



**Report and Financial Statements**

**Year Ended 31 July 2022**

## **Key Management Personnel, Board of Governors and Professional Advisers**

### **Key management personnel**

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

Malcolm Cowgill – Principal and CEO; Accounting Officer  
Ian Browne – Vice Principal Student Success  
Louise Fall – Deputy Principal  
Peter Merry - Deputy Chief Executive

### **Board of Governors**

A full list of Governors is given on pages 20 to 22 of these financial statements.

Mrs E Ball (Head of Governance) is Clerk to the Board of Governors.

### **Professional advisers**

#### **Financial statements auditors and reporting accountants:**

Bishop Fleming LLP  
Stratus House  
Emperor Way  
Exeter Business Park  
Exeter  
EX1 3QS

#### **Internal auditors:**

TIAA Limited  
Artillery House  
Fort Fareham  
Newgate Lane  
Fareham  
PO14 1AH

#### **Bankers:**

Barclays Bank Plc  
Queens Square  
Wolverhampton  
WV1 1DS

#### **Solicitors:**

FBC Manby Bowdler LLP, George House, St. John's Square, Wolverhampton, WV2 4BZ  
Eversheds Sutherland, 115 Colmore Row, Birmingham, B3 3AL  
DAC Beachcroft, Tricorn House, 51-53 Hagley Rd, Birmingham, B16 8TP

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## Report of the Governing Body

### NATURE, OBJECTIVES AND STRATEGIES

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

The Corporation was established as Wulfrun College on 1 April 1993, under the Further and Higher Education Act 1992 for the purpose of conducting Wulfrun College. By order of the Secretary of State for Education, the Corporation changed its name to Wolverhampton College on 1 October 1999, which was subsequently changed to City of Wolverhampton College on 1 June 2001.

On 3 June 2019, City of Wolverhampton College Enterprises Limited was incorporated with City of Wolverhampton College owning 100% of the Share Capital. Accordingly, the financial results for the College and Enterprises have been consolidated to form group financial statements.

#### Mission, vision and values

The Corporation maintains responsibility for the overall college mission, vision and values which are reviewed at least every three years and underpinned by detailed policies and an overall strategic framework.

#### Purpose

“Defining Futures”

#### Values

The review of the strategic plan identified four key areas each with four distinct areas of focus:

- **Student Engagement:** We Value Students
- **Student Success:** We Value Success & Progression
- **Business Success:** We Value our Sustainable Business
- **People Engagement:** We Value Role Models

**Student Engagement** encompasses Marketing, Student Recruitment, Student Support Services including Safeguarding, Quality Assurance and Improvement and Business Learning Technologies.

**Student Success** includes Curriculum Development, Right Student -Right Course, Teaching, Learning & Assessment and Progress & Destinations.

**Business Success** covers Financial Management, Estates, Health, Safety and Environment, Funding and Compliance and Information Technology.

**People Engagement** incorporates Culture, Change and Wellbeing, People Development and Reward & Recognition.

## Report of the Governing Body *(Continued)*

### Public Benefit

City of Wolverhampton College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 20 to 22.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong support systems
- Links with employers, industry and commerce

### Financial Notices to Improve

In June 2012, the College received Financial Notices to Improve (FNTI) from the SFA. The only remaining FNTI concerns Financial Health and results from the SFA Financial Health Grade of Inadequate for 2010/11 based upon three Key Performance Indicators as applied to all FE colleges. The College continues to meet with the Education and Skills Funding Agency (ESFA) on a regular basis to review progress against the targets and proposals to address the long-term financing and estates issues in collaboration with Barclays Bank, Wolverhampton City Council, the West Midlands Pension Fund (WMPF), West Midlands Combined Authority and the FE Commissioner. The College's financial plan approved by the Corporation in July 2022 further reflects efforts to improve financial health with the ultimate objective being for the FNTI to be lifted.

Central to the College's plans is the proposal to divest of the Paget Road site and move to new facilities in the City Centre and at Wellington Road. This envisages a combination of increased operating revenues and operating efficiencies that will finance the College's debt which is expected to be restructured.

### Financial objectives

The College's financial objectives are:

- to maintain long term financial stability
- to successfully resolve all the issues covered by the outstanding Financial Notice to Improve
- to continue to invest in teaching and learning resources, and the College estate to secure that stability

A series of performance indicators have been agreed to monitor the successful implementation of the policies

### Performance indicators

The College measures key performance indicators that cover its key strategic objectives. Progress against each of the indicators is provided at the Board of Governors.

The College is committed to observing the importance of sector measures to appraise its performance. The College is required to complete the annual Finance Record for the ESFA which determines its financial health grading. The Governing Body have self-assessed as inadequate due to breached bank covenants pending the anticipated execution of property strategy plans and refinancing which will result in an immediate improvement in financial health.

## Report of the Governing Body *(Continued)*

Student, apprentice and employer satisfaction levels remain very high. 89% of students would recommend the College to a friend and 97% of learners state that they are happy with the quality of teaching and learning, and the course is meeting their needs.

In the absence of the FE Choices survey, the college also hosted its own survey for employers. 85% of respondents stated that they would recommend the College, with 96% of respondents stating that the training received prepared the apprentice for the needs of the workplace.

- Learner numbers and achievement of funding body targets**

Performance against the funding bodies' key classroom-based contracts was as follows:

	2021/22		2020/21	
	Contract £'000	Actual £'000	Contract £'000	Actual £'000
16-18 (and 19-24 High Needs) ^	10,982	10,984	10,297*	10,950
Adult Education Budget – ESFA	800*	885	807*	923
Adult Education Budget – WMCA	7,532	7,682	5,782*	6,099

*\*Original contract values*

*^Programme funding; contract versus final claim*

- Learner Success Rates**

Most students achieve their qualifications and more do so than those in similar Colleges nationally. The proportion of students who achieve their qualifications at the College continues to be high (overall achievement 87%). This outcome demonstrates a sustained position of high achievement rates over the last four years.

- Develop a Highly Engaged and Skilled Workforce**

In 2021/22 staff turnover was 16.62%, above the College's benchmark of 10% (a 5.12% increase on the previous year and reflective of pre-Covid and sector norms) and annualised sickness absence was 6.28% against an annual target of 3.0%.

- Employer Engagement**

The College continues to lead in the engagement of employers in training and has been commended in its drive to shape the curriculum to reflect the changing requirements of employers. This is reflected in the very high employer satisfaction survey results quoted above.

## Report of the Governing Body *(Continued)*

### FINANCIAL PERFORMANCE

#### Financial Position

The College generated a consolidated deficit on continuing operations before other gains and losses in the year of £2,401,000 (2021: £2,479,000) before Revaluation Reserve release of £187,000 (2021: £187,000), with total comprehensive income of £27,868,000 (2021: £4,151,000).

	2022 £'000	2021 £'000
Deficit on continuing operations after depreciation of assets at valuation and tax	(2,401)	(2,479)
Revaluation reserve release	187	187
FRS 102 (28) pension adjustments	2,908	2,597
Profit on disposal	0	(2)
Restructuring Costs	122	17
<b>Historical cost surplus / (deficit) before FRS 102 pension adjustments and restructuring costs</b>	<b>816</b>	<b>320</b>

As shown above, the College returned a historic cost surplus of £816,000 (2021: £320,000).

Within 2021/22, the College incurred staffing restructuring costs of £122k (2021: £17k) relating to a total of 12 leavers (2021: 3 leavers). The Local Government Pension Scheme (LGPS) FRS 102 valuation was received from the Scheme Actuary in September 2022. This resulted in an additional charge to the Statement of Comprehensive Income of £2,908k (2021: £2,597k) and actuarial gains of £29,944k (2021: £6,522k), whilst the Balance Sheet net liability reduced by £27,036k to £16,141k. This movement is largely a result of changes in assumptions around inflation and demographic assumptions.

The Black Country Area Review report was published in January 2017 which has significantly influenced the College's strategy in the period since. The key focus was, and remains, to seek financial resilience and significant improvement in the College estate. In March 2018 the College's finances were restructured, drawing down government funding and accessing the Restructuring Facility resulting a £6.25m loan. Additional security was put in place with regards to commercial debt and the LGPS. A condition of the Restructuring Fund loan was that funds would be repaid within 10 years of its inception. The resultant amortisation schedule relied upon revenues anticipated through the College's Campus Transformation programme which has subsequently taken more time than originally envisaged to secure sufficient funding.

The first scheduled repayment of the Restructuring Fund loan was due in July 2022. At this time a reprofiled amortisation was agreed pending broader refinancing to address the constraints of technical breaches of commercial debt covenants. These financial statements reflect £800k of debt repayments due according to the updated schedule in 2022/23, thus reported within in creditors due within one year. This debt accrues interest at the 1 year fixed Public Loan Works Board rate in April each year which is currently 2.14% (2021: 0.99%).

## Report of the Governing Body *(Continued)*

In October 2022 a proposal to refinance college debt was submitted to the ESFA and Barclays Bank with the objective of achieving long term financial stability and securing the permissions required to commence the College's programme of Campus Transformation. This remains under discussion, not least as a result of the developing consequences of the recent ONS (Office for National Statistics) decision to reclassify colleges as being part of the Public Sector. Nonetheless, the Board of Governors anticipated that refinancing will be concluded, and Campus Transformation commenced, within the 2022/23 academic year.

At the balance sheet date, the College has accumulated reserves of (£7,751k), (2021: (£35,620k) which includes the recognition of pension liabilities in respect of Local Government Pension Scheme of £16,141k (2021: £43,177k), and group cash and short-term investment balances of £1,832k (2021: £1,460k). The College wishes to accumulate reserves and cash balances in order to assure sufficient working capital and allow capacity for unforeseen events. The current ratio of 0.31 (2021: 0.29) is significantly distorted by both the re-categorisation of debt due to the technical breach of loan covenants and the Restructuring Fund loan amortisation scheduled £800k of repayments within the next year. If the College's covenants had not been breached, the current ratio would be 0.72 (2021: 0.81).

Tangible fixed asset additions during the year amounted to £1,767k (2021: £1,297k). This was split between land and buildings acquired of £221k (2021: £545k), equipment purchased of £313k (2021: £752k) and assets under construction of £1,233k (2021: £nil). This related to a wide range of small projects as well as the progression of the overall Campus Transformation ambitions, with the College benefitting substantially from £624k of Capital Grant Funding from the ESFA in year.

The College continues to work closely in partnership with colleagues at Wolverhampton City Council to deliver the vision for the City Learning Quarter. Funding required to deliver the project has been secured which also a new building at the Wellington Road Campus to accommodate Motor Vehicle and Engineering provision displaced from its current home at the Paget Road Campus.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22 FE funding bodies provided 87.7% of the College's total income (2021: 87.8%).

### Pension Obligations

A key element of the overall financial position of the College is the long-term affordability of its pension obligations to its employees. Successive significant increases in the College's Local Government Pension Scheme deficit have resulted in significant pressure on the College's Balance Sheet giving rise to the overall level of net liabilities. Following the 2019 revaluation the College's contribution rate increased to some 19.2% from April 2019 and rose further from April 2020 to 20.2%, the College made additional fixed payments during the year of £149k (2021: £142k). Updated primary and secondary contribution rates are awaited arising from the 2022 valuation which will apply from April 2023.

### 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 and shall comply with the requirements of the Financial Memorandum. The College's Treasury Management Policy is to be drafted to reflect the implications of the recent reclassification of colleges as being part of the Public Sector.



## Report of the Governing Body *(Continued)*

### Cash flows and liquidity

A £2,093k (2021: £1,920k), net cash inflow from operating activities has further improved which is reflective of the ongoing efforts to drive long term sustainability. Nonetheless, the size of the College's total borrowing including the Restructuring Fund loan continues to place significant pressure on the College's cash flows which are managed closely to ensure all liabilities are met. The commercial loans in place are on fixed interest rates with forward plans incorporating repayments of capital and interest to the agreed loan repayment profiles. Overall levels of cash increased from some £1,460k to £1,832k (2021: £841k to £1,460k) within the year.

The College maintained the payments on its outstanding loans in accordance with all terms, though at the Balance Sheet date the College incurred a technical breach of loan covenants based on the total cash balance. The bank, in its discussions with the college, has confirmed its ongoing support to work with the college to resolve this position going forward.

### Reserves Policy

The College recognises that it is significantly dependent on government funding which is not guaranteed. It is crucial therefore to ensure there are sufficient reserves to support the College while other sources of income are secured, and fundraising is considered to allow the College to wind up while meeting its obligations to staff and service users, if existing sources of income are lost.

To assure ongoing sustainability, if funding difficulties were to occur, the Board of Governors has targeted to keep a certain level of income and expenditure reserves before pension liability to ensure that main operations can continue for a minimum period of 12 months to ensure:

- that staff can continue working
- that there is time to secure new funding
- that students are supported to move on to other providers
- it has sufficient resources to meet its liabilities

The reserves will be built up from the unrestricted (earned) income.

The greatest challenge to the College's short-term financial stability is the annual cash cycle which typically sees high levels of cash in the first quarter of the financial year and a cash-minima in April. It is understood that the annual cash cycle is being revisited following the recent reclassification of colleges.

The College continues to have close dialogue with the ESFA, as principal regulators, and key stakeholders and funders including Wolverhampton City Council and the West Midlands Combined Authority which provide options for payment flexibility on key contracts should there be a risk that the College is unable to operate within its agreed facilities.

## Report of the Governing Body *(Continued)*

### CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

#### Curriculum developments

The College continues to plan for ongoing curriculum and funding changes. Investment in the learning environment information technology infrastructure and a whole College system have taken place through significant amounts invested in such items.

The College has a national reputation for curriculum innovation and change and has shared best practice with numerous other Colleges. It has introduced new courses in many areas of the curriculum in order to meet student needs better with a particular strength in making students ready for the next stage in their lives.

Many students have low levels of prior educational achievement. The range of courses offered has been designed to ensure students are able to move securely into the labour market or other positive destinations including progression onto higher levels of education. High levels of youth unemployment within Wolverhampton remain a key focus.

A robust curriculum planning process assures curriculum intent local and national that meets the need of local stakeholders.

#### Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College's policy is to pay suppliers on the next purchase ledger run after the debt became due. On the rare occasion where this is not possible the College aims to communicate this with suppliers to arrange a mutually agreeable payment date.

#### Future prospects

The College continues to work closely with its stakeholders in order to assure its long-term future prospects. Against a backdrop of the Transaction Unit agreement completed in 2018, the College's relationship with City of Wolverhampton Council continues to be strong in working to achieve both Campus Transformation and long-term sustainability. With both strong success in the classroom and growing learner numbers, it is envisaged that enhanced facilities available for learners will enable the College to meet the demands of forthcoming demographic growth. Political support for Further Education is now intensifying and locally the demand for skills is high.

Funding for the College's Estates vision has been secured, which includes new Engineering and Motor Vehicle facilities at Wellington Road and remaining operations at the Paget Road Campus transferring to the City Learning Quarter. Construction is due to commence in 2023.

The College considers it is appropriate to use the "going concern" assumption having due regard to best practice developments in the UK Corporate Governance Code 2014 in respect of going concern and risk management reporting. With the collective ongoing support of stakeholders, including Wolverhampton City Council, West Midlands Pension Fund, the ESFA and the Bank, the College believes it will be able to continue in operation and meet its liabilities, taking account of the current position and principal risks.

## Report of the Governing Body *(Continued)*

### RESOURCES

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

The modernisation of the estate has proven to be a key factor in the development of the College. There is a proven link between the investment and participation levels which underpins the strategy of campus transformation.

### Financial

The College has £7.751 million of net liabilities (including £16.141 million pension liability) and long-term liabilities of £13.443 million (including £7.926 million of Government capital grants). Without the re-categorisation of £5.855 million of long-term commercial debt due to the technical covenant breach, long term liabilities would be £19.298 million.

### People

The College group employs 612 (2021: 588) people (expressed as average headcount), of whom 194 (2021: 196) are teaching staff.

### Reputation

The College has continued to make improvements in recent years and has sustained performance levels. During this time the College has been nationally recognised as a leading provider, collecting numerous prestigious awards and achieving high levels of student and employer satisfaction.

No actions were required following the 2020 College Matrix assessment which was undertaken during the national lockdown, and the impressive speed to the implementation of improvements was commented upon. In 2021/22 98% of learners stated that they feel that they are on the right course and 95% of learners would recommend the College to a friend.

These results are also reflected in the feedback from parents/carers during progress evenings and triangulate with the high levels of feedback from students and employers

## Report of the Governing Body *(Continued)*

### PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to develop and embed the system of internal control, including financial, operational, and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Executive Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Executive Management Team 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 College level which is reviewed at each scheduled meeting of the Audit Committee which is scheduled termly. 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.

This is supported by a risk management training programme to raise awareness of risk throughout the College. In the exceptional conditions arising from the global pandemic, a separate dedicated Covid-19 risk register was created to support managers and governors in understanding the key risks and taking appropriate action.

Outlined below is a description of the principal risk factors that featured in the main risk register presented to the Audit Committee in July 2022. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

#### **1 Going Concern and Financial Sustainability**

The challenges of the early 2010s have had a significant detrimental impact on the College's balance sheet strength. Successive rounds of restructuring which were necessary to re-balance the operating financial position depleted cash reserves markedly. Sustained low interest rates, a diminished overall workforce and the pressure of affordability resulted in exponential increases in the Local Government Pension Scheme liability, whilst pension administrators have sought enhanced contributions to reduce overall deficits.

In recent years, 16-19 growth and collaborative working with the Combined Authority to grow AEB contracts have assured that the College's profitability is not out of kilter with other comparable colleges, but high levels of gearing and low levels of cash have impacted on two of the three component parts of financial health. The Financial Notice to Improve first issued in 2012 remains in place as a result of the corresponding inadequate rating.

Although cash levels have improved, the College has continued to breach bank covenants although the Board is optimistic that refinancing will be agreed within the 2022/23 academic year. In the meantime, there is a risk that existing funding could be withdrawn. The College continues to work very closely with key stakeholders, including the Bank, to maintain the College's overall status as a going concern.

In the meantime, managers continue to focus on maintaining a sound operating model which meets the needs of learners and wider stakeholders. This has become more challenging of late, not least due to increases in the cost of living arising from high levels of inflation in energy prices. This has been forward forecasted to appraise the quantum of future financial exposure, whilst developing a sustainability policy and action plan which seeks to reduce levels of energy usage and assure carbon reduction.

## Report of the Governing Body *(Continued)*

### **2 Recruitment of Learners and Increasing Local Competition**

The College has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2021/22, 88% of the College's revenue was ultimately publicly funded. Significant reliance on government funding is expected to continue. Competition for learners is fierce not only amongst local FE Colleges but also School Sixth Forms. Maintaining levels of 16-19-year-old and adult learners in the classroom, as well as maximising opportunities for apprenticeships, are critical to the financial outturn of the College.

The separation of the Adult Education Budget (AEB) into devolved and non-devolved budgets has presented additional challenges as the West Midlands Combined Authority picked up responsibility for funding within its region. Given the College's proximity to the South Staffordshire border and delivery location in Shropshire this presented additional complexity in terms of understanding recruitment patterns, assuring meeting contract targets and managing external stakeholders.

This risk is mitigated in several ways:

- Building and maintaining strong working relationships with key local employers who are investing in growth sectors, most notably engineering and construction. The College is prioritising investment in industry standard facilities that these businesses require to ensure the training delivers the correct level of employment skills. In turn this has resulted in continued strength in the relationship with the Combined Authority which is providing a platform for future growth.
- Funding derived through a multitude of direct and indirect contractual arrangements.
- Ensuring the College is rigorous in delivering high quality education and training.
- Placing considerable focus and investment on maintaining and managing key relationships with all funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Maintaining regular dialogue with key stakeholders that is underpinned by timely and accurate management information.

As a result of these actions, the College has continued to grow contracts in respect of both 16-19 and adult learners.

### **3 Accuracy of Financial Planning and Financial Health**

Given the ongoing fragility of the College's financial position, it is essential that financial planning is accurate and timely in order to facilitate management action.

This risk is mitigated through:

- Routine consideration of financial matters at meetings of the Governing Body
- Financial health measures being calculated on a monthly basis as a part of the routine financial reporting cycle
- The forecast financial results are updated in each set of monthly management accounts
- An internal meeting framework supports the ongoing appraisal of performance for key contracts including 16-19 and adult classroom provision and apprenticeships

## Report of the Governing Body *(Continued)*

### **4 Securing Campus Transformation**

The College has ambitious plans to secure Campus Transformation, with new and sector leading facilities in the heart of the city being supplemented by first class vocational facilities at the City of Wolverhampton Technology Centre (CowTechC), the College's current site at Wellington Road, Bilston. Securing the funding to deliver the project has been challenging given the complex nature of the project and longevity of the programme. With multiple funding bodies involved, there are additional complexities in meeting the specific requirements of each funding contract.

In recent months the risk profile has changed from the challenge to secure overall funding through to mitigating the impact of inflationary pressure, ensuring that the programme is kept to time and assuring the necessary consents and legal agreements to execute the projects.

The project is overseen by a detailed oversight structure both with stakeholders and through the Governing Body.

### **5 Recruiting and Retaining High Quality Staff**

The challenge to recruit and retain high calibre personnel has long been a challenge, particularly where salary expectations in industry outweigh the means of college pay scales. This has been exacerbated in recent months as the cost of living has increased markedly.

College managers have a positive collaborative working arrangement with recognised trade unions with a genuine aspiration to provide the best possible working conditions for staff at all levels. Where financial pay rises are not always affordable, particularly given the longstanding Financial Notice to Improve, alternative means to optimise working conditions and reward are explored routinely.

### **6 Covid 19**

The global pandemic had a profound impact on college operations between 2020 and 2021. Despite the many challenges, however, the College continued to operate and produced high quality outcomes without detriment to financial performance. During this time a separate, dedicated risk register was created and monitored between management and governors to oversee and reduce the many and varied risks that ensued.

Latterly the separate risk register has been put in abeyance, being replaced by a single risk in the main risk register in recognition that there remains a risk of a resurgence which could impact future operations.

## Report of the Governing Body *(Continued)*

### STAKEHOLDER RELATIONSHIPS

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

- Students and apprentices
- Education sector funding bodies, most notably the Education and Skills Funding Agency and Office for Students
- Staff and Governors
- Local employers (with specific links)
- City of Wolverhampton Council and the West Midlands Combined Authority
- Local Enterprise Partnerships (LEPs)
- The local community
- Other FE institutions, including the Colleges West Midlands group
- Trade unions
- Professional bodies
- Local schools

The College recognises the importance of these relationships and engages in regular communication with them through the social media platforms, sharing of college briefings, an enhanced web site and by meetings.

### Equal opportunities

The College is committed to ensuring that all employees, students, apprentices and visitors are treated equally regardless of the following protected characteristics of age, gender, disability, gender reassignment, pregnancy or maternity, race (including ethnic or national origins, colour or nationality), religion or belief, sex and sexual orientation, marriage and civil partnership (employment only). The policy also applies to any franchised or subcontracted provision run by the College and to contractors working at the College. This policy is resourced, implemented and monitored on a planned basis.

In line with Chapter 15 of the Equality Act 2010, the Governing Body of the College has a specific responsibility to ensure there is no discrimination, harassment or victimisation against any person in respect of the admissions procedure, enrolment and terms of enrolment, the provision of training, and access to college services, facilities and support and exclusion from a course. Consideration will also be given to the prevention of discrimination against a disabled person in respect of the award of their qualification (subsection 3).

An annual Equality, Diversity and Inclusion Report that covers students, apprentices and staff is published.

The College is a Disability Confident Employer and has committed to the principles and objectives of the standard. The College offers a guaranteed interview scheme for disabled applicants who meet 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.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff.

## Report of the Governing Body *(Continued)*

### 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 engaged with experts to conduct 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 Additional Learning Support and Safeguarding Manager, 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 Study Hub.
- 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 many student support workers 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 Prospectus and Information leaflets which are issued to students, together with the Complaints and Disciplinary Procedure leaflets at induction.



## Report of the Governing Body *(Continued)*

### Trade union facility time

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, where a public authority (including FE colleges) has more than 49 full time equivalent employees throughout any 7 months within the reporting period, it must include information included in Schedule 2 of the Regulations.

#### *Relevant union officials*

Numbers of employees who were employed in the relevant period	FTE employee number
2	2

#### *Percentage of time spent on facility time*

Percentage of time	Number of employees
0%	0
1-50%	2
51-99%	0
100%	0

#### *Percentage of pay bill spent on facility time*

Total cost of facility time	
Total pay bill	£20,488,547
Total cost of facility time	£4,206
Percentage of total bill spent on facility time	0.02%

#### *Paid trade union activities*

Hours spent on facility time	133.5
Hours spent on paid trade union activities	61
Time spent on paid trade union activities as a percentage of total paid facility time	45.69%

## Report of the Governing Body *(Continued)*

### Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 12 December 2022 and signed on its behalf on 12 December 2022 by:



**Mark Taylor**

**Chair of Governors**

## 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"), and
- iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

The Corporation is committed to exhibiting best practice in all aspects of corporate governance and in particular the Corporation has adopted and complied with the Code of Good Governance for English Colleges. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the Corporation 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 annual internal review of compliance with the Code, carried out each January. 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 March 2015 (as amended), which it formally adopted on 20 July 2015.

## Statement of Corporate Governance and Internal Control (*Continued*)

### The Corporation

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

The Corporation	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees served	Attendance 2021/22
Ms I Axinte	29/03/21	31/03/25	-	Governor	-	7/10
Ms Dionne Barrett	07/03/22	28/02/26	-	Governors	-	3/4
Mr J Bradford Chair of Audit Committee from 29 March 2021	01/09/20	31/07/24	-	Governor	Audit  Campus Transformation Oversight Group	20/23
Ms E Bull Chair of Remuneration	01/08/19	31/07/23	31/3/22	Governor	Search and Governance Remuneration	8/11
Mr M Cowgill	05/03/18	Tenure	-	Principal	Search and Governance  Campus Transformation Oversight Group	21/22
Mr C Crosdale Vice Chair from 01/09/20	23/05/11	31/07/23	-	Governor	Search and Governance Remuneration	17/17
Mr S Duru	29/03/21	31/03/25	-	Governor	Apprenticeship Task and Finish Group from 7 March 2022	12/12
Mr T Dutton	01/08/19	31/07/23	-	Governor	Audit  Campus Transformation Oversight Group	15/23
Ms L Flynn	29/03/21	31/03/25	-	Governor	Apprenticeship Task and Finish Group	9/14

## Statement of Corporate Governance and Internal Control (*Continued*)

The Corporation	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees served	Attendance 2021/22
Mr I Gardner	29/03/21	31/03/25	-	Governor	Apprenticeship Task and Finish Group  Campus Transformation Oversight Group	20/22
Mr J Gough	20/05/19	31/07/23	-	Associate member of the Campus Transformation Oversight Group	Campus Transformation Oversight Group	7/8
Ms A Luis	24/09/21	31/07/23	-	Student Governor	-	7/9
Mr M Hastings  Vice Chair  Chair of the Campus Transformation Oversight Group	23/07/18	31/07/26	-	Governor	Audit  Search & Governance  Remuneration  Campus Transformation Oversight Group	22/25
Mrs H Knight	29/03/21	31/03/25	-	Governor	-	10/10
Ms N Rai  Chair of the Apprenticeship Task and Finish Group	01/09/20	31/07/24	-	Governor	Apprenticeship Task and Finish Group	7/14

## Statement of Corporate Governance and Internal Control *(Continued)*

The Corporation	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees served	Attendance 2021/22
Ms A Shannon  Associate Member of the Audit Committee	29/03/21		-	Associate Member of the Audit Committee	Audit	3/5
Mr A Singh	29/03/21	31/03/25	21/01/22	Governor	Apprenticeship Task and Finish Group	0/6
Ms S Slater	28/01/19	27/01/23	-	Staff Governor	Campus Transformation Oversight Group	18/18
Mr M Taylor  Chair and Chair of Search and Governance	25/02/19	31/07/23	-	Governor	Remuneration  Search and Governance	12/17
Mr S Thompson	29/03/21	31/03/25	-	Governor	Apprenticeship Task and Finish Group from 7 March 2022	6/12
Mrs A Tomlinson  Chair of Remuneration from 09/05/22	14/12/20	31/07/24	-	Governor	Audit	21/22

Mrs E Ball (Head of Governance) acted as Clerk to the Board of Governors.

## Statement of Corporate Governance and Internal Control (*Continued*)

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets broadly half termly which equated to ten times in the 2021/22 academic year.

The Corporation operates an approved schedule of regular meetings and conducts its business through a number of committees and task and finish groups. Each committee and task and finish group has terms of reference, which have been approved by the Corporation. During 2021/22 these were Audit, Remuneration, and Search and Governance, the Campus Transformation Oversight Group and the Apprenticeship Task and Finish Group. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website [www.wolvcoll.ac.uk](http://www.wolvcoll.ac.uk) or from the Head of Governance at:

City of Wolverhampton College  
Paget Road  
Wolverhampton  
WV6 0DU

The Corporation adopted the Carver model of Governance with effect from August 2015 and the Audit, Remuneration and Search and Governance Committees have remained in place from that date. The Campus Transformation Oversight Group was established in 2018 and the Apprenticeship Task and Finish Group was established in 2020.

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

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board 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. The Corporation is the appointing authority for all its non-executive members and Governors who are nominated by an organisation are not subject to any mandate and act independently declaring conflicts of interest as appropriate.

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

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 which is comprised of the Chair, Vice Chairs, Accounting Officer and two Independent members of the Corporation. The Committee 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.

## Statement of Corporate Governance and Internal Control (*Continued*)

### Corporation performance

The Board of Governors reviewed its performance for 2020/21 in January 2022 and plans to review performance for 2021/22 at its Board meeting in January 2023 taking into consideration the annual self-assessment of Governance, the role of the Committees and a review of performance against the Code of Good Governance for English Colleges. The College's Key Performance Indicators are reported to the Board at least on a quarterly basis with financial performance indicators also being reported in the monthly management accounts. These indicators are derived from the College's Strategic Objectives and cover all aspects of the College's performance including teaching and learning, learner outcomes, learner satisfaction, employer engagement, partnerships, enrolments and financial indicators. The KPIs form a sound basis from which managers and Governors can monitor and judge performance and progress. The annual and three-year targets are based on comparative data (where appropriate) and targets are set to be stretching, but achievable.

The Board was able to take considerable assurance that governance arrangements are robust and appropriately structured to support delivery of the strategic plan and continued improvements to the College.

There was an Independent Review of Governance carried out by a National Leader in 2020/21. The next Independent Review will take place no later than 2023/24.

### Remuneration Committee

The College has established a Remuneration Committee with responsibility to undertake an annual review of, and advise the Corporation on, the level of remuneration including basic salary, benefits in kind, annual bonus/performance related elements and pension provisions. Details of remuneration for the year ended 31 July 2022 are set out in note 8 to the financial statements.

The Remuneration Committee recommended the adoption of the College's Senior Staff Remuneration Code to the Corporation for approval at its meeting held on 25 November 2019.

The membership of the Remuneration Committee for the 2021/22 academic year was:

Emma Bull	Chair (resigned 31/03/2022)
Amanda Tomlinson	Chair (appointed 09/05/2022)
Mark Taylor	(Chair of the Board of Governors)
Mike Hastings	(Vice Chair of the Board of Governors)
Clarence Crosdale	(Vice Chair of the Board of Governors)

### Senior Post Holders

The roles designated as Senior Post Holders and within the remit of the Remuneration Committee are the Principal, Deputy Chief Executive and Deputy Principal. The Remuneration Committee also advises on the terms and conditions of service and the level of remuneration of the Head of Governance but this post is not formally designated as a Senior Post.

### Remuneration Committee

In 2021/22 the Remuneration Committee met on three occasions on 29 November 2021, 28 March 2022 and 19 July 2022 and reviewed the remuneration of those staff within its remit. The Committee met in private without staff members in attendance.

The Head of Governance acted as Clerk to the Committee.

There were four members of the Remuneration Committee including the Chair of the Board of Governors and the two Vice Chairs. The Chair of the Board of Governors is not the Chair of the Remuneration Committee.

The Principal is not a member of the Remuneration Committee.



## Statement of Corporate Governance and Internal Control (*Continued*)

### *Senior Post Holder Remuneration*

The Principal and Chief Executive's contract was extended in August 2021 and included an increase in the level of salary.

The Deputy Chief Executive and the Deputy Principal (both Senior Post Holders) received the same cost of living increase as other staff at the College as from 1 February 2022

The Deputy Principal received an increase in salary in July 2022.

The College does not operate a bonus scheme for Senior Post Holders, nor does it offer any additional benefits e.g. lease cars that are unavailable to any other member of staff. Senior Post Holders are entitled to participate in the Local Government or Teachers Pension Scheme.

Senior Post Holders expenses are paid in accordance with the College's expenses policy.

### *Choice of comparator college(s)/organisation(s)*

In considering salary increases, the Remuneration Committee has regard to the latest benchmarking information available in the Association of Colleges Senior Pay Survey which is published on an annual basis.

The Committee also has regard to market conditions and the skills and experience required to fulfil the role, particularly in the context of the current difficulties being faced by the College and the significant developments in relation to the Campus Transformation.

As appropriate the Remuneration Committee also has regard to benchmarking data provided by other organisations e.g. CIPFA.

### *Pay Multiple of the Principal and Chief Executive and the median earnings of the institution's whole workforce*

Details of the pay multiple of the Principal and Chief Executive are set out in note 8 to the financial statements. In 2021/22 the Principal's pay was 6.4 times (2020: 6.4) the pay of the median employee.

### *Significant changes*

The changes since 2020/21 have mainly been to consider the appraisals of the Principal, Deputy Chief Executive, Deputy Principal and the Head of Governance and to consider and recommend the Remuneration Committee annual report.

### *Severance arrangements*

During the period covered by the report the Remuneration Committee was not asked to consider any such arrangement.

## Statement of Corporate Governance and Internal Control (*Continued*)

### Audit Committee

The Audit Committee comprises a Chair and three other members of the Corporation (excluding the Accounting Officer and Chair) and an associate member. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee usually meets on a termly basis and provides a forum for reporting by the College's Internal Audit Service 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 of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

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

### Internal control

#### *Scope of responsibility*

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

The Corporation has delegated the day-to-day responsibility to the 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 City of Wolverhampton 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. The system of internal control has been in place within City of Wolverhampton 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.

## Statement of Corporate Governance and Internal Control (*Continued*)

### *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. It includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body 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 Audit Committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body 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.

### *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:

- 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, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The Executive 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 Executive Management Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes an annual item for consideration of risk and control and receives reports thereon from the Executive Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2022 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2022.

## Statement of Corporate Governance and Internal Control (*Continued*)

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

### Going concern

In determining whether the College’s annual financial statements can be prepared on a going concern basis, the Governors have considered the Group’s business activities, together with the factors likely to affect its future development, performance and position, including the impact of the Covid-19 pandemic. The review also includes the financial position of the College and the wider Group, their short term and long-term cash flows, liquidity position and borrowing facilities.

The key factors considered by the Governors in making the assessment of going concern included:

- The implications of changes to the social and economic environment on the College’s revenues and surpluses. In particular, the impact the College’s ability to deliver activity in line with its forecast for the year.
- Breaches in the College’s bank covenants from 2019 to 2022 and the forecast position for the current financial year, notably in relation to the requirement to hold at least a £2.5 million cash balance at 31 July 2022. A breach in the covenants would, under the terms of the agreement, mean the loan becomes repayable on demand and in that event the college would be unable to fully repay the loan.
- Expected capital repayments on the College’s £6.237 million loan facility provided by Barclays Bank plc and the £6.25 million loan facility provided by the Secretary of State for Education.
- Downside scenario models including the impact on the delivery of activity in the current financial year as well as the mitigating factors available such as delaying non-essential capital and maintenance expenditure.

Following the banking covenant breach in 2021/22 and having assessed the above factors, the Governors acknowledge that there is the possibility that if the anticipated refinancing does not crystallise, the targeted cash balance on 31 July 2023 will not be achieved. There is a resultant risk of non-compliance with banking covenants, and that this constitutes a material uncertainty which may cast doubt on the Group’s ability to continue as a Going Concern. Having assessed the mitigating actions available, and after making inquiries, the Governors are confident that the Group and College can continue in operational existence for at least the next twelve months from the date of signing the financial statements and will retain the support of its bankers although this has not been formally communicated. For these reasons, the Governors continue to adopt the going concern basis for the preparation of these financial statements and in preparing the financial statements they do not include any adjustments that would be required to be made if they were prepared on a basis other than going concern.

Approved by order of the members of the Corporation on 12 December 2022 and signed on its behalf by:



**Mark Taylor**  
Chair of Governors



**Malcolm Cowgill**  
Accounting Officer

## **Governing Body's Statement on the College's Regularity, Propriety and Compliance**

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

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

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



**Mark Taylor**  
**Chair of Governors**  
**12 December 2022**



**Malcolm Cowgill**  
**Accounting Officer**  
**12 December 2022**

## Statement of Responsibilities of the Members of the Corporation

The members of the Corporation (who act as trustees for the charitable activities of the College) are required to present audited financial statements for each financial year.

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

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

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

Approved by order of the members of the Corporation on 12 December 2022 and signed on its behalf on 12 December 2022 by:



**Mark Taylor**  
Chair of Governors

## **Independent Auditor's Report to the Corporation of City of Wolverhampton College**

### **Opinion**

We have audited the financial statements of City of Wolverhampton College (the 'parent corporation' and its subsidiary (the 'group')) for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income and Expenditure, Balance Sheet, Statement of Cashflows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: Accounting for Further and Higher Education (the 'FE HE SORP') and the College Accounts Direction for 2021 to 2022.

#### **In our opinion, the financial statements:**

- give a true and fair view of the state of the group's affairs as at 31 July 2022 and of the group's statement of comprehensive income and expenditure, statement of changes in reserves, statement of cashflows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and have been prepared in accordance with the requirements of the FE HE SORP, College Accounts Direction 2021 to 2022 and the Office for Students' Accounts Direction.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 attention to the going concern accounting policy in note 1 of the financial statements, which indicates that at the year-end, the College was in breach of banking covenants and, due to the current risks associated with the delivery of the College's activities, a risk exists that the forecasted financial position for the current academic year may not achieve the level of cash balance at 31 July 2023 required under the College's banking agreement and, therefore, a risk of further non-compliance with banking covenants exists.

As stated in note 1, the significant challenges and uncertainties caused by this indicate that a material uncertainty exists that may cast doubt on the parent corporation and group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **Independent Auditor's Report to the Corporation of City of Wolverhampton College (*Continued*)**

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

We have nothing to report in this regard.

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

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

- adequate accounting records have not been kept by the group, or returns adequate for our audit have not been received from branches not visited by us; or
- the 'group' financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Opinion on other matters prescribed by the Office for Students' Accounts Direction**

In our opinion:

- funds from whatever source administered by the corporation for the specific purposes have been applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Office for Students ('OfS') and Research England have been applied in accordance with the relevant terms and conditions and any other terms and conditions attached to them.

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

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

### **Responsibilities of the corporation**

As explained more fully in the Statement of Responsibilities of the Members of the corporation set out on page 30, the corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



## Independent Auditor's Report to the Corporation of City of Wolverhampton College (*Continued*)

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

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

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the sector, control environment and the corporation's performance;
- results of our enquiries of management and the members, including the committees charged with governance over the corporation's finance and control, about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the corporation's documentation of their policies and procedures relating to: identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- how the corporation ensured it met its obligations arising from it being financed by and subject to the governance requirements of the ESFA and OfS, and as such material compliance with these obligations is required to ensure the corporation will continue to receive its public funding and be authorised to operate, including around ensuring there is no material unauthorised use of funds and expenditure;
- how the group corporation ensured it met its obligations to its principal regulator, the Secretary of State for Education; and
- the matters discussed among the audit engagement team and involving relevant internal corporation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the corporation's ability to operate or to avoid a material penalty. These included safeguarding regulations, data protection regulations, occupational health and safety regulations, education and inspections legislation, and employment legislation.

## **Independent Auditor's Report to the Corporation of City of Wolverhampton College (*Continued*)**

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- reviewing the financial statement disclosures and testing to supporting documentation to assess the recognition of revenue;
- enquiring of corporation's management and members concerning actual and potential litigation and claims;
- performing procedures to confirm material compliance with the requirements of the ESFA and OfS;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of the members and reviewing internal control reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

These procedures were considered at both the parent corporation and subsidiary level as appropriate.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

### **Use of our report**

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

*Bishop Fleming LLP*

### **Bishop Fleming LLP**

Chartered Accountants  
Statutory Auditors  
2nd Floor Stratus House  
Emperor Way  
Exeter Business Park  
Exeter, EX1 3QS

Date: 15 December 2022

## **Reporting accountant's assurance report on regularity to the Corporation of City of Wolverhampton College ("the College") and Secretary of State for Education acting through Education and Skills Funding Agency (ESFA)**

In accordance with the terms of our engagement letter dated 26<sup>th</sup> July 2022 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by City of Wolverhampton College during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

### **Respective responsibilities of City of Wolverhampton College and the reporting accountant**

The Corporation of City of Wolverhampton 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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 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 jointly 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 and propriety.

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

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

**Reporting accountant's assurance report on regularity to the Corporation of City of Wolverhampton College ("the College") and Secretary of State for Education acting through Education and Skills Funding Agency (ESFA) (Continued)**

The work undertaken to draw our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across the College's activities;
- Evaluation and validation of the processes and controls in place to ensure regularity and propriety for the use of public funds, including the consideration of the College's self-assessment questionnaire (SAQ);
- Sample testing of income to ensure that funds have been applied for the purposes that they were awarded, focused on areas assessed as high risk;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referenced to our regularity report.

The list is not exhaustive, and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Code.

**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 that the financial transactions do not conform to the authorities that govern them.

*Bishop Fleming LLP*

**Bishop Fleming LLP**

Chartered Accountants  
Statutory Auditors  
2<sup>nd</sup> Floor Stratus House  
Emperor Way  
Exeter Business Park  
Exeter, EX1 3QS

Date: 15 December 2022

## Consolidated Statement of Comprehensive Income and Expenditure Statement of Comprehensive Income

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	27,427	27,427	24,273	24,273
Tuition fees and education contracts	3	1,825	1,825	2,042	2,042
Other grants and contracts	4	178	178	239	210
Other income	5	1,826	1,848	1,078	1,092
Investment income	6	1	1	-	-
Donations	7	-	-	-	-
<b>Total income</b>		<b>31,257</b>	<b>31,279</b>	<b>27,632</b>	<b>27,617</b>
<b>EXPENDITURE</b>					
Staff costs	8	20,994	20,489	19,963	19,587
Other operating expenses	9	9,774	10,301	7,325	7,686
Depreciation	12	1,567	1,567	1,527	1,527
Interest and other finance costs	10	1,323	1,323	1,296	1,296
<b>Total expenditure</b>		<b>33,658</b>	<b>33,680</b>	<b>30,111</b>	<b>30,096</b>
<b>Loss before other gains and losses</b>		<b>(2,401)</b>	<b>(2,401)</b>	<b>(2,479)</b>	<b>(2,479)</b>
Profit on disposal of assets	9	-	-	2	2
<b>Loss before tax</b>		<b>(2,401)</b>	<b>(2,401)</b>	<b>(2,477)</b>	<b>(2,477)</b>
Taxation	11	-	-	-	-
<b>Loss for the year</b>		<b>(2,401)</b>	<b>(2,401)</b>	<b>(2,477)</b>	<b>(2,477)</b>
Actuarial gain in respect of pension schemes	18 25	30,269	30,269	6,628	6,628
<b>Total Comprehensive Income for the year</b>		<b>27,868</b>	<b>27,868</b>	<b>4,151</b>	<b>4,151</b>
<b>Represented by:</b>					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		27,868	27,868	4,151	4,151
<b>Total Comprehensive Income for the year</b>		<b>27,868</b>	<b>27,868</b>	<b>4,151</b>	<b>4,151</b>
<b>Deficit for the year attributable to:</b>					
Non-controlling interest		-	-	-	-
Group		<b>(2,401)</b>	<b>(2,401)</b>	<b>(2,477)</b>	<b>(2,477)</b>
<b>Total Comprehensive Income for the year:</b>					
Non-controlling interest		-	-	-	-
Group		<b>27,868</b>	<b>27,868</b>	<b>4,151</b>	<b>4,151</b>

The income and expenditure account is in respect of continuing activities.

## Consolidated and College Statement of Changes in Reserves

### Group

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Balance at 31 July 2020</b>	<b>(45,179)</b>	<b>5,408</b>	<b>(39,771)</b>
Loss for the year	(2,477)	-	(2,477)
Other comprehensive income	6,628	-	6,628
Transfers between revaluation and income and expenditure reserves	187	(187)	-
<b>Total comprehensive income for the year</b>	<b>4,338</b>	<b>(187)</b>	<b>4,151</b>
<b>Balance at 31 July 2021</b>	<b>(40,841)</b>	<b>5,221</b>	<b>(35,620)</b>
Loss for the year	(2,401)	0	(2,401)
Other comprehensive income	30,269	0	30,269
Transfers between revaluation and income and expenditure reserves	187	(187)	0
<b>Total comprehensive income for the year</b>	<b>28,055</b>	<b>(187)</b>	<b>27,868</b>
<b>Balance at 31 July 2022</b>	<b>(12,786)</b>	<b>5,034</b>	<b>(7,752)</b>

### College

<b>Balance at 1 August 2020</b>	<b>(45,179)</b>	<b>5,408</b>	<b>(39,771)</b>
Loss for the year	(2,477)	-	(2,477)
Other comprehensive income	6,628	-	6,628
Transfers between revaluation and income and expenditure reserves	187	(187)	-
<b>Total comprehensive income for the year</b>	<b>4,338</b>	<b>(187)</b>	<b>4,151</b>
<b>Balance at 31 July 2021</b>	<b>(40,841)</b>	<b>5,221</b>	<b>(35,620)</b>
Loss for the year	(2,401)	0	(2,401)
Other comprehensive income	30,269	0	30,269
Transfers between revaluation and income and expenditure reserves	187	(187)	0
<b>Total comprehensive income for the year</b>	<b>28,055</b>	<b>(187)</b>	<b>27,868</b>
<b>Balance at 31 July 2022</b>	<b>(12,786)</b>	<b>5,034</b>	<b>(7,752)</b>

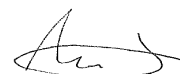
## Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2022	2022	2021	2021
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Tangible fixed assets	12	32,324	32,324	32,124	32,124
Investments	13	-	-	-	-
		<b>32,324</b>	<b>32,324</b>	<b>32,124</b>	<b>32,124</b>
<b>Current assets</b>					
Stocks		17	17	17	17
Debtors	14	1,398	1,423	1,260	1,306
Cash at bank and in hand	19	1,832	1,796	1,460	1,405
		<b>3,247</b>	<b>3,236</b>	<b>2,737</b>	<b>2,728</b>
<b>Less: Creditors – amounts falling due within one year</b>	15	(10,339)	(10,328)	(9,513)	(9,504)
<b>Net current liabilities</b>		<b>(7,092)</b>	<b>(7,092)</b>	<b>(6,776)</b>	<b>(6,776)</b>
<b>Total assets less current liabilities</b>		<b>25,232</b>	<b>25,232</b>	<b>25,348</b>	<b>25,348</b>
Creditors – amounts falling due after more than one year	16	(13,444)	(13,444)	(13,867)	(13,867)
<b>Provisions</b>					
Defined benefit pension schemes	18	(16,141)	(16,141)	(43,177)	(43,177)
Other provisions	18	(3,399)	(3,399)	(3,924)	(3,924)
<b>Total net liabilities</b>		<b>(7,752)</b>	<b>(7,752)</b>	<b>(35,620)</b>	<b>(35,620)</b>
<b>Reserves</b>					
Income and expenditure account (including pension scheme deficit of £16,141k (2021: £43,177k))		(12,786)	(12,786)	(40,841)	(40,841)
Revaluation reserve		5,034	5,034	5,221	5,221
<b>Total reserves</b>		<b>(7,752)</b>	<b>(7,752)</b>	<b>(35,620)</b>	<b>(35,620)</b>

The financial statements on pages 37 to 66 were approved and authorised for issue by the Corporation on 12 December 2022 and were signed on its behalf on 12 December 2022 by:



**Mark Taylor**  
**Chair of Governors**  
**12 December 2022**



**Malcolm Cowgill**  
**Accounting Officer**  
**12 December 2022**

## Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(2,401)	(2,477)
<b>Adjustment for non-cash items</b>			
Depreciation		1,567	1,527
Deferred capital grants released to income		(403)	(351)
(Increase) in stocks			(7)
(Increase) in debtors		(92)	(5)
(Increase) / decrease in payments on account		(355)	401
Decrease / (increase) in creditors due in one year		103	(83)
Increase in creditors due after one year		-	-
Decrease / (increase) in accruals		414	(88)
Decrease in provisions		(262)	(261)
Pensions adjustments		2,200	1,970
Write off of ESFA loan		-	-
<b>Adjustment for investing or financing</b>			
Investment income		(1)	-
Interest payable		1,323	1,296
New finance lease		-	-
Profit on sale of fixed assets		-	(2)
<b>Net cash flow from operating activities</b>		<b>2,093</b>	<b>1,920</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	2
Investment income		1	-
Deferred capital grants received		624	977
Payments made to acquire fixed assets		(1,387)	(1,262)
		<b>(762)</b>	<b>(283)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(548)	(614)
New loans		-	-
Repayments of amounts borrowed		(384)	(365)
Repayments of finance leases		(27)	(39)
		<b>(959)</b>	<b>(1,018)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>372</b>	<b>619</b>
Cash and cash equivalents at beginning of the year	19	1,460	841
Cash and cash equivalents at end of the year	19	<b>1,832</b>	<b>1,460</b>



## 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 FEHE SORP), the College Accounts Direction for 2021 to 2022, and Regulatory Advice 9: Accounts Direction issues by the Office for Students, 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.

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified to include the revaluation of freehold properties.

#### Reduced Disclosures

In accordance with the F&HE SORP 2019 and FRS 102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

#### Basis of consolidation

The consolidated financial statements include the College and its subsidiary, City of Wolverhampton College Enterprises 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. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2022.

In accordance with FRS 102, the activities of the student union have not been consolidated because the college does not control those activities.

#### Going concern

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

## Notes to the Accounts (*Continued*)

In determining whether the Group's annual financial statements can be prepared on a going concern basis, the Governors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position, the recent reclassification of colleges and the work to date with stakeholders to agree to refinance existing debt. The review also includes the financial position of the College and the wider Group, their short term and long-term cash flows, liquidity position and borrowing facilities.

The key factors considered by the Governors in making the assessment of going concern were as follows:

- The implications of changes to the social and economic environment on the College's revenues and surpluses. In particular, the impact the College's ability to deliver activity in line with its forecast for the year.
- Breaches in the College's bank covenants since 2019 and the forecast position for the current financial year, especially in relation to the requirement to hold at least a £2.5million cash balance at 31 July 2023. A breach in the covenants would, under the terms of the agreement, mean:
  - The loan becomes repayable on demand
  - In that event the college would be unable to fully repay the loan.
- Expected capital repayments on the College's £6.237 million loan facility provided by Barclays Bank plc and the £6.25 million loan facility provided by the Secretary of State for Education.
- Downside scenario models including the impact on the delivery of activity in the current financial year as well as the mitigating factors available such as delaying non-essential capital and maintenance expenditure.

Following the banking covenant breach in 2021/22 and having assessed the above factors, the Governors acknowledge that there is the possibility that the targeted cash balance at 31 July 2023 will not be achieved and a resultant risk of non-compliance with banking covenants, and that this constitutes a material uncertainty which may cast doubt on the Group's ability to continue as a Going Concern. Having assessed the mitigating actions available, and after making inquiries, the Governors are confident that the Group and College can continue in operational existence for at least the next twelve months from the date of signing the financial statements and will retain the support of its bankers although this has not been formally communicated. For these reasons, the Governors continue to adopt the going concern basis for the preparation of these financial statements and in preparing the financial statements they do not include any adjustments that would be required to be made if they were prepared on a basis other than going concern.

### 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 (AEB) is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Long funded and ESFA funding for co-investment model apprenticeships income is measured in line with best estimates of the provision delivered in year.

The recurrent grant from Office for Students (HEFCE prior to 1 April 2018) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

## Notes to the Accounts (*Continued*)

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 income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as conditions are met.

### Fee income

Income from tuition fees including employer funding for co-investment funded apprenticeships is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

### Investment income

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

### Agency arrangements

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

### Accounting for post-employment benefits

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

#### Teachers' Pension Scheme (TPS)

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

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

#### West Midlands Local Government Pension Scheme (LGPS)

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

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

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

## Notes to the Accounts (*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. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

### Enhanced pensions

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

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

#### Land and buildings

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

#### Properties under construction

Properties in the course of construction are accounted for at cost less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to operating condition. They are not depreciated until they are brought into use.

#### Equipment

Equipment costing less than £1,000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

#### Depreciation and residual values

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

- Freehold buildings - 50 years
- Plant and machinery - 20 years
- Football pitches - 15 years
- Major adaptations to buildings - 10 to 15 years
- Other equipment - 5 years
- Computer equipment - 4 years
- Motor vehicles - 3 years
- Equipment loans to learners - charged to SOCI

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

## Notes to the Accounts (*Continued*)

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expenses as incurred.

### Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

### Borrowing costs

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

### Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1<sup>st</sup> August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the college substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

### Investments

#### Investments in subsidiaries

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

### Inventories

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

## Notes to the Accounts (*Continued*)

### Cash and cash equivalents

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

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

### Financial instruments

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

#### Financial assets and liabilities

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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

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

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

### De-recognition of financial assets and liabilities

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

### Foreign currency translation

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

## Notes to the Accounts (*Continued*)

### Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 5% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

### Provisions and contingent liabilities

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

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

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

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

### Critical accounting judgements and 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.

### Critical areas of judgement

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

## Notes to the Accounts (*Continued*)

### Critical accounting estimates and assumptions

#### Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, maintenance programmes, economic utilisation and physical condition of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

#### Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, 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.

#### Impairment of fixed assets

The College considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flows and selection of an appropriate discount rate in order to calculate the net present value of those cash flows.



## Notes to the Accounts (*Continued*)

### 2 Funding body grants

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - Adult	9,089	9,089	6,648	6,648
Education and Skills Funding Agency - Apprenticeships	2,565	2,565	2,249	2,249
Education and Skills Funding Agency - 16-18	14,098	14,098	13,477	13,477
Office for Students	189	189	207	207
<b>Specific grants</b>				
Education and Skills Funding Agency – Provider Relief	-	-	16	16
Education and Skills Funding Agency - Other	1,186	1,186	1,422	1,422
Releases of government capital grants	300	300	254	254
<b>Total</b>	<b>27,427</b>	<b>27,427</b>	<b>24,273</b>	<b>24,273</b>

Under the Provider Relief Scheme, the Corporation received funding of £Nil (2021: £18,471) from the ESFA.

Under the Provider Relief Scheme, the ESFA recovered funding of £2,029 (2021: £Nil).

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Grant income from the Office for Students	189	189	207	207
Grant income from other bodies	27,238	27,238	24,066	24,066
<b>Total Grants</b>	<b>27,427</b>	<b>27,427</b>	<b>24,273</b>	<b>24,273</b>
Fee income for taught awards (exclusive of VAT)	1,825	1,825	2,042	2,042
Fee income for research awards (inclusive of VAT)	-	-	-	-
Fee income for non-qualifying course	-	-	-	-
<b>Total Tuition Fees and Education Contracts</b>	<b>1,825</b>	<b>1,825</b>	<b>2,042</b>	<b>2,042</b>
<b>Total Grant and Fee Income</b>	<b>29,252</b>	<b>29,252</b>	<b>26,315</b>	<b>26,315</b>

## Notes to the Accounts (*Continued*)

### 3 Tuition fees and education contracts

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Adult education fees	517	517	409	409
Apprenticeship fees and contracts	80	80	31	31
Fees for FE loan supported courses	592	592	851	851
Fees for HE loan supported courses	388	388	435	435
<b>Total tuition fees</b>	<b>1,577</b>	<b>1,577</b>	<b>1,726</b>	<b>1,726</b>
Education contracts	248	248	316	316
<b>Total</b>	<b>1,825</b>	<b>1,825</b>	<b>2,042</b>	<b>2,042</b>

### 4 Other grants and contracts

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Erasmus	96	96	-	-
Other Grant Income	82	82	-	-
Coronavirus Job Retention Scheme grant	-	-	239	210
<b>Total</b>	<b>178</b>	<b>178</b>	<b>239</b>	<b>210</b>

In 2020/21 the Corporation furloughed staff under the government's Coronavirus Job Retention Scheme. This included cleaners, lab technicians and cashiers amongst other employees. The total funding received of £235,937 related to staff costs which are included within the staff costs note below as appropriate. A further £3,000 Coronavirus Support Grant was received in 2020/21 from City of Wolverhampton Council.

### 5 Other income

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Catering and residences	85	85	64	64
Other income generating activities	1,637	1,659	917	931
Release of non-funding body grants	104	104	97	97
<b>Total</b>	<b>1,826</b>	<b>1,848</b>	<b>1,078</b>	<b>1,092</b>

## Notes to the Accounts (Continued)

### 6 Investment income

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Other interest receivable	1	1	-	-
<b>Total</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>

### 7 Donations – College Only

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Unrestricted donations	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 8 Staff costs – Group and College

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

	2022 Group No.	2022 College No.	2021 Group No.	2021 College No.
Teaching Staff	194	194	196	196
Non-teaching Staff	418	370	392	358
	<b>612</b>	<b>564</b>	<b>588</b>	<b>554</b>

#### Group Staff costs for the above persons

	2022 £'000	2021 £'000
Wages and salaries	14,357	13,836
Social security costs	1,336	1,248
Other pension costs	5,179	4,862
<b>Payroll sub total</b>	<b>20,872</b>	<b>19,946</b>
Restructuring costs – Contractual	122	17
<b>Total Staff costs</b>	<b>20,994</b>	<b>19,963</b>

## Notes to the Accounts (*Continued*)

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and were represented by the College Leadership Team.

In 2021/22 key management personnel comprised the Principal, Deputy Chief Executive, Deputy Principal and Vice Principal Student Success.

Staff costs include compensation paid to key management personnel for loss of office (£nil).

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

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:*	4	4

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

	Key management personnel*		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£60,001 to £70,000 p.a.	-	-	6	6
£70,001 to £80,000 p.a.	-	-	3	1
£100,001 to £110,000 p.a.	-	2	-	-
£110,001 to £120,000 p.a.	2	1	-	-
£120,000 to £130,000 p.a.	1	-	-	-
£160,001 to £170,000 p.a.	-	1	-	-
£170,001 to £180,000 p.a.	1	-	-	-
	<b>4</b>	<b>4</b>	<b>9</b>	<b>7</b>

\*During the 2022 year there were no starters or leavers within key management personnel (2021: 1 leaver, nil starters). The bandings above include the annualised emoluments of all starters and leavers.

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Basic salary	458	444
Performance related pay and bonus	-	-
Benefits in kind	-	-
	<b>458</b>	<b>444</b>
Pension contributions	64	62
<b>Total key management personnel compensation</b>	<b>522</b>	<b>506</b>

## Notes to the Accounts (*Continued*)

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

	2022 £'000	2021 £'000
Basic salary	174	168
Performance related pay and bonus	-	-
Benefits in kind	-	-
	<b>174</b>	<b>168</b>
Pension contributions	-	-
<b>Total</b>	<b>174</b>	<b>168</b>

The remuneration package of key management staff, including the Principal and Chief Executive Officer, is subject to annual review by the Remuneration Committee of the governing body. The governing body adopted Association of Colleges' Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principles.

### Relationship of Principal and Chief Executive Pay and Remuneration expressed as a multiple

	2022	2021
Principal's basic salary as a multiple of the median of all staff	6.4	6.4
Principal and CEO's total remuneration as a multiple of the median of all staff	6.4	6.4

### Governors' remuneration

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

The total expenses paid to or on behalf of the Governors during the year was £nil; 0 governors (2021: £nil; 0 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

## Notes to the Accounts (*Continued*)

### 9 Other operating expenses

	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,975	3,975	2,092	2,092
Non-teaching costs	4,536	4,536	4,063	4,063
Premises costs	1,263	1,790	1,170	1,531
<b>Total</b>	<b>9,774</b>	<b>10,301</b>	<b>7,325</b>	<b>7,686</b>

#### Other operating expenses include:

	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Auditors' remuneration:				
Financial statements audit	46	42	36	31
Internal audit	22	22	25	25
Profit on disposal of fixed assets	-	-	2	2
Hire of assets under operating leases	260	260	178	178

#### Access and Participation Spending

	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Access investment	108	108	102	102
Financial support to students	7	7	7	7
Disability support	1	1	1	1
Research and evaluation (relating to access and participation)	4	4	4	4

### 10 Interest and other finance costs

	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans	548	548	609	609
On finance leases	4	4	5	5
Net interest on defined pension liability (note 18, 25)	771	771	682	682
<b>Total</b>	<b>1,323</b>	<b>1,323</b>	<b>1,296</b>	<b>1,296</b>

## Notes to the Accounts (Continued)

### 11 Taxation

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
United Kingdom corporation tax	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 12 Tangible fixed assets (Group and College)

	Land and buildings		Equipment	Assets Under Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
<b>Cost or deemed cost</b>					
At 1 August 2021	41,560	7,639	9,742	-	58,941
Additions	221	-	313	1,233	1,767
Transfer from Assets under Construction	-	-	-	-	0
<b>At 31 July 2022</b>	<b>41,781</b>	<b>7,639</b>	<b>10,055</b>	<b>1,233</b>	<b>60,708</b>
<b>Depreciation</b>					
At 1 August 2021	15,796	2,782	8,239	-	26,817
Charge for the year	1,049	143	375	-	1,567
<b>At 31 July 2022</b>	<b>16,845</b>	<b>2,925</b>	<b>8,614</b>	<b>-</b>	<b>28,384</b>
<b>Net book value at 31 July 2022</b>	<b>24,936</b>	<b>4,714</b>	<b>1,441</b>	<b>1,233</b>	<b>32,324</b>
Net book value at 31 July 2021	25,764	4,857	1,503	-	32,124

If inherited land and buildings had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
<b>Net book value based on cost</b>	<b>Nil</b>

## Notes to the Accounts (*Continued*)

### 13 Non-current investments

	2022	2021
	£	£
Investments in subsidiary companies	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

The college owns 100 per cent of the issued ordinary £1 shares of City of Wolverhampton College Enterprises Limited, a company incorporated in England and Wales. The principal business activities of City of Wolverhampton College Enterprises Limited is the provision of cleaning and security services.

### 14 Trade and other receivables

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
<b>Amounts falling due within one year:</b>				
Trade debtors	435	435	435	435
Amounts owed by group undertakings:				
Subsidiary undertakings	-	25	-	46
Other debtors	95	95	31	31
Prepayments and accrued income	392	392	359	359
Amounts owed by the ESFA	476	476	435	435
<b>Total</b>	<b>1,398</b>	<b>1,423</b>	<b>1,260</b>	<b>1,306</b>

### 15 Creditors: amounts falling due within one year

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Bank loans and overdrafts	6,237	6,237	6,601	6,601
Other loans	818	818	219	219
Trade creditors	427	427	394	394
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	-
Other taxation and social security	423	413	303	299
Accruals and deferred income	1,954	1,953	1,187	1,182
Government capital grants	406	406	399	399
Finance lease	28	28	27	27
Amounts owed to the ESFA	46	46	383	383
<b>Total</b>	<b>10,339</b>	<b>10,328</b>	<b>9,513</b>	<b>9,504</b>



## Notes to the Accounts (*Continued*)

### 16 Creditors: amounts falling due after one year

	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans	-	-	-	-
Other loans	5,473	5,473	6,091	6,091
Government capital grants	7,927	7,927	7,704	7,704
Finance lease	44	44	72	72
<b>Total</b>	<b>13,444</b>	<b>13,444</b>	<b>13,867</b>	<b>13,867</b>

### 17 Maturity of debt

#### (a) Bank loans and overdrafts

	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
In one year or less*	6,237	6,237	6,601	6,601
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
<b>Total</b>	<b>6,237</b>	<b>6,237</b>	<b>6,601</b>	<b>6,601</b>

\*The College breached its borrowing covenants with Barclays Bank plc both during the year and in 2020/21. As a result, long term loans have been reclassified as short term in the financial statements.

A loan totalling £12.42m from Barclays Bank was obtained from December 2007, repayable by instalments over 25 years and was set at a fixed rate of interest of 5.84% for 75% of the loan. An additional loan totalling £1.2m was added to the original value during 2009/10. During the year 2009/10 the remaining 25% of the original loan and the new loan of £1.2m were fixed for a 10-year period at a rate of 5.05% and 5.30% respectively. During 2010/11, there was an increase in margin from 0.30% to 1.35% on the 75% of the loan resulting in an interest rate of 6.89%, and a margin increase from 1.25% to 1.35% on the 25% of the loan, resulting in an interest rate of 5.15%.

In 2017/18 two components of the College's commercial debt were re-structured, bringing forward termination dates from July 2020 to February 2019. Funding received in the 2019/20 year from the ESFA as a part of the Transaction Unit agreement was provided as a contribution towards the settlement of this debt.

These loans are secured against the Wellington Road, Paget Road and Metro One campuses of the College.

## Notes to the Accounts (*Continued*)

### (b) Other loans

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
In one year or less	818	818	220	220
Between one and two years	963	963	843	843
Between two and five years	3,610	3,610	3,448	3,448
In five years or more	900	900	1,800	1,800
<b>Total</b>	<b>6,291</b>	<b>6,291</b>	<b>6,311</b>	<b>6,311</b>

There is an inter creditor agreement between Barclays and the Secretary of State for Education relating to loans included above of £6.25m which are also subject to a second charge on Wellington Road. This debt was restructured during 2017/18 to include repayment terms within 10 years from 29 March 2018 with variable interest determined by the Public Works Loan Board Standard 1 Year Fixed Interest Rate each April. The interest rate is currently 2.14%. The first repayment was due in July 2022 at which time a reprofile was agreed for payments to commence in the 2022/23 academic year pending a refinancing proposal. This was submitted in October 2022 and is currently under review.

### (c) Finance Leases

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
In one year or less	28	28	27	27
Between one and two years	29	29	28	28
Between two and five years	15	15	44	44
In five years or more	-	-	-	-
<b>Total</b>	<b>72</b>	<b>72</b>	<b>99</b>	<b>99</b>

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

## 18 Provisions

	Group and College		Total
	Defined benefit obligations	Enhanced pensions	
	£'000	£'000	£'000
At 1 August 2021	43,177	3,924	47,101
Payments made in the period	(1,386)	(262)	(1,648)
Actuarial (gains) / losses	(29,944)	(325)	(30,269)
Interest	708	62	770
Current service cost	3,586	-	3,586
Past Service Cost	-	-	-
Administrative charges	-	-	-
<b>At 31 July 2022</b>	<b>16,141</b>	<b>3,399</b>	<b>19,540</b>

## Notes to the Accounts (Continued)

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 25.

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

The principal assumptions for this calculation are:

	2022	2021
Price inflation	2.75%	2.80%
Discount rate	3.50%	1.60%

### 19 Cash and cash equivalents

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Cash at bank and in hand	1,832	1,796	1,460	1,405
Overdrafts	-	-	-	-
<b>Total cash and cash equivalents</b>	<b>1,832</b>	<b>1,796</b>	<b>1,460</b>	<b>1,405</b>

### 20 Consolidated analysis of changes in net funds

	At 1 August 2021 £'000	Cash flow £'000	New finance leases £'000	Other non-cash changes £'000	Changes in market value and exchange rates £'000	At 31 July 2022 £'000
Cash in hand, and at bank	1,460	372	-	-	-	1,832
Bank overdrafts	-	-	-	-	-	-
Debt factoring	-	-	-	-	-	-
Bank loans	(6,602)	365	-	-	-	(6,237)
Other Loans	(6,311)	20	-	-	-	(6,291)
Finance leases	(99)	27	-	-	-	(72)
Current asset investments	-	-	-	-	-	-
<b>Net debt</b>	<b>(11,552)</b>	<b>784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,768)</b>

## Notes to the Accounts (*Continued*)

### 21 Capital and other commitments

	2022	2021
	£'000	£'000
Commitments contracted for at 31 July	1,144	16

### 22 Lease obligations

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

	Group and College	
	2022	2021
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	151	82
Later than one year and not later than five years	403	56
Later than five years	337	-
	<b>891</b>	<b>138</b>
<b>Other</b>		
Not later than one year	115	76
Later than one year and not later than five years	216	104
Later than five years	-	-
	<b>331</b>	<b>180</b>
<b>Total lease payments due</b>	<b>1,222</b>	<b>318</b>

### 23 Contingencies

The College has no contingent liabilities as at 31<sup>st</sup> July 2022 (2021: *£nil*).

### 24 Events after the reporting period

On 29 November 2022, the Office for National Statistics reclassified all college corporations as public sector institutions. This decision is retrospective to April 1993. The Department for Education introduced a number of new rules with for colleges with immediate effect. At the date of this report, there is insufficient detail provided by the Department to fully understand the significance of the impact on City of Wolverhampton College. The Department is expected to continue to review this change and issue further guidance over the coming 12 to 24 months. The College will also continue to keep further changes under consideration.

## Notes to the Accounts (*Continued*)

### 25 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 West Midlands Pension Fund Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans.

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

<b>Total pension cost for the year</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
National Employment Savings Trust (NEST)	6	4
Teachers' Pension Scheme: contributions paid	1,599	1,501
Local Government Pension Scheme:		
Contributions paid	1,263	1,244
FRS 102 (28) charge	2,200	1,970
Pension Arrears	149	142
Charge to the Statement of Comprehensive Income	3,612	3,356
<b>Total Pension Cost for Year within staff costs</b>	<b>5,178</b>	<b>4,861</b>

#### Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

## Notes to the Accounts (*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 continued to pay a teacher pension employer contribution grant to cover the additional costs during the 2021/2 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website. The next valuation result, based on data as at 31 March 2020 is due to be implemented from 1 April 2024.

The pension costs paid to TPS in the year amounted to £1,559,225 (2021: £1,501,037).

### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by City of Wolverhampton Council. The total contributions made for the year ended 31 July 2022 were £1,644,433 (2021: £1,622,359), of which employer's contributions totalled £1,263,111 (2021: £1,243,922) and employees' contributions totalled £381,190 (2021: £378,308). The agreed contribution rates for future years are 20.6% for the College and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

### Principal Actuarial Assumptions

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

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.75%	3.80%
Future pensions increases	2.75%	2.80%
Discount rate for scheme liabilities	3.50%	1.60%
Inflation assumption (CPI)	2.75%	2.80%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2022 years	At 31 July 2021 years
<b><i>Retiring today</i></b>		
Males	21.2	21.6
Females	23.6	24.0
<b><i>Retiring in 20 years</i></b>		
Males	22.9	23.4
Females	25.4	25.8

## Notes to the Accounts (*Continued*)

	Long-term rate of return expected at 31 July 2022	Fair Value at 31 July 2022	Long-term rate of return expected at 31 July 2021	Fair Value at 31 July 2021
		£'000		£'000
Equities	65%	45,048	61%	41,334
Gilts	-	-	8%	5,607
Other bonds	-	-	6%	4,154
Property	8%	5,544	7%	4,767
Cash	4%	2,772	4%	2,498
Other	23%	15,940	14%	9,496
<b>Total fair value of plan assets</b>		<b>69,304</b>		<b>67,856</b>
<b>Actual return on plan assets</b>		<b>1,545</b>		<b>9,699</b>

The amount included in the Balance Sheet in respect of the defined benefit pension plan is as follows:

	2022	2021
	£'000	£'000
Fair value of plan assets	69,304	67,856
Present value of plan liabilities	(85,445)	(111,033)
<b>Net pensions (liability) (Note 18)</b>	<b>(16,141)</b>	<b>(43,177)</b>

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

	2022	2021
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	3,586	3,349
Administration expenses	-	8
<b>Total</b>	<b>3,586</b>	<b>3,357</b>

**Amounts included in investment (expense)**

Net interest on the net defined benefit pension liability	(708)	(627)
	<b>(708)</b>	<b>(627)</b>

## Notes to the Accounts (*Continued*)

### Amount recognised in Other Comprehensive Income

Return on pension plan assets	461	8,912
Other actuarial losses	-	-
Changes in assumptions underlying the present value of plan liabilities	29,770	(4,472)
Experience (loss) / gain on defined benefit obligation	(287)	2,082
<b>Amount recognised in Other Comprehensive</b>	<b>29,944</b>	<b>6,522</b>

### Movement in net defined benefit (liability) during year

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit (liability) in scheme at 1 August	(43,177)	(47,102)
Movement in year:		
Current service cost	(3,586)	(3,349)
Employer contributions	1,386	1,387
Net interest on the defined (liability)/asset	(708)	(627)
Actuarial gain	29,944	6,522
Administration expenses	-	(8)
<b>Net defined benefit (liability) at 31 July</b>	<b>(16,141)</b>	<b>(43,177)</b>



## Notes to the Accounts (*Continued*)

### Asset and Liability Reconciliation

	2022 £'000	2021 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	111,033	105,584
Current service cost	3,586	3,349
Interest cost	1,792	1,414
Contributions by Scheme participants	373	378
Changes in financial assumptions	(29,296)	6,047
Changes in demographic assumptions	(474)	(1,575)
Experience (gain) / loss on defined benefit	287	(2,082)
Estimated benefits paid	(1,856)	(2,082)
<b>Defined benefit obligations at end of period</b>	<b>85,445</b>	<b>111,033</b>
<b>Changes in fair value of plan assets</b>		
<b>Fair value of plan assets at start of period</b>	67,856	58,482
Interest on plan assets	1,084	787
Return on plan assets (excluding net interest on the net defined benefit liability)	461	8,912
Other actuarial losses	-	-
Employer contributions	1,386	1,387
Contributions by Scheme participants	373	378
Estimated benefits paid	(1,856)	(2,082)
Administration Expenses	-	(8)
<b>Fair value of plan assets at end of period</b>	<b>69,304</b>	<b>67,856</b>

These results include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination. This allowance was incorporated into the accounting results as at 31 July 2019, and have been rolled forward and remeasured to obtain the accounting results as at 31 July 2022.

### 2023 Pension Increase order

The 2023 Pension Increase (PI) Order is used to set the level of pension increases, deferred revaluation and CARE revaluation with effect from 1 April 2023. This is expected to be significantly higher than the CPI assumption as at 31 July 2022. The PI Order is typically set with reference to the change in CPI inflation over the 12 months to the previous September (announced in October), so the 2023 PI Order is expected to be set with reference to the September 2022 CPI.

The change in CPI over the 12 months to August 2022 was 9.9% and so a similar increase over the 12 months to September 2022 is expected. The actual 2023 PI Order is not automatically set with reference to the September CPI. This is only known with certainty in March, once this has been approved by Parliament. It is possible that the actual PI Order will be lower than the change in CPI over the 12 months to September 2022.

The value of the obligations arising due to recognition of the 2023 PI Order based on the expected 2023 PI Order of 9.9% applying in 2023 to pensions in payment, deferred pensions and CARE revaluation has been recognised as an additional actuarial loss of £5,037,000.

## Notes to the Accounts (*Continued*)

### 26 Related party transactions

The following employees of City of Wolverhampton Council have acted as governors of the College:

Ms A Shannon*	Chief Accountant	Appointed 23/07/18 (resigned 29/3/21)
Mr M Taylor	Deputy Chief Executive	Appointed 25/02/19 (Chair from 25/02/19)

\*Ms A Shannon remains as an Associate Member of the Audit Committee but is no longer a Governor.

During the year transactions with City of Wolverhampton Council included purchases totalling £36,409 (2021: £100,011) and sales totalling £652,836 (2021: £833,012). At the year-end balances on the purchase ledger totalled (£801). Balances on the sales ledger at 31 July 2022 totalled £9,798.

During the year transactions with City of Wolverhampton College Enterprise Ltd, where Malcolm Cowgill, Peter Merry, and Mark Taylor, are Directors, included purchases totalling £502,702 (2021: £373,572). At the year-end balances on the purchase ledger totalled £98,046.

During the year transactions with Wolverhampton Homes, where Ian Gardner declared an interest, included purchases totalling £1,000 (2021: £1,500) and sales totalling £14,872 (2021: £909). At the year-end there were no outstanding balances.

During the year transactions with University of Wolverhampton, where Emma Bull declared an interest, included purchases totalling £22,365 (2021: £36,442) and sales totalling £272,326 (2021: £374,588). At the year-end balances on the purchase ledger totalled £Nil. Balances on the sales ledger at 31 July 2022 totalled £87,726.