



Halesowen College Annual Report and Financial Statements

**For the year ended
31 July 2020**

Report of the Members of the Corporation and Financial Statements for the period 1 August 2019 to 31 July 2020

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HALESOWEN COLLEGE REFERENCE AND ADMINISTRATIVE DETAILS

Board of Governors as at 31 July 2020

Amanda Allen
David Allen
Peter Coley
Lewis Callary
Joanne Chilton
Lance Hanson
Tiffany Harvey-Pallent
Mark Johnson
Helene Jones
Louise Jones (Chair)
Joanne Williams

Clerk

Jennifer Sunter

Further information on the Corporation is provided on pages 23 to 24 of this document.

Principal and Registered Office

Whittingham Road
Halesowen
B63 3NA

Senior Management Team

Key management personnel are defined as senior post holders and were represented by the following in 2019/20:

David Williams, Principal and Chief Executive/Accounting Officer (resigned from Board 30.06.2020 and left post on 31.07.2020)

Joanne Williams, Deputy Principal; Director of Learning and Teaching (Interim Principal and Chief Executive/Accounting Officer from 01.07.2020)

Jacqueline Carman, Vice Principal; Director of Finance and Corporate Services

Professional Advisers

External Auditors

RSM UK Audit LLP
Chartered accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Bankers

Lloyds Bank
Corporate
2nd Floor
125 Colmore Row
Birmingham
B3 3SF

Internal Auditors

TIAA Ltd
53-55 Gosport Business Centre
Aerodrome Road
Gosport
Hampshire
PO13 0FQ

Solicitors

Shakespeare Martineau
No 1 Colmore Square
Birmingham
B4 6AA

STRATEGIC REPORT

Objectives and Strategy

The governing body present their annual report together with the financial statements and auditor's report for Halesowen College for the year ended 31 July 2020.

Legal Status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Halesowen College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The Corporation was incorporated as Halesowen College. Halesowen College has one wholly owned subsidiary company, Halesowen College Enterprises Limited; Company number 2790416. This company is limited by shares and Halesowen College own both £1 ordinary shares issued.

Mission, Vision, Strategy and Objectives

A strategic plan has been adopted with Halesowen College's stated purpose:

To enable students, staff, the economy and the community to Learn, Succeed and Flourish

Halesowen College core values are focused on;

- Inclusivity, equality and diversity
- Respect
- Commitment
- High aspirations
- Integrity and honesty
- Responsibility
- Support, safety and care

Implementation of Strategic Plan

As part of the strategic planning process, the College has a teaching and learning strategy and an estates strategy alongside a risk management framework and financial plans all of which are regularly reviewed.

During the lockdown to prevent the spread of Covid 19 the College had to accelerate its digital ambitions and now seeks to consolidate good practice and innovation displayed to propel forward online and digital learning.

The Corporation monitors the performance of the College against its strategic objectives with the Chief Accounting Officer/Principal providing an update at each meeting of the Board. Measurable annual targets covering all key aspects of College activities are established and monitored. It is a fundamental responsibility of the Corporation to approve the quality strategy and the College has an accountability cycle to set and monitor targets and standards and ensure continuous improvement. The College's approach to self-assessment is rigorous and reflects the Ofsted model. The College operates on a yearly cycle corresponding with the academic year which involves a complex combination of processes to achieve institutional success and external scrutiny. The senior team have reported regularly to the Corporation plans for re-opening safely following lockdown alongside the impact of Covid 19 on the student body, 2020 results, staff and the College's financial profile.

The strategic plan aims to enable continued success and development at outstanding levels of performance and recognition. The College has responded to the requirements of the national and local Industrial Strategies in its strategic objectives. The key components within the plan were subject to consultation with staff, students, partners and the wider community. In defining strategies and associated aims the College has evaluated current and emerging strengths and challenges encompassing a broad range of factors including educational, economic, political, financial and demographic aspects.

The College is working towards these objectives and will use this as a platform to drive forward towards excellence through 2020/21. However, following a change in Leadership and developments with the educational, economic, political and social framework the College will seek to refresh its strategic plan following the appointment of a new Principal/Chief Executive Officer.

Throughout the period of a Strategic Plan it is essential that the attainment of priorities is kept under scrutiny to ensure that the College achieves its full potential and flexes its approach to encompass unexpected events not least the challenges of Covid 19. Priorities will again be continuously reviewed through the planning and accountability cycle and to inform the annual review.

The strategic plan provides a fundamental platform to attain challenging ambitions over a three to five year period. The strategies are reviewed annually within the planning cycle based on a clear set of targets to put in place the vision for the College.

The College operates on a committee structure. The approach to reporting has been focussed on key issues affecting the strategic overview of the College. This is based on items falling within the risk framework set out in the plan and emerging developments. The College operates, in addition to the statutory committees, a Finance and General Purposes; Students, Curriculum and Quality and Remuneration Committees.

The Finance and General Purposes Committee has a remit including recommending to Corporation the budget, estates strategy, cash management framework and financial targets. They also consider HR policies, marketing strategies and funding. The Students, Curriculum and Quality Committee monitors standards of provision, receive reports on stakeholder views, recommend to Corporation targets, the self-assessment report and the quality improvement plan and oversee equality, diversity and safeguarding arrangements

This Committee structure allows a more detailed discussion to ensure adequate challenge and support for the senior management team and facilitate the continued high standards at Halesowen College.

The strategic aims of Halesowen College are:

To provide the highest quality teaching and learning leading to excellent outcomes.

To support the local community and economy by providing the broadest range of purposeful and appropriate educational opportunities.

The College's estate and other resources are fit for 21st century learning.

The College remains financially sound and able to respond to the needs of learners, employers and the local community.

In pursuance of these aims the college has identified a number of objectives:

To provide the highest quality teaching and learning leading to excellent outcomes:

- To ensure that students following vocational programmes successfully achieve their chosen main course
- To ensure that students studying A Level programmes successfully achieve their programme
- To ensure that students are supported to develop their levels of literacy and numeracy
- To ensure that all study programme learners make excellent progress
- To ensure that apprentices successfully achieve their framework or standard
- To ensure that all students enjoy a positive learning experience

To support the local community and economy by providing the broadest range of purposeful and appropriate educational opportunities:

- To ensure that vocational courses and apprenticeships are designed to support learners into higher levels of study or sustained employment
- To ensure that the College responds to new government initiatives and is ready to deliver emerging programmes
- To ensure that students are work-ready and understand the demands of the workplace
- That the College continues to attract its market share of study programme learners
- That the College responds to regional and national agendas by developing appropriate apprenticeship provision
- That the College responds to regional priorities by increasing the number of students accessing education at higher levels
- That the College responds to regional priorities by increasing the number of adults accessing education

The College's estate and other resources are fit for 21st century learning.

- The College continues develop state-of-the-art accommodation and other physical resources
- The IT infrastructure supports inspirational teaching and learning
- That the College environment is student-centric, safe and welcoming to all

The College remains financially sound and able to respond to the needs of learners, employers and the local community.

- That the College delivers the widest range of services efficiently
- The College diversifies its income base
- The College seeks alternative opportunities for growth and diversification

At a more detailed level, the Corporation have developed a set of annual targets and an annual plan containing strategic targets/goals.

At each meeting of the Corporate Board the Accounting Officer/Principal will continue to present a strategic update together with monthly performance information against predetermined annual targets which have been approved by the Corporation. The respective committee will recommend targets for the Corporation to adopt. The report will continue to show comparative month by month performance, a risk rating and direction of travel. Any comments or interventions required are narrated. The targets for 2019/20 and performance in year are as follows:

Performance in 2019-20 against the three year targets can be summarised as follows; Note that performance has been impacted by the Covid 19 pandemic, in particular adversely affecting apprenticeship recruitment and adult skills development. Achievement rates reflect the centre assessed grade, the calculated grade or the grade from an eligible mock examination thus giving students the much publicised triple lock amidst much uncertainty in a unique and challenging time. Moreover, the FFE data source for student satisfaction was cancelled as part of the ESFA pandemic scale back. Many of the targets relating to the environment and room usage became defunct as we transformed delivery to an online model during lockdown and continue to offer a blended and inclusive model.

Target / Minimum Level of Performance (MLP)	Actual
To provide the highest quality teaching and learning leading to excellent outcomes	
Apprenticeship success rate will be 75% for 16-18; 70% 19-23 and 65% for 23+	55.8% 51.6% and 55.6%
More than 90% of learners will enjoy their course	83%
Target / Minimum Level of Performance (MLP)	Actual
To support the local community and economy by providing the broadest range of purposeful and appropriate educational opportunities	
Sustained destination data to remain in the top decile for all GFE colleges nationally	Achieved
Growth in the number of students undertaking study programmes exceeds 2% each academic year	Learners increased by 10%
The number of apprentices studying at the College increases by 20% per annum	Numbers did not hit this target due to Covid 19 and associated lockdown
The number of students undertaking higher level qualifications increases by 10% per annum	There was no growth in this area
The value of the College's adult provision increases by 20% through an increase in the recurrent funding or other sources	Achieved

Target / Minimum Level of Performance (MLP)	Actual
The College's estate and other resources are fit for 21st century learning	
Teaching and learning are supported by exceptional classroom environments across at least 80% of the estate	79%
100% of classrooms are equipped with appropriate ILT (Information Learning Technology) equipment	78%
Network down time is 0% during term time	0%
Room usage to exceed 85% across all campuses (statistic as at March 2020)	93.4%

Target / Minimum Level of Performance (MLP)	Actual
That the College remains financially sound and able to respond to the needs of learners, employers and the local community	
Resilient position sustaining outstanding financial health: <ul style="list-style-type: none"> ▪ Liquidity ratio of at least 4 ▪ EBITDA as a percentage of income >7% ▪ Borrowing as a percentage of income <17% 	4.10 13.44% 13.62%
Pay as a percentage of income <60% (excluding FRS102 adjustments)	58.93%
Each faculty operates with at least a 50% contribution to operating overheads	College overall 52%
The average class size remains above 18 (statistic as at March 2020)	18.6

Retention, Pass Rate and Achievement Targets

Overall retention rate was 90.9%, pass 93.9% and achievement 85.4%. This can be broken down as follows:

		Retention Target	Retention Actual	Pass Target	Pass Actual	Achievement Target	Achievement Actual
16-18	Main Aim	94.7%	92.8%	95.6%	97.3%	90.2%	90.3%
16-18	All Aims	95.5%	91.5%	95.5%	94.4%	91.9%	86.3%
19+	Main Aim	88.5%	92.9%	88.5%	95%	85.6%	88.2%
19+	All Aims	91.2%	98.2%	91.2%	93.1%	87%	84%
16-18	English Resit	90%	86.5%	95%	91.8%	85.5%	79.4%
19+	English	90%	85.2%	95%	92.7%	85.5%	79%
16-18	Maths Resit	88.7%	88.9%	95%	81.9%	84.27%	72.8%
19+	Maths	90.3%	81.9%	95%	84.2%	89.35%	69%

Given the transformation in learning and the on-going restrictions The College is demonstrating a consistent picture of achievement with most provision at benchmark. The self-assessment report highlights areas for improvement. It is important for targets to be challenging and for the College to demonstrate a positive build on this performance. This will be challenging, moving forward as learners have had their education disrupted by Covid.

The targets for finance reflect the standards currently required by the ESFA to sustain outstanding financial health.

Class size continues to be impacted by the social distancing required to stem the spread of Covid 19.

Student Achievements

Despite the impact of the pandemic, students at Halesowen College continue to achieve and progress to higher/further education, apprenticeship or sustainable employment. The achievement rate target for 2019/20 was 88.5% and actual performance 85.4% (2018/19 85.3%). The College removed a significant number of generic qualifications from the study programme and has impacted on the headline data but improved educational intent and the relevance of all aspects of the study programme. Covid 19 was also a key factor for 2019/20 performance. Commentary on performance is fully narrated in the Self-Assessment Report. The level of achievement remains on or above the national benchmark in most areas. The 16-18 vocational position remains very strong with improvements required for A level and apprenticeships.

Financial Objectives

As stated above, in order to assist the College in achieving its strategic objectives, the governing body sets annually financial targets which are coterminous with those financial objectives set out in the College's strategic plan. The purpose of setting and monitoring such objectives is to establish limits within which the College can operate and achieve its overarching strategies. The College regularly compares its performance against published averages from various sources and has developed a set of key performance indicators, which focus on the core areas of activity. It is helpful to review actual performance against plan and to review the targets. The College has developed a finance dashboard as part of the monthly performance monitoring. There is also a formal report each month showing College performance against annual targets. The actual performance is shown alongside the comparison from the previous period. The distance of travel is highlighted and each performance criteria RAG rated to demonstrate risk. Each month the finance dashboard is updated to report performance against targets and core ratios in graphical format so trends are easily highlighted. A link

is provided to the full management accounts pack. The Corporation consider targets for the year ahead to ensure that they remain appropriate; achievable yet challenging. The Finance and General Purpose Committee advise the Corporation on financial targets. A longer term set of aims preserves the financial profile of the College ensuring that the organisation remains a going concern and is sufficiently robust to achieve its strategic objectives. It is useful to compare College achievement with those of equivalent institutions and to monitor trends over time. Targets and effective financial management have been established to ensure liquidity, profitability/viability, constraint of costs and gearing. The College is mindful that the ESFA are considering a new model to evaluate financial health and will update targets if necessary.

The financial targets for Halesowen College in 2019/20 were as follows:

Liquidity

A current ratio of at least 4 (actual 4.10).

Cash days in hand greater than 180 (actual 161).

Profitability/Viability

Earnings before interest, taxation, depreciation and amortisation as a percentage of income to exceed 7%. (Actual was 13.44% of income).

Performance ratio is the adjusted operating surplus (adjusted for pension adjustments and depreciation) divided by income less deferred capital grant release and should be at least 6%. (Actual 12.22%).

The financial health grade from the ESFA should be outstanding and this was achieved.

Gearing

Gearing is a term describing a financial ratio that compares equity (or capital) to borrowed funds. Gearing is a measure of financial leverage, demonstrating the degree to which activities are funded by College funds versus those of a creditor. A high gearing ratio represents a high proportion of debt to equity, and a low gearing ratio represents a low proportion of debt to equity. As such a high gearing ratio is indicative of a great deal of leverage, where debt is being used to pay for its continuing operations. In a period of downturn, such organisations may have difficulty in meeting their debt repayment schedules which would have a range of adverse consequences; ultimately bankruptcy. A low gearing ratio may be indicative of conservative financial management, but would also indicate that the College cannot afford to become overextended in a period of on-going financial challenge and decreasing surplus.

The College's gearing ratio should be no more than 20%. (Actual 11.41% excluding defined benefit obligations).

The College's debt charges should be no higher than 2.5% of income and be reflective of the level of borrowing. (Actual 0.51%).

Total borrowing as a percentage of income should be less than 17%. (Actual 13.62%).

Available reserves as % of income should exceed 100% (Actual 113.07%; excludes pension deficit).

The College has not breached any loan covenants in 2019/20. However, the on-going impact of the pension liability on the balance sheet is an increasing risk factor to be monitored.

Constraint of Costs

The College's pay bill (excluding past service costs and impact of FRS102) should be met within 61% of income (excluding the release of deferred capital grants) after accounting for extraordinary items. (Actual 58.93%). There is significant pressure on the pay budget given increases in pension costs and national living wage.

The year on year percentage increase in pay must be consistent with the inflationary pay award, projected incremental drift and approved volume changes (after accounting for FRS102 pension adjustments). This was achieved.

The year on year percentage increase in non-pay (excluding depreciation) must be consistent with the inflationary price increases and approved volume changes. This was achieved.

Changes in Levels of Activity

The year on year change in income should be determined annually based on financial projections. Expenditure levels should be maintained within the income figure to maintain the budgeted surplus.

RESOURCES

In accordance with the 2019 FE HE SORP, this section provides disclosure of resources (tangible, financial, people and reputational).

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

Tangible resources include the main College sites of Whittingham Road, Coombs Wood (Advanced Science and Technology Centre) and Shenstone House. The College has £10.394m of net assets (including a £20.870m pension liability) and long term debt of £3.096m

The College recorded in excess of 5,700 funded students in 2019/20. The student population included 4,137 16-18 study programme learners, 147 apprentices, 121 higher education students and 1300 adult learners studying FE qualification or an economic course.

The College employs 402.89 people (expressed as full time equivalents), of whom 245.70 are teaching staff. Halesowen College Enterprises employs 38.11 FTE so collectively the group employs 441.0 FTE

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and developing external relationships. The College aims to ensure marketing and promotional activities are positively managed to further enhance this excellent reputation and emphasise positive messages.

The College was last inspected by Ofsted in September 2017 and was judged to be "good". The College is TEF Silver meaning HE provision is of high quality and regularly exceeded the baseline expected. Halesowen College is also an accredited College of Sanctuary and has been awarded Covid Aware status.

STAKEHOLDERS

Halesowen College has many stakeholders including:

- Students (current, past and future)
- Education sector funding bodies including ESFA and Office for Students
- FE Commissioner
- Staff
- Employers

- Local Authorities
- Local Enterprise Partnerships
- West Midlands Combined Authority
- The local community
- Other FE institutions
- HE institutions
- Trade unions
- Professional bodies
- Local schools

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

Public Benefit

Halesowen College is an exempt charity under the Part 3 of the Charities Act 2011 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 23 to 24.

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 College adjusts its courses to meet the needs of local employers and provides training to more than 150 apprentices. The College is committed to providing information, advice and guidance to the students it enrolls and to funding suitable courses for as many as possible irrespective of their educational background. 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.

The College first adopted a Public Benefit Statement in April 2013 which has since been reviewed annually. In delivering its mission, the College provides identifiable public benefits through the advancement of education to in excess of 5,000 students including those with high needs. The College provides courses without charge to 16-18 learners, those who are unemployed and adult learners benefitting from academic entitlement and/or taking English and Maths courses.

Halesowen College demonstrates:

- High quality teaching
- Widening participation and promoting inclusion
- Excellent progression for students to employment, apprenticeship or further/higher education
- Outstanding student support
- Effective relationships with employers and the local community
- Links with Local Enterprise Partnerships (LEPs) and West Midlands Combined Authority (WMCA)
- A relevant curriculum which has impact and meets the needs of all stakeholders.

The College is accountable to its learners, the wider community it serves and other stakeholders; adding value to the social, economic and wellbeing of the community it serves.

The provision at Halesowen College meets the public benefit principles in as much as there are identifiable benefits to the public/section of the public.

The purpose of the College is the delivery of high quality education and training that maximises student opportunities and success. This will be achieved through a framework to:

- design and promote services to fulfil clients' requirements and needs;
- provide a wide range of high quality learning programmes;

- ensure that the College actively seeks to improve quality, efficiency and effectiveness in all its activities.

Each year the Corporation formally review its activities to ensure that they meet the public benefit definition and that they are within its powers. No issues of concern have been identified.

DEVELOPMENT AND PERFORMANCE

Financial Results

The Group generated a surplus before other gains and losses and the FRS 102 pension adjustments of £1,307,000 (2018/19 – surplus of £1,063,000); with total comprehensive income of £9,815,000 (2018/19 £(1,029,000)). This was in accordance with budget and sustains outstanding financial health.

The College has sustained outstanding financial health despite the challenges of Covid 19. However, the ongoing financial impact of the pandemic are expected to manifest in the 2020/21 financial profile due to:

- cost of adaptations to the estate
- ongoing costs of PPE, sanitiser, etc.
- reduced class sizes
- digital investment
- loss of commercial income
- increased staff to support mental health
- risks of lower numbers for adult skills and apprenticeships.

Reserves

The Group has accumulated total reserves of £10,394,000 of which £29,611,000 relates to general reserve (excluding pension reserve), and cash balances of £3,647,000 (and short term investments which can be liquidated of £7,911,000). Retention of reserves are in accordance with the approved policy.

The College's cash and investments includes a bond held with Lloyds Bank on behalf of Walsall Council to provide the required security for a growth fund capital grants provided by the Black Country Local Enterprise Partnership. This grant would be repayable should output targets not be achieved.

Developments

Tangible fixed asset additions during the year amounted to £6,278,000. This was split between land and buildings acquired (incorporating work in progress of £5,244,000) and equipment purchased of £1,034,000. The work in progress is valued at £1,988,000. This is in respect of the major capital development to refurbish block 2 on the Whittingham Campus into a student hub and remodelling of blocks 4 and 5. This project is funded in part by the Black Country LEP.

Sources of Income

The Group has significant reliance on the education sector funding bodies for its principal funding sources, largely from recurrent grants. In 2019/20 the funding body provided 86.51% of the group's total income.

Group Companies

The College has one wholly owned subsidiary company, Halesowen College Enterprises Limited (HCE). The principal activities of HCE are the provision of an on-site nursery, retail outlets offering students a range of pre-prepared hot and cold foods, drinks, snacks and Starbucks coffee plus provision of cleaning and janitorial services to Halesowen College. The company also deals with for-profit activities such as room hire, bespoke training, the sale of study aids and other retail goods. For 2019/20 HCE has transferred under Gift Aid the surplus generated to Halesowen College.

The operating profit generated by HCE was £15,894 and this was less than budget given that all commercial activity ceased during the Spring lockdown. Whilst eligible staff were furloughed, this did not compensate fully for loss of trade.

FUTURE PROSPECTS

Developments

The College continues to invest in its facilities. The refurbishment of Whittingham Road will offer high quality teaching and learning spaces and allow the College to develop its academic, vocational and apprenticeships pathways in priority areas such as construction management and health care science. Indeed, the College plans to launch several new courses for example pharmacy, which are aligned to the demands of the local and regional economies.

Financial Plan

Despite the impact of Covid 19, increasing costs of pay, in particular national living wage and LGPS pension coupled with no inflationary funding from the ESFA, the College has retained its outstanding financial health. This is forecast to extend into 2020/21 but the Covid 19 implications are presenting challenges. The governors approved this financial plan in July 2020. The plan fully incorporated all sources of income and expenditure and sets the financial objectives for 2020/21 and beyond.

Treasury Policies and Objectives

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

The College has a separate treasury management policy in place.

The College now has facility to lodge investments with four banks.

- NatWest
- Barclays
- HSBC
- Lloyds

There is no short term borrowing for temporary revenue purposes, however any such borrowing for temporary revenue purposes would be authorised by the Accounting Officer. All other borrowing requirements shall be authorised by the Corporation

The College is exploring options with Co-op Bank and Handelsbanken but progress was halted by the pandemic.

Cashflows and Liquidity

Operating cash inflow is strong. Back in 2006/07 the College consolidated its borrowing; with additional borrowing of £1.25m drawn in March 2009 at a fixed rate of 5.5%, £1.25 drawn in November 2010 at a variable rate of 1.50% above LIBOR and £1.32m drawn in August 2011 at a variable rate of £1.50 above LIBOR.

In 2019/2020 net cashflow from operating activities is £3,579,000 and the movement in cash in the period is a decrease of £657,000.

As stated above capital projects have been financed from College reserves with the current project to refurbish three blocks on the Whittingham campus part funded by the Black Country LEP. The College has not taken any additional borrowing to finance the property strategy. Ongoing investment strategy will impact on future cashflows. In order to provide the required security for the current LEP grant, Walsall Council, the accountable body have a charge over property and loans are secured against cash balances.

Currently the College has a strong liquidity position and has no concerns regarding insolvency.

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

The College is fully compliant with all loan covenants at present.

Going Concern

Halesowen College has outstanding financial health and a strong liquidity ratio. The Corporation are provided with information to assure them of financial resilience and considers that the College has adequate resources to continue in operational existence for the foreseeable future and for this reason, it continues to adopt the going concern basis in preparing the financial statements.

The activities of the Group, together with the factors likely to affect its future development and performance, are set out in this Strategic Report. The financial position of the Group, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The Group has £3,402k (2019: £3,439k) of loans outstanding with bankers on terms negotiated in 2006 with the five loans being secured by a charge on Group cash. Of this, all but £339k is due for repayment after July 2021, with a matching level in the financial year to July 2022 and these repayments are fundable by the strong cash position at the year end and forecast cashflows across the period. The Group's forecasts and financial projections indicate that it will be able to operate within this existing facility for the foreseeable future.

Whilst Covid-19 has had an economic impact nationwide and has led to some difficulties in the education sector more widely, the College has successfully migrated a high proportion of learning to an online delivery model, and enrolments for the current financial year have demonstrated that students are receptive to this model of delivery and still engaging with the College. The subsidiary company, Halesowen College Enterprises Limited, is facing more challenging times, however, this will not have a material effect on the view of the Group overall as a going concern. The College has pledged its support to the subsidiary to enable it to continue to operate for at least the period to 31 January 2022.

Accordingly, the Group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the approval of the financial statements and for this reason will continue to adopt the going concern basis in its preparation of its Financial Statements.

Reserves Policy

The Corporation on behalf of Halesowen College reviews the levels of reserves monthly as part of the management accounts review. The College is dependent on agency funding from the Education and Skills Funding Agency and to a lesser extent the WMCA and Office for Students. The College must ensure sufficient reserves to sustain outstanding financial health allowing the achievement of its strategic objectives. Ongoing investment will provide an outstanding learning experience and allow the College to sustain/grow its market share.

The reserves policy of Halesowen College is to maintain sufficient levels of reserves to enable operating activities to be maintained, taking account of potential risks and contingencies that may arise from time to time. The policy is reviewed annually by the Corporation.

Reserves are that part of the College's unrestricted funds that is freely available to spend on any allowable purposes. This definition excludes restricted income funds and endowment funds, although holding such funds may influence this reserves policy. Reserves will also normally exclude tangible fixed assets held for the College's use and amounts designated for essential future spending.

Any restrictions on the use of the funds must be explained to the Corporation. Budgets and future plans need to be considered, in particular any uncertainty over future income or the risk of unexpected expenditure.

Reserves are held to help the College operate effectively.

Charity law requires any income received by a charity (including an exempt charity) to be spent within a reasonable period of receipt. The College must hold a level of reserves which is coterminous with the financial targets established annually.

The current level of reserves is coterminous with this policy. The impact of Covid 19 will inevitably reduce the general reserve but there are no significant concerns at this point.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets, reputation and financial stability.

The Risk Management Policy is subject to annual review and the Corporation has determined an overarching risk appetite, ie the amount of risk the College is prepared to accept, tolerate or be exposed to at any point in time. It is important to understand the level of acceptable risks. Looking at risk without considering any of the controls in place gives the level of inherent risk whereas to establish the residual risk the control environment and other mitigating factors must be taken into account. The overall risk appetite is set at balanced; ie:

- Willing to consider a range of options and adapt strategic aims and devolved management structure to move the organisation forward.
- Prepared to make decisions where there is an element of risk, provided appropriate controls are in place.
- Innovation and systems development supported within overarching strategic objectives/ designated projects.
- Technological development encouraged to enhance quality and efficiency.
- Resources allocated to capitalise on developments and potential opportunities.
- Ability to respond to external factors and change over which the College has no or limited influence.

Risks are assessed using a 5 point scoring system for likelihood of occurrence and materiality. In order to derive the overall risk score these two numbers are multiplied together; for example a risk having a medium likelihood of occurrence but a significant impact would score 3 (medium) multiplied by 4 (significant) hence the overall risk score would be 12.

For a balanced risk appetite, the maximum risk score is 12.

For risks scoring 12 or more a risk plan is produced and any that have a net risk outside of the appetite a traffic light system of red and amber is applied. Red risks could present serious challenges for the College and must be monitored at the highest level with an appropriate level of scrutiny. The Corporation consider and accept such risks.

Based on the strategic plan and associated annual plan, a comprehensive review of the risks to which the College is exposed was undertaken. This identifies 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, any risks which may arise as a result of a new area of work being undertaken by the College are considered. For all risks scoring 12 or more the sources of assurance are documented.

A risk register is maintained at the College level which is reviewed formally at least annually by the Audit Committee. Risks are also reviewed throughout the year. The risk register identifies and categorises the key risks, the likelihood of those risks occurring and their potential impact on the College. For significant risks the actions being taken to reduce and mitigate the risks are noted. Risks are prioritised using a consistent scoring system.

Following the completion of the 2020/21 risk register an action plan was produced to address key factors. This will be monitored via the Audit Committee. In addition, as part of the risk exercise relevant legislation is considered to ensure compliance.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College. Note that whilst Covid 19 is not a stand alone risk, the impact of the pandemic is incorporated throughout the register.

Risks Identified in the Risk Register

The key themes include competition, curriculum changes, increasing volume of students with high needs and digital plus external factors.

Key themes can be summarised as follows:

- Turbulent political landscape and unprecedented levels of uncertainty nationally and for the sector compounded by Covid 19 and exit from the EU.
- National recession and associated socioeconomic challenges.
- Lost learning as a result of the national lockdown and the impact on performance statistics and quality measures.
- Significant curriculum changes including T levels and potential impact on learning, teaching and assessment.
- Failure of staff to develop the skills to deliver a modernised curriculum and effectively utilise digital systems to develop a blended and inclusive model.
- Achievement rates for adult learners requires improvement.

- Devolvement of the Adult Education Budget to the West Midlands Combined Authority and funding of courses for adult learners.
- Increased competition from other providers alongside opportunities to acquire new provision and work more collaboratively. Directly linked is the relationship between student numbers and funding, hence a need for ongoing quality improvement, investment in resources and effective marketing.
- Efficiency of delivery and failure to recruit to some courses/areas of provision.
- Impact of external factors such the white Paper, Ney Review, Skills Plan, Brexit, government policy and Prevent responsibilities.
- Increased cost pressures notably pension costs, lack of inflationary funding and rising non pay costs.
- Levels of attendance and retention (particularly in under notice courses).
- Failure to provide effective student support especially given the increased and complex individual needs of students; in particular mental health which has been severely impacted by lockdown and ongoing fears and uncertainties.
- Opportunities and risk arising from change.
- Fragility of reputation.
- Requirement to provide meaningful work placement and pilot for extended workplace learning especially given the Covid 19 restrictions.
- Need to refresh the estates strategy to link with regional and national priorities.

Curriculum Developments

Halesowen College has developed a broad and meaningful curriculum for all modes of learning to address the needs of learners, employers and the wider community. Methods of learning, teaching and assessment are under continuous review and development to ensure that the curriculum makes a positive contribution to the local economy/community and provides a valuable resource to local groups, organisations, individuals and employers. The College also aims to extend opportunities for students to follow personalised pathways which ensure they reach their full potential and take the next positive step. In 2019/20 the College has continued to respond to government priorities and the needs of local employers by developing higher apprentice frameworks and migrating to new standards. This links with the priorities identified by the Local Enterprise Partnership and the West Midlands Combined Authority through the local Industrial Strategy. The Skills Plan provides a framework for academic, vocational and technical pathways and presents significant changes for the sector. There is regular review of the curriculum in order to ensure study programmes and apprenticeships continue to meet the needs of the learner and build the skills required by employers. This has been especially pertinent as the College seeks to upskill adults displaced from their jobs by the pandemic and prepare young people for employment post Covid 19. This in turn ensures students secure sustainable employment or progress to a further course of study. English and maths continue to be a priority for 16-18 study programmes and adult skills. Within the Black Country the percentage of people with no qualifications exceed the national average. Also, only 22.4% of the population held a Level 4 qualification compared to 37.1% nationally.

The College has a digital plan which has invested in resources for learning using technology. Staff development has aided staff upskill to effectively utilise digital technology which was pivotal during the spring lockdown.

Recruitment to 16-18 provision draws from over thirty feeder secondary schools. Approximately 70% of students follow a vocational programme ranging from entry level to advanced programmes. Only 26% of the College intake comes from schools performing at or above the national level.

Therefore the College focuses on individual choice and puts in place high levels of support. There is an increasing volume of students on an Education Health Care Plan. As a response to government priorities, the College has focused on improving standards of literacy and numeracy and employability skills. Work experience is a key part of vocational study programmes but this has been punctuated by Covid 19.

The College has a statutory and moral responsibility for safeguarding including Prevent and, as part of this agenda, has introduced a cyber-safety qualification as part of the tutorial framework. Across all areas clear progression pathways are in place and the College has developed courses to respond to the needs of individuals with mental health issues and those requiring training and employment skills. Links with universities provide additional options for students looking to continue studying past Level 3. The College continues to develop its own range of higher level courses and launched University Centre Halesowen in 2019/20.

The College has excellent links with local employers and community groups.

The College is continuing to link with schools to support the 14-19 agenda.

The College has an Associate College Model with University of Worcester.

Developments for 2020/21 include construction management qualifications and extending the offer to community venues to build capacity and engage with hard to reach learners. A priority is to contribute to the upskilling of local people to aid post pandemic return to prosperity.

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%. During the accounting period 1 August 2019 to 31 July 2020 the College paid 78.49% of its invoices within 30 days. The College incurred no interest charges from commercial debtors in respect of late payment for this period. Calculated creditor days averaged at 27.1 over the period. The College has monitored performance against this target, in terms of value and volume, for a number of years and reports monthly on compliance as part of the management accounts available to senior management and governors.

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 auditors are aware of that information.

EQUALITY

Halesowen College is committed to ensuring equality of opportunity for all who learn and work here. The College respects and values positively differences under the protected characteristics defined in the Equality Act 2010. Thus, strives vigorously to remove conditions which place people at a disadvantage and actively combats bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equality Policy is available on the staff hub and website.

The College publishes annually data required under the Act alongside an Annual Equality Report and Equality Objectives to ensure compliance with all relevant legislation. An Equality and Diversity Consultative Forum has been established to give direction and ensure positive action. The group has considered the implications of the Equality Act 2010 ensuring compliance and they lead on equality impact assessment.

The College considers all applications from learners with disabilities, medical conditions and learning difficulties, bearing in mind the aptitudes of the individuals concerned. Entry into College for learners with an Education Health and Care Plan (EHCP) follow a clear and equitable documented process. 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 are, as far as possible, identical to those of non-disabled staff. Halesowen College participates in the Disability Confident employer scheme.

The College has been re-accredited under the 'Positive about Disable' scheme and is committed to the principles and objectives of the standard.

The College considers all employment applications from disabled persons with due regard to the aptitudes of individuals concerned and guarantees an interview to any disabled person who meets the mandatory criteria.

Halesowen College is an accredited Leader in Diversity and has in place trained mental health first aiders.

The College puts the student experience at the heart of all College policies and procedures. Accordingly this places great emphasis on access to education and aims to remove barriers in order to create a culture of inclusiveness that is committed to challenging discrimination in all aspects of its work including unconscious bias.

The College is determined to create an ethos where the diversity of staff and students is both promoted and valued. It sees diversity as being key to widening participation in education and enriching the College experience for all. Hence it seeks to promote positive practice with all external agencies such as government bodies, employers, contractors etc.

Training for staff including unconscious bias is refreshed and equality and diversity is embedded within the curriculum.

Disability Statement

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

- As part of its property strategy the College has updated its access audit. Experts in this field conduct a full access audit and the results of this have informed capital projects.
- The College has a team that co-ordinates the provision of information and advice and arrangements of support where necessary for students with disabilities.
- There is specialist equipment which the College can make available for use by students and assistive technology is available in the student hub.
- The admissions policy for all students is documented and approved. Appeals against a decision not to offer a place are dealt with under the complaints policy. The College has a responsibility and statutory duty in relation to students who have or may have special educational needs or disabilities.
- The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

- Counselling and welfare services are available and promoted in College Student information which is shared with students along with the Complaints and Disciplinary policy at induction.
- The College has submitted information to the Local Authority to form part of the Local Offer bringing together health, education and social care for young people.

The College is aware of and complies with its duties under the Equality Act 2010.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulation 2017 require the College to publish information on facility time arrangements for trade union officials at the College. This was submitted on time. The College reported 3 trade union representatives (2.8 FTE posts held). Each representative spends between 1 and 50% of hours on facility time which equates to 8.3%. Percentage of pay bill spent on facility time is 1.08% and total hours spent on trade union activities is 614 hours.

Approved by order of the members of the Corporation on 26 January 2021 and signed on its behalf by



Louise Jones
Chair

HALESOWEN COLLEGE GOVERNANCE STATEMENT

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 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); and
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ('the Code').

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. 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 account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015 which it formally adopted from 1 August 2015, noting one area of variance on length and terms of office.

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

As stated previously the Corporation has adopted a Public Benefit Statement. The College is accountable to its learners, to the wider community it serves and other stakeholders. The Public Benefit Statement describes how Halesowen College adds value to the social, economic and wellbeing of the community it serves.

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. (Attendance is given for 1 August 2019 to 31 July 2020).

Name	Date of Appointment	Term of Office	Date of Resignation/ Completion	Status of Appointment	Committees Served in year	Corporation Members Attendance
Amanda Allen	01/08/2017 – 31/07/2018 01/08/2018 – 31/07/2021	1 yr 3 yrs		Member	Finance and General Purposes, Remuneration	10/11
David Allen	01/08/2018 – 31/07/2020 01/08/2020- 31/07/2022	2 yrs 2 yrs		Staff	Students Curriculum and Quality	9/9
Loleta Atkinson	01/08/2020- 31/07/2021	1 yr		Member	Audit	n/a
Lewis Callary	01/08/2019	1 yr	31/07/2020	Student	Students Curriculum and Quality	8/9
Joanne Chilton	01/08/2019 – 31/07/2020 01/08/2020 – 31/07/2023	1yr 3 yrs		Member	Audit, Students Curriculum and Quality	13/13
Peter Coley	01/03/2017 – 31/07/2018 01/08/2018 – 31/07/2020	> 1 yr 2 yrs	31/07/2020	Co-optee Member	Finance and General Purposes	10/10
Paul Dyson	01/03/2018 01/08/2018 – 31/07/2020	< 1 yr 2 yrs	16/10/2019	Co-optee Member	Search and Governance, Finance and General Purposes	1/2
Lance Hanson	01/12/2018 – 31/07/2019 01/08/2019 – 31/07/2022	1 yr 3 yrs		Member	Search and Governance, Students Curriculum and Quality	11/13
Tiffany Harvey-Pallent	28/11/2017 01/08/2018 – 31/07/2021	< 1 yr 3 yrs	30/09/2020	Member	Search and Governance, Audit	12/14
Jake Hiatt	01/10/2020- 31/07/2021	< 1 yr		Student	Students Curriculum and Quality	n/a
Mark Johnson	24/09/2014 – 31/07/2015 01/08/2015 – 31/07/2018	< 1 yr 3 yrs	31/07/2020	Member	Audit	8/11

Name	Date of Appointment	Term of Office	Date of Resignation/ Completion	Status of Appointment	Committees Served in year	Corporation Members Attendance
	01/08/2018 – 31/07/2020	2 yrs				
Helene Jones	01/08/2015 – 31/07/2016 01/08/2016 – 31/07/2019 01/08/2019 – 01/07/2022	1 yr 3 yrs 3 yrs		Member	Search and Governance Finance and General Purposes Remuneration Vice Chair of Corporation	13/15
Louise Jones	01/08/2017 – 31/07/2018 01/08/2018 – 31/07/2021	1 yr 3 yrs		Member	Search & Governance Students, Curriculum and Quality, <i>Finance and General Purposes,</i> Remuneration Chair of Corporation from 01/08/2019	13/14
Zubeda Limbada	01/10/2020-30/09/2021	1yr		Member	Students, Curriculum and Quality	n/a
Mark Richardson	01/08/2020-31/07/2021	1 yr		Member	Audit	n/a
Joanne Rouse	01/10/2020-30/09/2021	1yr		Member	Students, Curriculum and Quality	n/a
David Williams	01/07/2017			Accounting Officer/ Principal	Search & Governance Students, Curriculum and Quality, Finance and General Purposes	16/16
Joanne Williams	01/07/2020			Interim Accounting Officer/ Principal From 01/07/2020	Search & Governance Students, Curriculum and Quality, Finance and General Purposes	1/1
Jennifer Sunter	Clerk to the Corporation					

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 has met at least termly with meetings moving to a digital platform from March 2020 as a response to lockdown measures.

The Corporation conducted its business through a number of committees including Finance and General Purposes Committee and Students, Curriculum and Quality Committee. Each committee has terms of reference, which have been approved by the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.halesowen.ac.uk or from the Clerk to the Corporation at the College's registered address.

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

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

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

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

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

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not usually exceeding three years. However, new appointments are made for a one year term of office in the first instance. The student governor is appointed for one year and the staff governor for two years.

Corporation Performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2020 and graded itself as good on the Ofsted scale.

Remuneration Committee

Throughout the year ending 31 July 2020 the College has operated a remuneration committee with responsibility to make recommendations to the Board on the remuneration and benefits of the Accounting Officer, Senior Post Holders and the Clerk.

Details of remuneration for the year ended 31 July 2020 are set out in Note 8 to the financial statements.

The College has adopted the AoC's Senior Staff Remuneration Code.

Audit Committee

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

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan 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 internal, reporting accountants and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

The Audit Committee is responsible for advising the Corporation on the assurance framework and will set out their opinion in their annual report.

Search and Governance Committee

The College has a Search and Governance Committee to oversee the effectiveness of the search and appointment; monitor the arrangements for induction, training and self-assessment; monitor the arrangements for appraisal of the Clerk, senior post holders and the Accounting Officer/Principal, and oversee governance arrangements. The Committee comprises five current members.

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 they are personally responsible, in accordance with the responsibilities assigned to them in the Funding Agreement between Halesowen College and the funding bodies. The Principal 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 in Halesowen College for the year ended 31 July 2020 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 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the 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.

Halesowen 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 part of the College's overall assurance model which maps the key performance indicators, as defined in the strategic plan, against risks to identify areas where the Corporation require external scrutiny/additional assurance. The audit plan forms part of this framework and is approved by the Corporation on the recommendation of the Audit Committee.

The appointed internal audit service centre their work on key financial controls and other identified risks. At minimum, each year, the internal partner provides to the Corporation a report on work conducted. Specialist providers are engaged for other aspects of the assurance plan. The Audit Committee have received several alternative reports on this assurance activity which included:

- assurance gap analysis
- risk management report including risk appetite, risk plans, sources of assurance, early warning indicators and contra risk
- anti-fraud self-assessment
- regularity audit checklist and associated evidence
- accountability review evaluation to replace the FMCE

as well as the annual opinion of the external auditor, a report on key financial controls from the internal audit service and reports on student records, where applicable, from a specialist audit firm.

Risk faced by the Corporation

As narrated in the Principal Risks and Uncertainties section of the strategic report, the Risk Management Policy is subject to annual review and the Corporation has determined an overarching risk appetite.

The risk management process is managed through the Audit Committee with an annual and mid-year formal review of the register identifying and evaluating key strategic, operational, finance, compliance and other risks. This process quantifies the impact and likelihood. The Corporation, via the Audit Committee also monitor the risk action plan. The strategic annual plans are linked through to the risk register to provide a triangulated approach.

Control Weaknesses Identified

During 2019/2020 the internal audit team conducted work in accordance with the audit plan. Some assignments were delayed until 2020/2021 given the global pandemic and associated lockdown. As part of their work, internal audit conducted an assurance review of systems of internal control, governance and transparency and provided substantial assurance with no urgent or important action points. This highest level of audit assurance also applied to the comprehensive review of payroll, following a move to bring the service inhouse in June 2020 and, the assurance review of strategic new ventures. Internal audit also conducted a review of Personnel and provided reasonable assurance and made three important action points surrounding the on-boarding process. As a response to this, the College re-structured the personnel team and introduced a new establishment management process. In order to provide rigour, the Audit Committee revisit all audit recommendations and seek assurance that they have been addressed. This is a standing item on each committee agenda and as such the Audit Committee can be satisfied that action is taken and that it is sufficient to address any control weakness. The internal audit team also conduct a review of recommendations to provide external assurance and this is in turn reported formally to the Audit Committee.

Responsibilities under the Funding Agreement

In order to provide assurance that the Corporation has met all of its contractual responsibilities under the funding agreement and contracts with ESFA, the Audit Committee conducts a self-assessment annually which analyses College policy/processes against requirements and identifies any actions required to evidence full compliance. This considers in detail all conditions of funding and RAG rates any risks. This was reported to Corporation in Sept 2020.

Statement from the Audit Committee

The Audit Committee has advised the Board of Governors that the Corporation has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place. The above section on control weaknesses summaries the work of audit during the year.

In 2019/20 the College engaged a specialist company to seek Covid Aware accreditation to inspire confidence as part of the re-opening plan.

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 and the reporting accountants for regularity assurance in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the faculties and reinforced by risk awareness training. The Accounting Officer/Principal and senior management team and the Audit Committee also receive reports from internal audit and other sources of assurance which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2020.

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

Approved by order of the members of the Corporation on 26 January 2021 and signed on its behalf by:



Louise Jones
Chair

Date: 26 January 2021



Andrew Dobson
Accounting Officer

Date: 26 January 2021

Halesowen College Statement of Regularity, Propriety and Compliance

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



Louise Jones
Chair of Governors

Date: 26 January 2021



Andrew Dobson
Accounting Officer

Date: 26 January 2021

Statement of Responsibilities of the Members of the Corporation

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

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

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

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

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

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

The corporation is responsible for the maintenance and integrity of the College website; the work carried out by the 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 26 January 2021 and signed on its behalf by:



Louise Jones, Chair
Date: 26 January 2021

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HALESOWEN COLLEGE

Opinion

We have audited the financial statements of Halesowen College (the 'College') and its subsidiary (the 'Group') for the year ended 31 July 2020 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2020 and of the Group's and the College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

a. Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

In our opinion, in all material respects:

- funds from whatever source administered by the college for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2019 to 2020 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

Responsibilities of the Corporation of Halesowen College

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 31, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <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, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 9 November 2020. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK AUDIT LLP

Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

RSM UK Audit LLP

28.1.21

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF HALESOWEN COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter dated 9 November 2020 and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA"), to obtain limited assurance about whether the expenditure disbursed and income received by Halesowen College during the period 1 August 2019 to 31 July 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the "ACoP") issued by the ESFA. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the ESFA has other assurance arrangements in place.

We are independent of the Halesowen College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of Halesowen College for regularity

The Corporation of Halesowen College is responsible, under the grant funding agreements and contracts with the ESFA and 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. The corporation of Halesowen College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

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 ACoP.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

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 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

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

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

28.1.21

Halesowen College
Consolidated and College Statements of Comprehensive Income and Expenditure
for the Year Ended 31 July 2020

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group £'000	College £'000	Group £'000	College £'000
Income					
Funding body grants	2	22,992	22,992	20,051	20,051
Tuition Fees and Education Contracts	3	1,835	1,835	1,928	1,928
Other Grants and Contracts	4	165	165	235	235
Other Income	5	1,557	685	1,683	773
Investment Income	6	28	27	64	63
Donations and Endowments	7	0	0	0	0
Total Income		26,577	25,704	23,961	23,050
Expenditure					
Staff Costs	8	16,795	16,494	14,821	14,323
Restructuring Costs	8	117	117	66	66
Other Operating Expenses	9	7,480	6,908	6,999	6,586
Depreciation	12	1,693	1,693	1,728	1,728
Amortisation		200	200	0	0
Interest and Other Finance Costs	10	348	348	340	340
Total Expenditure		26,633	25,760	23,954	23,043
Surplus before other gains and losses and FRS pension adjustments					
		1,307	1,307	1063	1063
FRS102 pension adjustments	26	(1,363)	(1,363)	(1,056)	(1,056)
Surplus before other recognised gains and losses being (deficit) before tax					
		(56)	(56)	7	7
Taxation	11	0	0	0	0
Surplus for the Year					
		(56)	(56)	7	7
Unrealised Surplus on Revaluation of Assets		0	0	0	0
Actuarial (loss) in respect of Pensions Schemes	26	(9,759)	(9,759)	(1,036)	(1,036)
Total Comprehensive Income for the Year		(9,815)	(9,815)	(1,029)	(1,029)

Halesowen College
Consolidated and College Statements of Changes in Reserves
For the Year Ended 31 July 2020

	Income and Expenditure account	Revaluation Reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2018	19,484	1,754	21,238
Surplus from the Income and Expenditure account	7	0	7
Other comprehensive income	(1,036)	0	(1,036)
Transfers between Revaluation and Income and Expenditure Reserves	51	(51)	0
Total comprehensive income for the year	(978)	(51)	(1,029)
Gift Aid		0	0
Balance at 31st July 2019	18,506	1,703	20,209
Balance at 1st August 2019	18,506	1,703	20,209
Deficit from the Income and Expenditure account	(56)	0	(56)
Other comprehensive income	(9,759)	0	(9,759)
Transfers between Revaluation and Income and Expenditure Reserves	50	(50)	0
Total comprehensive income for the year	(9,765)	(50)	(9,815)
Balance at 31st July 2020	8,741	1,653	10,394
College			
Balance at 1st August 2018	19,484	1,754	21,238
Surplus from the Income and Expenditure account	7	0	7
Other comprehensive income	(1,036)	0	(1,036)
Transfers between Revaluation and Income and Expenditure Reserves	51	(51)	0
Total comprehensive income for the year	(978)	(51)	(1,029)
Balance at 31 July 2019	18,506	1,703	20,209
Balance at 1st August 2019	18,506	1,703	20,209
Deficit from the Income and Expenditure account	(56)	0	(56)
Other comprehensive income	(9,759)	0	(9,759)
Transfers between Revaluation and Income and Expenditure Reserves	50	(50)	0
Total comprehensive income for the year	(9,765)	(50)	(9,815)
Balance at 31st July 2020	8,741	1,653	10,394

Halesowen College
Balance sheets as at 31 July 2020

	Notes	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Fixed assets					
Tangible fixed assets	12a	33,565	33,565	28,980	28,980
Intangible fixed assets	12b	600	600	0	0
Investments	13	0	0	0	0
		34,165	34,165	28,980	28,980
Current assets					
Stocks		34	25	35	29
Debtors	14	1,530	1,578	1,529	1,624
Investments	15	7,911	7,911	7,269	7,269
Cash and cash equivalents	21	3,647	3,589	4,304	4,180
		13,122	13,103	13,137	13,102
Less: Creditors – amounts falling due within one year	16	(3,204)	(3,185)	(2,651)	(2,616)
Net current assets		9,918	9,918	10,486	10,486
Total assets less current liabilities		44,083	44,083	39,466	39,466
Less: Creditors – amounts falling due after more than one year	17	(12,671)	(12,671)	(9,366)	(9,366)
Provisions					
Defined benefit obligations	19	(20,870)	(20,870)	(9,748)	(9,748)
Other provisions	19	(148)	(148)	(143)	(143)
Total net assets		10,394	10,394	20,209	20,209
Unrestricted reserves					
Income and expenditure account		29,611	29,611	28,254	28,254
Defined benefit reserves		(20,870)	(20,870)	(9,748)	(9,748)
Revaluation reserve		1,653	1,653	1,703	1,703
Total unrestricted reserves		10,394	10,394	20,209	20,209

The financial statements on pages 36 to 66 were approved and authorised for issue by the Corporation on 26 January 2021 and were signed on its behalf on that date by:



Louise Jones
Chair of Governors



Andrew Dobson
Accounting Officer

Halesowen College
Consolidated Statement of Cash Flows
for the Year Ended 31 July 2020

	Notes	2020 £'000	2019 £'000
Cash from operating activities			
(Deficit)/Surplus for the year		(56)	7
Adjustment for non cash items			
Depreciation		1,693	1,728
Decrease in stocks		1	0
(Increase) in debtors		(1)	(449)
Increase in creditors		858	236
Increase in provisions		5	4
Pensions costs less contributions payable		1,363	1,056
Gift aid distribution		0	0
Deferred capital grants released to income		(389)	(429)
Taxation		0	0
Adjustment for investing or financing activities			
Investment income		(28)	(64)
Interest payable		133	140
Taxation paid		0	0
Loss on sale of fixed assets		0	0
		<u>3,579</u>	<u>2,229</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Proceeds from sale of fixed assets		0	0
Disposal of non-current asset investments		0	0
Investment income		28	64
Withdrawal of deposits		(642)	2,494
New deposits		0	0
Payments made to acquire fixed assets		(6,878)	(2,518)
Capital grants received		3,786	1,013
		<u>(3,706)</u>	<u>1,053</u>
Cash flows from financing activities			
Interest paid		(133)	(140)
Interest element of finance lease rental payments		0	0
New unsecured loans		0	0
Repayments of amounts borrowed		(397)	(384)
Capital element of finance lease rental payments		0	0
		<u>(530)</u>	<u>(524)</u>
(Decrease)/Increase in cash and cash equivalents in the year		<u>(657)</u>	<u>2,758</u>
Cash and cash equivalents at beginning of the year	21	4,304	1,546
Cash and cash equivalents at end of the year	21	<u>3,647</u>	<u>4,304</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 AUGUST 2019 TO 31 JULY 2020

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 financial statements.

Basis of Preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2019 to 2020* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

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

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

The consolidated financial statements are presented in Great British pounds 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.

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiary, Halesowen 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. The results of any subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales, profits and balances are eliminated fully on consolidation. In accordance with FRS102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2020

All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Halesowen College Student Union is a separate entity and is not consolidated.

Going Concern

Halesowen College has outstanding financial health and a strong liquidity ratio. The Corporation are provided with information to assure them of financial resilience and considers that the College has adequate resources to continue in operational existence for the foreseeable future and for this reason, it continues to adopt the going concern basis in preparing the financial statements.

The activities of the Group, together with the factors likely to affect its future development and performance, are set out in the Strategic Report. The financial position of the Group, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. The Group has £3,402k (2019: £3,439k) of loans outstanding with bankers on terms negotiated in 2006 with the five loans being secured by a charge on Group cash.

A summary of loans is included in the table below:

Date	Value Drawn	Term	Type	Rate	Bank
May 2006	£1,525,000	20 years	Variable	0.45% + base	NatWest
May 2006	£1,525,000	20 years	Fixed	6.08%	NatWest
March 2009	£1,250,000	20 years	Fixed	5.55%	NatWest
Nov 2010	£1,250,000	20 years	Variable	1.5% + LIBOR	NatWest
Aug 2011	£1,320,000	20 years	Variable	1.5% + LIBOR	NatWest

The Group's forecasts and financial projections indicate that it will be able to operate within this existing facility for the foreseeable future.

Whilst Covid-19 has had an economic impact nationwide and has led to some difficulties in the education sector more widely, the College has successfully migrated a high proportion of learning to an online delivery model, and enrolments for the current financial year have demonstrated that students are receptive to this model of delivery and still engaging with the College. The subsidiary company, Halesowen College Enterprises Limited, is facing more challenging times, however, this will not have a material effect on the view of the Group overall as a going concern. The College has pledged its support to the subsidiary to enable it to continue to operate for at least the period to 31 January 2022.

Accordingly, the Group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the approval of the financial statements and for this reason will continue to adopt the going concern basis in its preparation of its Financial Statements.

Recognition of Income

Revenue Grants Funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102.

Funding body recurrent grants are measured in line with best estimates for the year of what is receivable and depend on the particular income stream involved. Any under achievement of the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end and the results of any funding audit. Where this process involves negotiations in respect of over achievement or adjustment to claw back in respect of underachievement, where negotiations are subsequent to the year end, they are not reflected in the income recognised.

16-18 learner-responsive funding is not subject to reconciliation and is therefore not subject to contract adjustments and is recognised when receivable.

The recurrent grant from Office for Students, represents the funding allocations attributable to the current financial year and is credited directly to the Statement of Comprehensive Income.

Grants from non-government sources, including grants relating to assets, are recognised in income when the College has met the performance-related conditions and the grant will be received. Income received in advance of performance related conditions being met is recognised as a liability.

Government capital grants for assets, other than land, are accounted for under the accrual model. The grant income received or receivable will be recognised over the expected useful life of the asset, with any amount of the asset-related grant that is deferred being recognised as deferred income. The deferred income is allocated between creditors due within one year and those due after more than one year.

Other Income

Income from the supply of services is recognised at fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration. Income from tuition fees is recognised over the period for which it is received.

All income from short-term deposits is accrued in the period in which it is earned on a receivable basis.

Retirement Benefits

Retirement benefits to employees of the College are principally provided by Teachers' Pensions Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

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 the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. 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. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts include in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

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 the college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to 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.

Fixed Asset Investments

College

Interests in subsidiaries and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses in the separate financial statements of the College.

Interests in subsidiaries and jointly controlled entities are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in comprehensive income.

Group

Jointly Controlled Entities

Entities in which the Group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities. Jointly controlled entities are accounted for using the equity method, as described in the accounting policy for associates above.

Other Investments

Listed investments are stated at fair value through the profit or loss. Investments comprising unquoted equity instruments whose fair values cannot be measured reliably are measured at cost less impairment.

Tangible Fixed Assets

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives which is usually 50 years.

Freehold land is not depreciated.

The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within

creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS102, the College followed the transitional provision to retain the book value of land and buildings, which were not revalued. The College has adopted a policy of no revaluation of these properties in the future unless there is belief that the carrying value is materially different from the fair value at the end of each accounting period.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £5,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

■ technical equipment	6-10 years
■ motor vehicles	10 years
■ computer equipment	6-10 years
■ other	6-10 years

Other

Assets which are used collectively for one purpose may be grouped.

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.

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.

Intangible fixed assets

Any goodwill or similar intangible fixed assets will be realised on the face of the balance sheet and amortised over an appropriate period.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to the statement of comprehensive income on a straight-line basis over their useful lives.

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

Operating leases and annual rents are charged to comprehensive income on a straight line basis over the lease term.

Assets held under finance leases are recognised initially at fair value of the leased asset at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under lease.

Stock

Stock is valued at the lower of cost and estimated selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Financial Instruments

The Group has chosen to adopt Sections 11 and 12 of FRS102 in full in respect of financial instruments.

Financial Assets and Liabilities

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

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

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

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

Derecognition of financial assets and liabilities

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

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 a nominal amount 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 company is 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 a reliable estimate can be made of the amount of the obligation.

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

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

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

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students

are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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:

Critical accounting estimates and assumptions

■ *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking 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 such 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 the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, 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 2020. 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 group 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 flow and selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

Halesowen College

Notes to the Accounts (Continued)

2 Funding body grants

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	31	31	1,282	1,282
Education and Skills Funding Agency - 16-18	19,574	19,574	17,437	17,437
Education and Skills Funding Agency - apprenticeships	567	567	672	672
West Midlands Combined Authority - adult	1,453	1,453	0	0
Office for Students - HE	136	136	161	161
Specific Grants				
Other	1,065	1,065	340	340
Releases of Funding Body Capital Grants	166	166	159	159
Total	22,992	22,992	20,051	20,051

3 Tuition fees and Education Contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	107	107	225	225
Apprenticeship fees and contracts	21	21	17	17
Fees for FE loan supported courses	384	384	406	406
Fees for HE loan supported courses	486	486	532	532
European (Excl. UK) Students	0	0	0	0
International student fees	0	0	0	0
Total tuition fees	998	998	1,180	1,180
Education contracts	837	837	748	748
Total	1,835	1,835	1,928	1,928

4 Other grants and contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £'000	College £'000	Group £'000	College £'000
Erasmus	0	0	52	52
UK-based charities	0	0	0	0
European Commission	0	0	0	0
Other grants and contracts	165	165	183	183
Total	165	165	235	235

Halesowen College

Notes to the Accounts (Continued)

5 Other Income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	14	14	34	34
Other income generating activities	1,320	448	1,379	469
Other grant income	0	0	0	0
Releases of Non Funding Body Capital Grants	223	223	270	270
Miscellaneous income	0	0	0	0
Total	1,557	685	1,683	773

6 Investment income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Income from bank deposits	28	27	64	63
Other interest receivable	0	0	0	0
	28	27	64	63
Pension finance income (Note 26)	0	0	0	0
	28	27	64	63

7 Donations

	Year ended 31 July	
	2020	2019
	College	College
	£'000	£'000
Unrestricted donations	0	0
Total	0	0

Halesowen College

Notes to the Accounts (Continued)

8 Staff Costs - Group and College

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

	2020		2019	
	Group No.	College No.	Group No.	College No.
Teaching Staff	245.70	245.70	231.64	231.64
Non-Teaching Staff	195.30	157.19	149.98	121.79
	441.00	402.89	381.62	353.43
Staff costs for the above persons				
	2020		2019	
	£'000 Group	£'000 College	£'000 Group	£'000 College
Wages and Salaries	12,234	11,957	11,334	10,860
Social security costs	1,110	1,093	996	979
Other pension costs	3,451	3,444	2,491	2,484
Payroll Sub total	16,795	16,494	14,821	14,323
Contracted out staffing services	0	0	0	0
	16,795	16,494	14,821	14,323
Restructuring costs -	Contractual		66	66
	Non-contractual		0	0
Total staff costs	16,912	16,611	14,887	14,389

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Management Team which comprises the Principal, Vice Principal: Director of Finance and Corporate Services and Deputy Principal: Director of Learning and Teaching. Staff costs include compensation paid to personnel for loss of office.

Halesowen College

Notes to the Accounts (Continued)

8 Staff Costs - Group and College

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

	2020 No.	2019 No.
The number of Key management personnel including the Accounting Officer was:	<u>3</u>	<u>3</u>

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

	Key management personnel		Other Staff	
	2019/20 No.	2018/19 No.	2019/20 No.	2018/19 No.
£ 0 to £5,000	0	0	N/A	N/A
£ 5,001 to £10,000	0	0	N/A	N/A
£ 10,001 to £15,000	0	0	N/A	N/A
£ 15,001 to £20,000	0	0	N/A	N/A
£ 20,001 to £25,000	0	0	N/A	N/A
£ 25,001 to £30,000	0	0	N/A	N/A
£ 30,001 to £35,000	0	0	N/A	N/A
£ 35,001 to £40,000	0	0	N/A	N/A
£ 40,001 to £45,000	0	0	N/A	N/A
£ 45,001 to £50,000	0	0	N/A	N/A
£ 50,001 to £55,000	0	0	N/A	N/A
£ 55,001 to £60,000	0	0	N/A	N/A
£ 60,001 to £65,000	0	0	1	1
£ 65,001 to £70,000	0	0	0	2
£ 70,001 to £75,000	0	0	4	0
£ 75,001 to £80,000	0	0	0	0
£ 80,001 to £85,000	0	0	0	0
£ 85,001 to £90,000	0	0	0	0
£ 90,001 to £95,000	1	1	0	0
£ 95,001 to £100,000	0	1	0	0
£ 100,001 to £105,000	1	0	0	0
£ 105,001 to £110,000	0	0	0	0
£ 110,001 to £115,000	0	0	0	0
£ 115,001 to £120,000	0	0	0	0
£ 120,001 to £125,000	0	0	0	0
£ 125,001 to £130,000	0	0	0	0
£ 130,001 to £135,000	0	0	0	0
£ 135,001 to £140,000	0	0	0	0
£ 140,001 to £145,000	0	0	0	0
£ 145,001 to £150,000	0	1	0	0
£ 150,001 to £155,000	1	0	0	0
	<u>3</u>	<u>3</u>	<u>5</u>	<u>3</u>

Halesowen College
Notes to the Accounts (Continued)

8 Staff Costs - Group and College

Key management personnel (including the Accounting Officer) emoluments are made up as follows:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Salaries	310	298
National Insurance	39	38
Benefits in kind	0	0
	<u>349</u>	<u>336</u>
Pension Contributions	67	48
Total emoluments	<u><u>416</u></u>	<u><u>384</u></u>

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

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid of key management personnel) of:

	2020 £'000	2019 £'000
Salaries	151	147
Benefits in kind	0	0
	<u>151</u>	<u>147</u>
Pension Contributions	31	22
Total emoluments	<u><u>182</u></u>	<u><u>169</u></u>

The relationship between the Accounting Officer's emoluments, expressed as a multiple of all other employees based on full-time equivalents, is set out below for both basic salary and total remuneration.

Principal and Accounting Officer's basic salary as a multiple of the median of all staff	5	5
Principal and Accounting Officer's total remuneration as a multiple of the median of all staff	5	5

The governing body has adopted AOC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future. The remuneration package of the Principal and Accounting Officer is subject to annual review by the Corporation who use benchmarking information to provide objective guidance.

The Principal and Accounting Officer reports to the Chair of Governors, who undertakes an annual review of his performance against the College's overall objectives using both qualitative and quantitative measures of performance.

A similar approach was used to determine the remuneration of other key management personnel.

Compensation for loss of office paid to former key management personnel	2020	2019
	£	£
Compensation paid to the former post-holder - contractual	0	0
Estimated value of other benefits, including provisions for pension benefits	0	0
	<u>0</u>	<u>0</u>

Halesowen College
Notes to the Accounts (Continued)

8 Staff Costs - Group and College

Governors' remuneration

The Accounting Officer and the staff member only receive remuneration in respect of services they provide undertaking their roles of Principal and staff member under contract 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.

During the year 1 (2019 - 2) governor with total expenses of £190.80 (2019 - £232.18) was paid to or on their behalf in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching staff	3,464	3,464	3,629	3,629
Non Teaching costs	2,432	1,860	2,108	1,695
Premises costs	1,584	1,584	1,262	1,262
Total	7,480	6,908	6,999	6,586

Surplus before taxation is stated after charging:

	2020	2019
	£'000	£'000
Fees payable to RSM UK LLP and its associates in respect of both audit and non-audit fees:		
Financial statements audit (2020 College £25,000)	29	24
Other services provided by the financial statements auditors	3	1
Internal audit (2020 College £5,000)	5	6
Loses on disposal of tangible fixed assets	0	0
Hire of assets under operating leases	0	0
	<u> </u>	<u> </u>

Halesowen College
Notes to the Accounts (Continued)

10 Interest payable and other finance costs - Group and College

	2020 £'000	2019 £'000
On Bank loans, overdrafts and other loans	<u>133</u>	<u>140</u>
	133	140
On finance leases	0	0
Pensions finance costs (Note 26)	<u>215</u>	<u>200</u>
Total	<u><u>348</u></u>	<u><u>340</u></u>

11 Taxation - Group and College

	2020 £'000	2019 £'000
United Kingdom Corporation Tax	0	0
Provision for deferred Corporation Tax in the accounts of the subsidiary company	<u>0</u>	<u>0</u>
Total	<u><u>0</u></u>	<u><u>0</u></u>

Halesowen College
Notes to the Accounts (Continued)

12a Tangible fixed assets (Group)

	Land and Buildings		Equipment	Assets in the Course of Construction	Total
	Free Hold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:					
At 1st August 2019	39,107	0	10,583	1,375	51,065
Additions	(35)		634	5,679	6,278
Transfers to Land and Buildings	4,666	0	400	(5,066)	0
Disposals	0	0	0	0	0
At 31 July 2020	43,738	0	11,617	1,988	57,343
Depreciation					
At 1st August 2019	12,734	0	9,351	0	22,085
Charge for the year	1,094	0	599	0	1,693
Elimination in respect of disposals	0	0	0	0	0
At 31 July 2020	13,828	0	9,950	0	23,778
Net book value at 31st July 2020	29,910	0	1,667	1,988	33,565
Net book value at 31st July 2019	26,373	0	1,232	1,375	28,980

Halesowen College
Notes to the Accounts (Continued)

12a Tangible fixed assets (College)

	Land and Buildings		Equipment	Assets in the Course of Construction	Total
	Free Hold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:					
At 1st August 2019	39,107	0	10,573	1,375	51,055
Additions	(35)	0	634	5,679	6,278
Transfers to Land and Buildings	4,666	0	400	(5,066)	0
Disposals	0	0	0	0	0
At 31 July 2020	43,738	0	11,607	1,988	57,333
Depreciation					
At 1st August 2019	12,734	0	9,341	0	22,075
Charge for the year	1,094	0	599	0	1,693
Elimination in respect of disposals	0	0	0	0	0
At 31 July 2020	13,828	0	9,940	0	23,768
Net book value at 31st July 2020	29,910	0	1,667	1,988	33,565
Net book value at 31st July 2019	26,373	0	1,232	1,375	28,980

The net book value of tangible fixed assets includes an amount of £596,216 (2018-19 £254,874) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £56,523 (2018-19 £0). If fixed assets had not been revalued before being deemed on cost on transition they would have been included at the following historical cost amounts.

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost:	Nil

Halesowen College

Notes to the Accounts (Continued)

12b Intangible assets

Halesowen College was involved in developing a solution for the ongoing provision of 16-18 and adult education in the Black Country following a Strategic Prospects Appraisal conducted by the FE Commission at Birmingham Metropolitan College (BMet). It was recommended that BMet disaggregate its provision in the Black Country and focus on activities in Birmingham to address issues with quality and realise financial stability. This has led to the closure of the Hagley Road site. Consequently, a proportion of the staff and students transferred to Halesowen College. Dudley College of Technology took on the other curriculum areas and also ownership of the Art and Design Centre at Brierley Hill. A payment of £800,000 has been paid by Halesowen College to BMet for the transfer of the provision. Given that there is no exchange of fixed assets between BMet and Halesowen College, this is a payment for the transfer of the contract with ESFA. This intangible asset is the potential to increase the Halesowen College role and in turn increases income from the ESFA and WMCA. The Corporation set up a steering committee to oversee the transfer and engaged with Shakespeare Martineau for legal advice. Due diligence was conducted. This intangible asset is being amortised over four years.

13 Non current Investments

	2020 College £	2019 College £
Investments in subsidiary company	2	2
Investments in shared services company (Jointly Controlled)	0	0
	<hr/>	<hr/>
Total	<u>2</u>	<u>2</u>

The College owns 100% of the issued ordinary £1 shares of Halesowen College Enterprises Limited, a company incorporated in England and Wales. The principal business activity of Halesowen College Enterprises Limited is running the College shops, providing cleaning services and other profit generating activities, for example room hire.

14 Debtors

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Amounts falling due within one year:				
Trade debtors	314	301	318	306
Amounts owed by group undertakings:				
Subsidiary undertaking	0	61	0	107
Prepayments and accrued income	1,178	1,178	1,140	1,140
Amounts owed by the ESFA	38	38	71	71
Other			0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>1,530</u>	<u>1,578</u>	<u>1,529</u>	<u>1,624</u>

Halesowen College

Notes to the Accounts (Continued)

15 Current asset investments

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Short term deposits and bank bond	7,911	7,911	7,269	7,269
Total	7,911	7,911	7,269	7,269

Deposits are held with banks operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date.

These investments are liquid and can be withdrawn at any time albeit penalties may be incurred.

The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

16 Creditors: amounts falling due within one year

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Bank loans and overdrafts	339	339	398	398
Obligations under finance leases	131	131	85	85
Trade creditors	905	904	712	703
Amounts owed to group undertakings:				
Subsidiary undertakings	0	0	0	0
Associate undertakings	0	0	0	0
Corporation tax	0	0	0	0
Other taxation and social security	571	561	469	462
Accruals and deferred income	526	518	558	539
Deferred income - Government Capital Grants	389	389	429	429
Deferred income - Government Revenue Grants	0	0	0	0
Amounts owed to the ESFA	343	343	0	0
Total	3,204	3,185	2,651	2,616

17 Creditors: amounts falling due after one year

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
Bank loan	2,703	2,703	3,041	3,041
Obligations under finance leases	393	393	170	170
Other taxation and social security	38	38	55	55
Deferred income - Government Capital Grants	9,537	9,537	6,100	6,100
Total	12,671	12,671	9,366	9,366

Halesowen College

Notes to the Accounts (Continued)

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
In one year or less	339	339	398	398
Between one and two years	294	294	338	338
Between two and five years	964	964	923	923
In five years or more	1,445	1,445	1,780	1,780
Total	<u>3,042</u>	<u>3,042</u>	<u>3,439</u>	<u>3,439</u>

Bank loans are secured against the Whittingham Road site.

At 31 July 2019 the College had the following loans:

£3,050,000 taken over a 20 year term with NatWest bank at May 2006 as follows:

£1,525,000 variable rate 0.45% above base

£1,525,000 fixed rate of 6.08%

£1,250,000 taken over a 20 year term with NatWest bank at March 2009 fixed rate 5.55%

£1,250,000 taken over a 20 year term with NatWest bank at November 2010 variable rate 1.50% above LIBOR

£1,320,000 taken over a 20 year term with NatWest bank at August 2011 variable rate 1.50% above LIBOR

(b) Finance lease

The net finance lease obligations to which the institution is committed are:

	2020 Group £'000	2020 College £'000	2019 Group £'000	2019 College £'000
In one year or less	131	131	85	85
Between two and five years	393	393	170	170
In five years or more			0	0
Total	<u>524</u>	<u>524</u>	<u>255</u>	<u>255</u>

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

Halesowen College
Notes to the Accounts (Continued)

19 Provisions	Group and College				
	Defined Benefit Obligations	Restructuring	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1st August 2019	9,748	0	143	0	9,891
Amounts utilised	0	0	(13)	0	(13)
Additions in the period charged to income and expenditure account	11,122	0	18	0	11,140
At 31st July 2020	20,870	0	148	0	21,018

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 26.

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

The principle assumptions for this calculations are:

	2020	2019
Price Inflation	2.20%	2.20%
Discount rate	1.30%	2.00%

20 Financial Instruments

The group have the following financial instruments:

	Group	
	2020 £'000	2019 £'000
Financial assets:		
Debt instruments measured at amortised cost	352	389
Financial liabilities		
Financial liabilities measured at amortised cost	4,997	4,964

21 Cash and cash equivalents

	2020	2020	2019	2019
	Group £'000	College £'000	Group £'000	College £'000
Cash and cash equivalents	3,647	3,589	4,304	4,180
Overdrafts	0	0	0	0
Total	3,647	3,589	4,304	4,180

22 Capital commitments

	Group and College	
	2020 £'000	2019 £'000
Commitments contracted for at 31st July	1,260	1,856

Halesowen College

Notes to the Accounts (Continued)

23 Lease Obligations

At 31 July the Group and College had total future lease payments under non-cancellable operating leases as follows:

	Group and College	
	2020	2019
	£'000	£'000
Future minimum lease payments due		
Land and Buildings		
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	0	0
	<u>0</u>	<u>0</u>
Other		
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	0	0
	<u>0</u>	<u>0</u>

24 Contingencies

The College has been in receipt of significant income from the European Social Fund (ESF) in recent years and continues to take all reasonable steps to ensure compliance with terms of these grants.

The College recognises that this is a complex area and there is a risk that some funding could become repayable as a result of a possible inspection by the funding provider or ESF Verification and Audit Section.

The College, together with the subsidiary Halesowen College Enterprises Limited, form a VAT group. The College under this arrangement is liable for any unpaid liabilities of its subsidiary in relation to this group scheme. The group VAT liability at 31 July 2020 was £231 (2019: £3,517).

The College has received capital grants of £1.059m and £0.700m from the Local Enterprise Partnership to create an Advanced Science and Technology Centre at the Coombs Wood campus and Access Centre for Higher Education centre. These projects are secured with a charge over cash held in a bond with Lloyds Bank payable should the College fail to deliver the outputs defined in the grant agreement. A further grant has been approved for the refurbishment of the Whittingham Road site. This is valued at £5.932m and again this is secured.

25 Events after the reporting period

None

Halesowen College

Notes to the Accounts (Continued)

26 Retirement Benefits

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 Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Wolverhampton MB. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2020	2019
	£'000	£'000
Teachers Pension Scheme: contributions paid	1,657	1,119
Local Government Pension Scheme:		
Contributions paid	639	483
FRS 102 (28) charge	<u>1,148</u>	<u>1,077</u>
Charge to the Statement of Comprehensive Income	1,787	1,560
Enhanced pension charge to Statement of Comprehensive Income	<u>0</u>	<u>0</u>
	0	0
Total Pension Cost for Year	<u><u>3,444</u></u>	<u><u>2,679</u></u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. 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.

Valuation of the Teachers' Pension Scheme

Not less than every 4 years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014, except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending. The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- . Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- . Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- . Notional past service deficit of £22 billion
- . Discount rate is 2.4% in excess of CPI

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

However, legal challenges to the 2015 public sector pension reforms could have a further impact on the scheme, which would have retrospective application.

The pension costs paid to TPS in the year amounted to £1,657,000 (2019: £1,119,000).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme on as a defined benefit plan so it is accounted for as a defined contribution plan.

Halesowen College

Notes to the Accounts (Continued)

26 Defined benefit obligations (Continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Wolverhampton Local Authority. The total contribution made for the year ended 31 July 2020 was £839,000, of which employer's contributions totalled £639,000 and employees' contributions totalled £200,000. The agreed contribution rates for future years is 16.8% 2019/2020 and 2020/2021 for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2020 by a qualified independent actuary.

	Year ended 31 July	
	2020	2019
Rate of increase in salaries	3.20%	3.85%
Future pensions increases	2.20%	2.35%
Discount rate for scheme liabilities	1.40%	2.15%
Inflation assumptions (CPI)	2.20%	2.35%
Commutation of pensions to lump sums	50.00%	50.00%

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

	Year ended 31 July	
	2020	2019
	Years	Years
<i>Retiring today</i>		
Males	21.90	20.90
Females	24.10	23.20
<i>Retiring in 20 years</i>		
Males	23.80	22.60
Females	26.00	25.00

Halesowen College

Notes to the Accounts (Continued)

26 Defined benefit obligations (Continued)

Local Government Pension Scheme (Continued)

The College's share of assets in the plan at the balance sheet date were:

	31st July 2020 Fair Value £'000	31st July 2019 Fair Value £'000
Equities	10,695	11,438
Bonds	2,805	2,522
Property	1,435	1,553
Cash	1,263	687
Other	2,841	2,825
Total fair value of plan assets	19,039	19,025
Actual return on plan assets	406	1,125

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

	Year ended 31 July	
	2020	2019
	£'000	£'000
Fair value of plan assets	19,039	19,025
Present value of plan liabilities	(39,909)	(28,773)
Net pensions (liability) (Note 19)	(20,870)	(9,748)

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

	Year ended 31 July	
	2020	2019
	£'000	£'000
Current service cost	1,776	1,040
Past service cost	0	294
Net interest on the net defined pension liability	215	196
Administration expenses	11	9
Total	2,002	1,539

Halesowen College

Notes to the Accounts (Continued)

26 Defined benefit obligations (Continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability) during the year

	Year ended 31 July	
	2020	2019
	£'000	£'000
(Deficit) in scheme at 1st August	(9,748)	(7,656)
Movement in year:		
Current service cost	(1,776)	(1,040)
Past service cost	0	(294)
Employer contributions	639	483
Administration expenses	(11)	(9)
Net interest on the defined (liability)/asset	(215)	(196)
Actuarial gain or (loss)	(9,759)	(1,036)
Net defined benefit (liability) at 31st July	<u>(20,870)</u>	<u>(9,748)</u>

Asset and Liability Reconciliation

	Year ended 31 July	
	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	28,773	25,334
Current service cost	1,247	1,040
Interest cost	641	668
Contributions by Scheme participants	200	183
Experience (gains) and losses on defined benefit obligations	1,858	0
Changes in financial assumptions	5,589	3,257
Estimated benefits paid	(366)	(435)
Past service cost	0	294
Curtailments and settlements	1,109	0
Changes in demographic assumptions	858	(1,568)
Defined benefit obligations at end of period	<u>39,909</u>	<u>28,773</u>

Reconciliation of Assets

Fair value of plan assets at start of period	19,025	17,678
Interest on plan assets	426	472
Return on plan assets	(20)	653
Other actuarial gains	(1,434)	0
Administration fee	(11)	(9)
Employer contributions	639	483
Contributions by Scheme participants	200	183
Estimated benefits paid	(366)	(435)
Settlement prices received/(paid)	580	0
Fair value of plan assets at end of period	<u>19,039</u>	<u>19,025</u>

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension (GMP) equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Service Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

Halesowen College

Notes to the Accounts (Continued)

27 Related party transactions

The Accounting Officer and the staff member only receive remuneration in respect of services they provide undertaking their roles of Principal and staff member 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.

During the year total expenses of £190.80 (2019: £232.18) were paid to or on behalf of one governor in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

In this financial year, the College has not made a grant payment to the Students Union (2019: £nil).

Jacqueline Carman is a board member of the Pensions Board for the West Midlands Pension Fund and a member of the Audit Committee for Black Country Colleges. She is a senior post holder at Halesowen College.

Apprenticeship grants for employers	2020	2019
	£'000	£'000
Funding body grants	41	60
Disbursed to employers	(41)	(60)
Balance at 31st July	<u>0</u>	<u>0</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.