.

Financial Health for 2021/22 has deteriorated to ‘Requires Improvement’; however this is expected to be ‘Good’ in 2022/23 and 2023/24.

After making appropriate enquiries, the Corporation considers that the 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 but with material uncertainty.

Events after the reporting period

On 29 November 2022, the Office for National Statistics reclassified all college corporations to Central Government sector with immediate effect. This will mean that colleges will now be subject to the framework for financial management set out in Managing Public Money (MPM) and the Department for

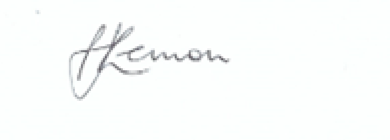
Strategic Report (continued)

Education will introduce new rules for colleges, some of which will take effect immediately, including in relation to borrowings.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

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



Phillip Lennon
Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

ii. 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 Governors, the College complies with all the provisions of the Code and it has complied throughout the year ended 31 July 2022. This opinion is based on an internal review of compliance with the Code and reported to the board on 5 July 2022. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in 2015, which it formally adopted on date.

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

The Corporation

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

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

	Date of Appointment	Term of office ends	Date of resignation	Status of appointment	Committees served	Attendance
Phillip Lennon	28/01/2016 Reappointed 30/01/2018 25/09/2018 13/07/2021	27/01/2018 30/01/2019 31/01/2022 31/01/2024		Ordinary Member	Finance and Resources (Chair) Remuneration (Chair) Corporation (Chair / Vice	10 out of 10
Daniel Pearson	01/05/2016			Principal	Corporation Search and Governance Finance and Resources Quality	14 out of 15

	Date of Appointment	Term of office ends	Date of resignation	Status of appointment	Committees served	Attendance
Gordon Haines	07/11/2017 Reappointed 14/12/2021	31/12/2021 31/12/2025	24/08/2022	Ordinary Member	Corporation Search and Governance (Chair) Remuneration Finance and Resources	14 out of 14
Roger Key	01/08/2017 Reappointed 16/07/2019	01/08/2019 31/07/2023		Ordinary Member	Corporation Risk and Audit Remuneration	9 out of 10 (R&A 3 out of 4)
Ian Hockey	18/12/2018	31/12/2022		Ordinary Member	Corporation Quality (Chair)	7 out of 8
Ralph Henderson	18/12/2018	31/12/2022	31/10/2021	Ordinary Member	Corporation Quality Finance and Resources	0 out of 3
Andy Williams	01/10/2019	30/09/2023		Ordinary Member	Corporation Risk and Audit Finance and Resources	7 out of 8 (R&A 1 out of 1)
Jacob Smith	01/10/2019	30/09/2023	12/09/2022	Ordinary Member	Corporation Risk and Audit	7 out of 8 (R&A 3 out of 4)
Vikki Liogier	24/03/2020	31/03/2024		Ordinary Member	Corporation Quality	6 out of 8
Malcolm Bell	29/09/2020 Reappointed 29/03/2022	30/04/2022 30/04/2026		Ordinary Member	Corporation Search and Governance Risk and Audit (Chair) Remuneration	12 out of 13 (R&A 4 out of 4)
Sean Cotter	15/12/2020	31/12/2024	31/10/2021	Ordinary Member	Finance and Resources	1 out of 2
Nicola Curtis	15/12/2020	31/12/2024		Ordinary Member	Corporation Quality	8 out of 8
Tony Wenden	13/07/2021	31/07/2025		Ordinary Member	Corporation Risk and Audit	8 out of 8 (R&A 4 out of 4)
Paul Dale	29/03/2022	31/03/2026		Ordinary Member	Corporation Finance and Resources	2 out of 3
Julie Snelling	17/07/2018	31/07/2022		Staff Member	Corporation Quality	8 out of 8
David O'Donovan	26/03/2019	31/07/2023	31/01/2022	Staff Member	Corporation Quality	4 out of 4
Donna Williams	29/03/2022	31/03/2026		Staff Member	Corporation Quality	2 out of 3
Clare Smith	05/07/2022	31/07/2026		Staff Member	Corporation Quality	0 out of 0
Nicole Dragos	01/08/2021	31/07/2022		Student Member	Corporation Quality	7 out of 8
Mils Balcombe	01/08/2021	31/07/2022		Student Member	Corporation Quality	7 out of 8
Harvey Wayland	01/08/2022	31/07/2023		Student Member	Corporation Quality	0 out of 0
Maisie Cosby	01/08/2022	31/07/2023		Student Member	Corporation Quality	0 out of 0
Sue Glover was Clerk to the Corporation throughout 2021/22.						

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

Statement of Corporate Governance and Internal Control (continued)

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 met each term during 2021/22.

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

USP College
Runnymede Chase
Benfleet
Essex
SS7 1TW

The Clerk to the Corporation maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

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

Formal agendas, papers and reports are supplied to Governors 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 Chairman and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

The Corporation plays a key role in challenging the senior management to ensure that the College aims are achieved. The Governors are particularly focused on a holistic approach to Governance and timely and accurate reporting ensures that Governors are able to challenge effectively. Through this approach, the Corporation has been able to take assurance that governance was robust and appropriately structured to support delivery of the strategic plan and continued improvements to the College.

The Corporation reviewed its performance for 2021/22 in September 2022 as part of the annual self-assessment review. The Corporation has considered the DfE guidance on board reviews and will commission an external governance review before the deadline of July 2024.

Statement of Corporate Governance and Internal Control (continued)

The Corporation is committed to its training and development and incorporates termly development sessions into its annual meeting schedule. Every year, individual members of the Corporation have 1 to 1 meetings with the Chair during the autumn term. A new governor who joined during 2021/22 attended an induction session given by the Association of Colleges (AoC). The Chair of the Corporation attended meetings of the AoC's regional Chair's network throughout the year. The Chair, together with another governor, also attended the AoC's annual regional governance conference.

During the year, the Clerk to the Corporation attended a number of governance development events given by the Education and Training Foundation. The Clerk also attended the AoC's regional Governance Professionals network meetings and the annual regional governance conference for Governance Professionals.

Remuneration Committee

Throughout the year ending 31 July 2022, the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other key management personnel.

The College endeavours to conduct its business in full accordance with the guidance to Colleges from the Association of Colleges Senior Staff Remuneration Code. This code was adopted by the Corporation in July 2021. The annual statement relating to the remuneration of Senior Post Holders can be found on the College website.

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

Risk and Audit Committee

The Risk and Audit Committee comprises four members of the Corporation (excluding the Accounting Officer and Chair of Corporation). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

Statement of Corporate Governance and Internal Control (continued)

Quality Committee

The Quality Committee comprises nine members of the Corporation (including the Principal/CEO, staff and student members). The Committee is established to assist the Corporation Board to play a proactive role in enhancing the student experience by:

- Approving and monitoring challenging targets for student retention and achievement as well as other appropriate curriculum development and management activities;
- Receiving reports on the development of the course offer including enrolment trends and student satisfaction feedback
- Ensuring appropriate policies are in place which reflect the College mission and fall within the remit of the Committee;
- Monitoring the implementation of the College's policy on equality and diversity for students; and the College's policy on preventing people being drawn into terrorism

Search and Governance Committee

The Search and Governance Committee comprises three members of the Corporation (including the Chair of the Corporation). The Committee's responsibilities are to advise the Corporation Board on all issues related to membership of the Board and its committees and on all matters related to governance, structure and procedures, including advice on the appointment of new members.

Finance and Resources Committee

The Finance and Resources Committee comprises five members of the Corporation (including the Chair of the Corporation). The Committee's responsibilities are to advise the Corporation Board on all aspects of College finance and resources including financial policies, financial targets and funding arrangements, property and estates, human resources and health and safety matters.

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 be realised, and to manage them efficiently, effectively and economically.

Statement of Corporate Governance and Internal Control (continued)

The system of internal control has been in place in 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 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 ending 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 framework

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

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

The College has an internal audit service which operates in accordance with 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 Risk and Audit Committee.

At least annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement from the audit committee

The Risk and Audit Committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place. The Risk and Audit Committee believes the Corporation has effective internal controls in place.

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

- IT Infrastructure
- Anti-fraud & Whistleblowing Framework
- Business Continuity & Covid-19 response
- Key financial controls – Payroll, Income & Debtors
- Follow-up on previous recommendations
- Apprenticeships
- Health check on Complaints
- Cyber Security

Review of effectiveness

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

Statement of Corporate Governance and Internal Control (continued)

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Risk and Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Risk and 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 Risk and Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2022 meeting, the Corporation will carry 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 Risk and Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets*".

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future; details supporting this going concern assessment are shown on page 18 of this report. For this reason, it continues to adopt the going concern basis in preparing the financial statements albeit recognising there are material uncertainties.

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

Phillip Lennon
Chair

Daniel Pearson
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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

Daniel Pearson
Accounting officer

13 December 2022

Statement of the Chair

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

Phillip Lennon
Chair

13 December 2022

Statement of Responsibilities of the Members of the Corporation

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

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

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

The Corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Corporation. The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that income and expenditure are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, 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 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 economic, efficient and effective management of the Corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA 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:

P Lennon

Phillip Lennon
Chair

Independent auditor's report to the Corporation of USP College

Opinion

We have audited the financial statements of USP College (the 'College) and its subsidiary (together "the Group") for the year ended 31 July 2022 which comprise the Group statement of comprehensive income, the Group statement of changes in reserves, the Group and College balance sheets, the Group statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2022 and of its deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- In all material respects, funds from whatever source administered by the Group for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met.

Basis for opinion

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

Material uncertainty related to going concern

We draw your attention to the accounting policy on page 39 of the financial statements regarding going concern. This policy sets out the material uncertainties related to going concern that are impacting the Group and the College.

Our opinion is not modified in respect of this matter.

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 members of the Corporation are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the Corporation of USP College (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received.

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

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

Responsibilities of the Corporation

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

In preparing the financial statements, the members of the Corporation are responsible for assessing the Group 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 members of the Corporation either intend to liquidate the Group and the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect

Independent auditor's report to the Corporation of USP College (continued)

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group and the College through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the College, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group and the College's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with HMRC and the College's legal advisors (although none was noted as being received by the College).

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members of the Corporation and other management and the inspection of regulatory and legal correspondence, if any.

Independent auditor’s report to the Corporation of USP College (continued)

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

This report is made solely to the College’s members, as a body, in accordance with the College’s Articles of Government. Our audit work has been undertaken so that we might state to the College’s members 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’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

Buzzacott LLP

Statutory Auditor

130 Wood Street

London

EC2V 6DL

Date: 21 December 2022

Independent reporting accountant's assurance report on regularity

To: The corporation of USP College and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter 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 USP 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 the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the corporation of USP 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 USP College and the 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 USP College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of USP College and the reporting accountant

The corporation of USP 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 the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

Independent reporting accountant's assurance report on regularity (continued)

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Buzzacott LLP

Buzzacott LLP

Chartered Accountants

130 Wood Street

London

EC2V 6DL

Date: 21 December 2022

Unified Seevic Palmers College
Consolidated Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group £'000	**College £'000**	**Group £'000**	**College £'000**
Income					
Funding body grants	2	19,375	18,945	18,638	17,971
Tuition fees and education contracts	3	3,309	3,309	2,587	2,495
Other grants and contracts	4	119	119	1,106	1,091
Other income	5	1,378	1,336	593	535
Donations and endowments	6	-	-	8,000	8,000
Total income		**24,181**	**23,709**	**30,924**	**30,092**
Expenditure					
Staff costs	7	17,575	17,122	16,602	15,975
Other operating expenses	8	7,122	6,870	5,245	4,992
Depreciation	10	1,933	1,925	1,973	1,965
Interest and other finance costs	9	325	325	308	625
Total expenditure		**26,955**	**26,242**	**24,128**	**23,557**
(Deficit) / Surplus before other exceptional items		**(2,774)**	**(2,533)**	**6,796**	**6,535**
Actuarial gain in respect of pensions schemes	18	13,669	13,669	3,527	3,527
Total Comprehensive Income for the year		**10,895**	**11,136**	**10,323**	**10,062**
Represented by:					
Restricted comprehensive income		-	-	900	900
Unrestricted comprehensive income		10,895	11,136	9,423	9,162
		10,895	**11,136**	**10,323**	**10,062**

All items of income and expenditure relate to continuing activities.

Unified Seevic Palmers College
Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1 August 2020	**2,324**	**4,353**	**6,677**
Deficit from the income and expenditure account	6,796	-	6,796
Other comprehensive income	3,527	-	3,527
Transfers between revaluation and income and expenditure reserves	94	(94)	-
Total comprehensive income	10,417	(94)	10,323
Balance at 31 July 2021	**12,741**	**4,259**	**17,000**
Surplus from the income and expenditure account	(2,774)	-	(2,774)
Other comprehensive income	13,669	-	13,669
Transfers between revaluation and income and expenditure reserves	94	(94)	-
Total comprehensive income	10,989	(94)	10,895
Balance at 31 July 2022	**23,730**	**4,165**	**27,895**
College			
Balance at 1 August 2020	**2,333**	**4,353**	**6,686**
Deficit from the income and expenditure account	6,535	-	6,535
Other comprehensive income	3,527	-	3,527
Transfers between revaluation and income and expenditure reserves	94	(94)	-
Total comprehensive income	10,156	(94)	10,062
Balance at 31 July 2021	**12,489**	**4,259**	**16,748**
Surplus from the income and expenditure account	(2,533)	-	(2,533)
Other comprehensive income	13,669	-	13,669
Transfers between revaluation and income and expenditure reserves	94	(94)	-
Total comprehensive income	11,230	(94)	11,136
Balance at 31 July 2022	**23,719**	**4,165**	**27,884**

Unified Seevic Palmers College
Balance Sheets as at 31 July

	Notes	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Non-current assets					
Tangible Fixed assets	10	38,362	38,362	38,954	38,946
		38,362	**38,362**	**38,954**	**38,946**
Current assets					
Stocks		2	2	3	3
Trade and other receivables	11	1,146	1,121	1,503	1,193
Cash and cash equivalents	15	1,553	1,506	1,507	1,491
		2,701	**2,629**	**3,013**	**2,687**
Creditors – amounts falling due within one year	12	(3,624)	(3,563)	(2,877)	(2,795)
Net current (liabilities) / assets		**(923)**	**(934)**	**136**	**(108)**
Total assets less current liabilities		**37,439**	**37,428**	**39,090**	**38,838**
Creditors – amounts falling due after more than one year	13	(9,544)	(9,544)	(10,377)	(10,377)
Provisions					
Defined benefit obligations	18	-	-	(11,713)	(11,713)
Total net assets		**27,895**	**27,884**	**17,000**	**16,748**
Reserves					
Income and expenditure account					
- Restricted		720	720	900	900
- Unrestricted		23,010	22,999	11,841	11,589
		23,730	23,719	12,741	12,489
Revaluation reserve		4,165	4,165	4,259	4,259
Total reserves		**27,895**	**27,884**	**17,000**	**16,748**

The financial statements on pages 35 to 59 were approved and authorised for issue by the Corporation on 13 December 2022 and were signed on its behalf on that date by:

PLennon

Phillip Lennon
Chair

Daniel Pearson
Accounting Officer

Unified Seevic Palmers College
Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flow from operating activities			
Surplus for the year		10,895	10,323
Adjustment for non-cash items			
Non Government grant		-	(900)
Depreciation		1,933	1,973
Decrease / (increase) in stocks		1	(2)
Decrease / (increase) in debtors		357	(301)
Increase in creditors due within one year		654	282
(Decrease) / increase in creditors due after one year		(415)	313
Decrease in provisions		(11,713)	(2,618)
Adjustment for investing or financing activities			
Donation of Land & Buildings		-	(8,000)
Interest payable		130	112
Net cash flow from operating activities		1,842	1,182
Cash flows from investing activities			
Payments made to acquire fixed assets		(1,341)	(2,142)
		(1,341)	(2,142)
Cash flows from financing activities			
Capital funding received		-	1,605
Interest paid		(130)	(112)
Proceeds of new borrowings		-	21
Repayments of amounts borrowed		(301)	-
Capital element of finance lease rental payments		(24)	(24)
		(455)	1,490
Increase in cash and cash equivalents in the year		**46**	**530**
Cash and cash equivalents at beginning of the year	15	1,507	977
Cash and cash equivalents at end of the year	15	1,553	1,507

Unified Seevic Palmers College

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2021 to 2022 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, ITEC Learning Technologies Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Strategic Report on page 3.

The financial position of the Group, its cash flow, liquidity and borrowings are presented in the financial statements and accompanying notes.

The Group had £4,062k of loans outstanding with bankers on terms renegotiated in 2021 and secured by a floating charge on the College estate. The College’s forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future, details supporting this assessment are shown on page 18 of this report. For this reason, it continues to adopt the going concern basis in preparing the financial statements but recognises there are material uncertainties.

Notes to the Accounts (continued)

1. Statement of accounting policies and estimation techniques (continued)

The College recognises that this high level review contains significant financial challenges during 2022/23 and these include the energy crisis, inflation, bank interest rate rises, uncertainty of meeting key income targets and the possibility of unexpected costs. The Office for National Statistics reclassification announced in November 2022 has also created additional uncertainty around future borrowing.

Recognition of income

Revenue grant funding

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

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

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

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

Capital grant funding

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

Fee Income and education contracts

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

Investment Income

All income from short-term deposits is credited to the Statement of Comprehensive Income and Expenditure in the period in which it is earned on a receivable basis.

Notes to the Accounts (continued)

1. Statement of accounting policies and estimation techniques (continued)

Agency arrangements

The College acts as an agent in the collection and payment of certain discretionary support funds. 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 transactions.

Retirement benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme and Essex Pension Fund. These are multi-employer defined benefit plans, which are externally administered.

Teachers' Pension Scheme (TPS)

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

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

Essex Local Pension Fund (EPF)

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

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

If the present value of the defined benefit scheme obligations at the balance sheet date is less than the fair value of the scheme assets at that date, the scheme is in surplus. The College will recognise a scheme surplus as a defined benefit pension scheme asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Actuarial gains and losses are recognised immediately.

Notes to the Accounts (continued)

1. Statement of accounting policies and estimation techniques (continued)

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.

Termination payments

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense, when the College is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

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

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Other land and buildings are depreciated on a straight-line basis over their expected useful lives as follows:

- Land & Buildings – 25 - 50 years
- Demountable buildings – 20 years
- Buildings Only – 10 years
- Leasehold – over life of lease

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors and are released to the Statement of Comprehensive Income and Expenditure over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings.

Notes to the Accounts (continued)

1. Statement of accounting policies and estimation techniques (continued)

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. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- Computer Equipment 3 - 4 years
- Software – 2 years
- Other Equipment – 10 years
- Fixtures and Fittings & Motor Vehicles – 5 - 8 years

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1 August 2014.

Stock

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.
Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Notes to the Accounts (continued)

1. Statement of accounting policies and estimation techniques (continued)

Financial Instruments

Financial liabilities and equity

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

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

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. However, the subsidiary is Value Added Tax (VAT) registered.

The College is not registered in respect of VAT and consequently it is unable to recover 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In preparing these financial statements, management have made the following judgements:

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors such as technological innovation and maintenance programmes.. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Essex Pension Fund

The present value of the Essex Pension Fund defined benefit liability depends on several factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing 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.

Notes to the Accounts (continued)

2. Funding Body Grants

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education and Skills Funding Agency – adult	193	193	199	199
Education and Skills Funding Agency – 16 – 18yrs	17,655	17,655	16,532	16,532
Education and Skills Funding Agency – apprenticeships	430	-	658	-
Office for Students	66	66	77	77
Specific grants				
Employer Incentive	-	-	9	-
Workplacement Funding	-	-	211	211
Education and Skills Funding Agency	622	622	521	521
Releases of government capital grants	409	409	431	431
Total	**19,375**	**18,945**	**18,638**	**17,971**

Grant and fee income received for Higher Education courses at Level 4 and above was as follows:

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Grant income for Office for Students (per note 2)	66	66	77	77
Fee income for taught awards (per note 3)	2,753	2,753	2,017	1,925
	2,819	**2,819**	**2,094**	**2,002**

3. Tuition fees and education contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	107	107	65	52
Fees for FE loan supported courses	184	184	196	196
Fees for HE loan supported courses	2,462	2,462	1,756	1,677
Total tuition fees	**2,753**	**2,753**	**2,017**	**1,925**
Education contracts	556	556	570	570
Total	**3,309**	**3,309**	**2,587**	**2,495**

Notes to the Accounts (continued)

4. Other grants and contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Other grant income	117	117	-	-
Non-government capital grant	-	-	900	900
Coronavirus Job Retention Scheme grant	2	2	206	191
Total	**119**	**119**	**1,106**	**1,091**

5. Other income

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Catering and residences	492	492	198	198
Other income generating activities	675	644	259	201
Miscellaneous income	211	200	136	136
Total	**1,378**	**1,336**	**593**	**535**

6. Donations and endowments

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Unrestricted donation – Buildings	-	-	8,000	8,000
Total	**-**	**-**	**8,000**	**8,000**

The College acquired the XTEND Digital Campus in 2020/21 from Essex County Council on a 125-year lease with a peppercorn rent; the site was valued at £8,000k by professional valuers.

Notes to the Accounts (continued)

7. Staff costs

The number of persons (including key management personnel) employed by the Group during the year, described in average headcount, was:

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	202	198	196	190
Non-teaching staff	288	280	295	281
Total	**490**	**478**	**491**	**471**

Staff costs for the above persons

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	11,771	11,462	11,542	11,047
Social security costs	1,074	1,045	1,031	983
Other pension costs	4,023	3,965	3,636	3,563
Payroll sub-total	16,868	16,472	16,209	15,593
Contracted out staffing services	681	636	367	356
Restructuring costs – contractual	26	14	26	26
Total	**17,575**	**17,122**	**16,602**	**15,975**

There was a 3% pay rise awarded in January 2022 (2021: no award)

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 Senior Management Team which comprises the Principal & CEO; Chief Finance Officer; Vice Principal Partnerships, Funding & Business Planning; Deputy Principal – Student & Corporate Services, Assistant Principal – Vocational; and Assistant Principal – Academic.

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

	2022	2021
	No.	No.
The number of key management personnel including the Accounting Officer was:	6	6

Notes to the Accounts (continued)

7. Staff costs (continued)

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

	Key management personnel		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£55,001 to £60,000	-	2	-	-
£60,001 to £65,000	2	-	1	2
£75,001 to £80,000	1	-	-	-
£80,001 to £85,000	-	1	-	-
£85,001 to £90,000	-	2	-	-
£90,001 to £95,000	2	-	-	-
£150,001 to £155,000	-	1	-	-
£160,001 to £165,000	1	-	-	-
Total	**6**	**6**	**1**	**2**

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Salaries	518	514
Performance related pay and bonus	11	-
Benefits in kind	18	16
Pension contributions	79	80
Total emoluments	**626**	**610**

The above includes the following amounts paid to the Principal & CEO who is the Accounting Officer and who is also the highest paid member of staff:

	2022 £'000	2021 £'000
Salary	145	143
Performance related pay and bonus	5	-
Benefits in kind	11	10
Pension contributions	-	-
Total emoluments	**161**	**153**

Notes to the Accounts (continued)

7. Staff costs (continued)

The Corporation adopted the AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles.

The remuneration package of the Principal & CEO is subject to annual review by the Remuneration Committee of the Corporation which uses benchmarking information to provide objective guidance.

The Principal & CEO reports to the Chair of the Corporation, who undertakes an annual review of performance against the College's overall objectives using both qualitative and quantitative measures of performance.

	2022	2021
Relationship of Principal & CEO pay and remuneration expressed as a multiple:		
Principal & CEO basic salary as a multiple of the median of all staff	5.5	5.6
Principal & CEO total remuneration as a multiple of the median of all staff	4.8	5.0

Compensation for loss of office paid to former key management personnel

	2022 £'000	2021 £'000
Compensation paid to former key management personnel	-	-

The Accounting Officer and the staff governors only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as members of the Corporation. The other members of the Corporation did not receive any payments from the College in respect of their roles as members.

8. Other operating expenses

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
Teaching costs	3,254	3,197	2,113	2,016
Non-teaching costs	2,120	1,943	1,486	1,402
Premises costs	1,748	1,730	1,646	1,574
Total	**7,122**	**6,870**	**5,245**	**4,992**

Notes to the Accounts (continued)

8. Other operating expenses (continued)

Other operating expenses include:

	Year ended 31 July 2022 Group £'000	Year ended 31 July 2021 Group £'000
Auditor's remuneration:		
USP College	32	28
ITEC Learning Technologies Ltd	2	2
Internal audit fees	27	11
Depreciation	1,933	1,973
Hire of assets under operating leases – Equipment	203	208

9. Interest payable and other finance costs

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £'000	College £'000	Group £'000	College £'000
On bank loans, overdrafts and other loans	130	130	112	112
Net interest charge on defined benefit pension	195	195	196	196
Debt waiver of subsidiary	-	-	-	317
Total	**325**	**325**	**308**	**625**

10. Tangible fixed assets

Group	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	25,801	24,285	9,332	1,790	61,208
Additions	232	450	426	233	1,341
Transfer	-	1,207	575	(1,782)	-
Disposals	(5)	-	(700)	-	(705)
At 31 July 2022	**26,028**	**25,942**	**9,633**	**241**	**61,844**
Depreciation					
At 1 August 2021	8,811	5,358	8,085	-	22,254
Charge for the year	565	618	750	-	1,933
Disposals	(5)	-	(700)	-	(705)
At 31 July 2022	**9,371**	**5,976**	**8,135**	**-**	**23,482**
Net book value at 31 July 2022	**16,657**	**19,966**	**1,498**	**241**	**38,362**
Net book value at 31 July 2021	16,990	18,927	1,247	1,790	38,954

Notes to the Accounts (continued)

10. Tangible fixed assets (continued)

College	Land and buildings		Equipment	Assets in the course of construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	25,801	24,285	9,317	1,790	61,193
Additions	232	450	426	233	1,341
Transfer	-	1,207	575	(1,782)	-
Disposals	(5)	-	(691)	-	(696)
At 31 July 2022	**26,028**	**25,942**	**9,627**	**241**	**61,838**
Depreciation					
At 1 August 2021	8,811	5,358	8,078	-	22,247
Charge for the year	565	618	742	-	1,925
Disposals	(5)	-	(691)	-	(696)
At 31 July 2022	**9,371**	**5,976**	**8,129**	**-**	**23,476**
Net book value at 31 July 2022	**16,657**	**19,966**	**1,498**	**241**	**38,362**
Net book value at 31 July 2021	16,990	18,927	1,239	1,790	38,946

The value of land not depreciated at 31 July is £2,200k (2021: £2,200k).

Land and buildings were valued in 1994 at depreciated replacement cost by surveyors employed by Essex County Council. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent advice.

11. Trade and other receivables

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	71	71	137	116
Amounts owed by subsidiary undertakings	-	-	-	22
Prepayments and accrued income	1,054	1,050	1,062	1,055
Amounts owed by the ESFA	21	-	304	-
Total	**1,146**	**1,121**	**1,503**	**1,193**

Notes to the Accounts (continued)

12. Creditors: amounts falling due within one year

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans	400	400	307	307
Obligations under finance leases	24	24	24	24
Trade creditors	894	861	641	594
Other taxation and social security	515	506	520	493
Accruals and deferred income	1,337	1,319	680	672
Holiday pay accrual	18	18	15	15
Deferred income – government capital grants	399	399	393	393
Amounts owed to the ESFA	37	36	297	297
Total	**3,624**	**3,563**	**2,877**	**2,795**

13. Creditors: amounts falling due after one year

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans	3,662	3,662	4,056	4,056
Obligations under finance leases	33	33	57	57
Deferred income – government capital grants	5,849	5,849	6,264	6,264
Total	**9,544**	**9,544**	**10,377**	**10,377**

14. Maturity of debt

Bank loans

Bank loans are repayable as follows:

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	400	400	307	307
Between one and two years	3,662	3,662	418	418
Between two and five years	-	-	3,638	3,638
Total	**4,062**	**4,062**	**4,363**	**4,363**

A loan of £4,363k was approved and subsequently received on 28 April 2021. This is a secured loan with a legal charge over the freehold property at the Seevic Campus. The interest rate is margin on this loan is 2.5%. This loan consolidated the previous loans and revolving credit facilities.

Notes to the Accounts (continued)

14. Maturity of debt (continued)

Finance lease

Total minimum future lease payments are payable:

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less	24	24	24	24
Between one and two years	24	24	24	24
Between two and five years	9	9	34	34
Total	**57**	**57**	**82**	**82**

15. Cash and cash equivalents

	At 1 August 2021 £'000	Cash flows £'000	At 31 July 2022 £'000
Cash and cash equivalents	1,507	46	1,553
Total	**1,507**	**46**	**1,553**

16. Capital Commitments

	Year ended 31 July 2022 Group £'000	Year ended 31 July 2021 Group £'000
Commitments contracted for at 31 July	-	-

17. Lease Obligations

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

	Year ended 31 July	
	2022	2021
	£'000	£'000
Not later than one year	152	168
Later than one year and not later than five years	235	360
Later than five years	-	3
Total lease payments due	**387**	**531**

Notes to the Accounts (continued)

18. Defined Benefit Obligations

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

Total pension costs for the year

	Year ended 31 July 2022		Year ended 31 July 2021	
	£'000	£'000	£'000	£'000
Teacher' Pension Scheme contributions		1,239		1,230
Local Government Pension Scheme contributions	851		807	
Local Government Pension Scheme deficit	113		109	
FRS 102 (28) charge	1,761		1,418	
Charge to the Statement of Comprehensive Income and Expenditure		2,725		2,334
Other Group pension contributions		59		72
Total Pension Cost for the year within staff costs		**4,023**		**3,636**

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 2019. The valuation report was published by the Department for Education (DfE) 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 £20 billion.

Notes to the Accounts (continued)

18. Defined Benefit Obligations (continued)

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021/22 academic year. A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,239k (2021: £1,230k).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council. The total contributions made for the year ended 31 July 2022 were £1,246k, of which employer's contributions totalled £964k and employees' contributions totalled £282k. The agreed contribution rates for future years are 18.6% for the College and range from 5.5% to 12.5% for employees, depending on salary and according to a national scale.

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 by Barnett Waddingham LLP.

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	2.80%	2.85%
Future pensions increases	2.80%	2.85%
Discount rate for scheme liabilities	3.40%	1.60%
Inflation assumption (CPI)	2.80%	2.85%

The current mortality assumptions have been updated in light of the coronavirus pandemic. The assumed life expectancy from age 65 are:

	At 31 July 2022	At 31 July 2021
Retiring today		
Males	21.0	21.6
Females	23.5	23.6
Retiring in 20 years		
Males	22.3	22.9
Females	24.9	25.1

Sensitivity analysis

Principal assumption	Change in assumption p.a.	Change in net defined benefit liability
Discount rate for scheme liabilities	Increase by 0.1%	Decrease by £675,000
Inflation assumption (CPI)	Increase by 0.1%	Increase by £669,000
Life expectancy	Increase by 1 year	Increase by £1,074,000

Notes to the Accounts (continued)

18. Defined Benefit Obligations (continued)

The College's share of assets and liabilities in respect of the defined benefit pension plan is as follows:

	2022 £'000	2021 £'000
Fair value of plan assets	34,692	33,497
Present value of defined benefit obligation	(30,905)	(45,210)
Net defined benefit asset / (liability)	**3,787**	**(11,713)**

The actuarial valuation of the fund at 31 July 2022 is reporting assets of £34,692k (2021: £33,497k) and obligations of £30,905k (2021: £45,210k), resulting in a net pension asset of £3,787k (2021: liability £11,713k). There is uncertainty whether the College will be able to recover the asset through reduced contributions in the future or through refunds from the scheme and as a result the asset has not been recognised in the financial statements as at 31 July 2022.

Reconciliation of fair value of fund assets

	2022 £'000	2021 £'000
Fair value of plan assets at 1 August	33,497	27,226
Interest on plan assets	543	372
Return on plan assets	(266)	5,196
Administration expenses	(15)	(18)
Contributions by employer	964	916
Contributions by Scheme participants	282	266
Estimated benefits paid	(313)	(461)
Fair value of plan assets at 31 July	**34,692**	**33,497**

Reconciliation of defined benefit obligation

	2022 £'000	2021 £'000
Defined benefit obligation at 1 August	45,210	40,852
Current service cost	2,725	2,334
Interest cost	723	550
Contributions by Scheme participants	282	266
Change in financial assumptions	(16,856)	3,085
Change in demographic assumptions	(866)	(527)
Experience gain on defined benefit obligation	-	(889)
Estimated benefits paid	(313)	(461)
Defined benefit obligation at 31 July	**30,905**	**45,210**

Notes to the Accounts (continued)

18. Defined Benefit Obligations (continued)

Amounts recognised in the Statement of Comprehensive Income and Expenditure in respect of the defined benefit pension plan are:

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	2,725	2,334
Total	**2,725**	**2,334**
Amounts included in interest and other finance costs		
Interest cost	723	550
Interest on assets	(543)	(372)
Administrative expenses	15	18
Total	**195**	**196**
Amounts recognised in Other Comprehensive Income and Expenditure		
Return on plan assets	(266)	5,196
Change in demographic assumptions	866	527
Change in financial assumptions	16,856	(3,085)
Experience gain on defined benefit obligation	-	889
Asset ceiling adjustment	(3,787)	-
Total	**13,669**	**3,527**

The College's share of the assets in the plan are:

	2022 £'000	2021 £'000
Equities	19,815	21,441
Gilts	729	844
Other bonds	1,532	1,558
Property	3,273	2,338
Cash	1,264	933
Alternative Assets	4,685	3,718
Other managed funds	3,394	2,665
Total	**34,692**	**33,497**
Actual return on plan assets	277	5,568

Notes to the Accounts (continued)

19. Related Party Transactions

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

The total expenses paid to or on behalf of the governors during the year was £328; 2 governors (2021: £nil). This represented travel, subsistence and other out of pocket expenses incurred in attending governor meetings and training events in their official capacity.

No governor has received any remuneration or waived payments from the College during the year 2022. The total value of gifts given to governors amounted to £nil (2021: £nil).

As a consequence of its relationship with the Corporation, the William Palmer College Educational Trust is a related party within the terms of Financial Reporting Standard 102 "Related Party Disclosures". The College occupies land and buildings at Chadwell Road, Grays (the Palmers Campus) under a 125 year lease held from the Trust. The Trust has charged a peppercorn rent for the College's occupancy in 2021/22. The Trust has provided financial support for students local to Grays and has contributed £116k (2021: £80k) towards trips, prize giving and facilities for students at the Palmers Campus.

20. Amounts disbursed as agent

Learner support funds

	2022	**2021**
	£'000	**£'000**
Funding body grants – bursary support	349	369
Funding body grants – free school meals	180	117
	529	486
Disbursed to students	(306)	(348)
Administration costs	(26)	(23)
Balance unspent at 31 July, included in creditors	197	115

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 and Expenditure.

21. Post balance sheet event

On 29 November 2022, the Office for National Statistics reclassified all college corporations to Central Government sector with immediate effect. This will mean that colleges will now be subject to the framework for financial management set out in Managing Public Money (MPM) and the Department for Education will introduce new rules for colleges, some of which will take effect immediately, including in relation to borrowings.

Notes to the Accounts (continued)

22. Contingent liability

Due to the nature of the ITEC Learning Technologies Limited's agreement with funding bodies regarding apprenticeship provision, the group's learner records are periodically subject to audit by representatives of the funding bodies in subsequent accounting periods. There is a possibility that these audits would identify learner records that did not fully comply with the funding rules and so the group would be required to repay some of the funding received. The amounts of the potential obligation if such an audit was to be undertaken cannot be reliably estimated.