

## Halesowen College Annual Report and Financial Statements

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**For the year ended 31  
July 2022**

Report of the Members of the Corporation and  
Financial Statements for the period 1 August  
2021 to 31 July 2022

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## **HALESOWEN COLLEGE REFERENCE AND ADMINISTRATIVE DETAILS**

### **Board of Governors as at 31 July 2022**

David Allen  
Joanne Chilton (Chair)  
Jamie Clayton  
Andrew Dobson  
Andrew Hanson  
Tiffany Harvey- Pallent  
Thomas Huntbatch  
Helene Jones  
Gail Rothnie MBE  
Joanne Rouse  
Mark Sterling  
Jonah Woodley

### **Clerk**

Jennifer Sunter

Further information on the Corporation is provided on pages 23 to 25 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 2021/22:

- Andrew Dobson, Principal and Chief Executive/Accounting Officer (Resigned 30 November 2022)
- Joanne Williams, Deputy Principal (Interim Principal from 1 December 2022)
- Jacqueline Carman, Vice Principal/Chief Operating Officer (Interim Deputy Principal 1 December 2022)

### **Professional Advisers**

#### **External Auditors**

Bishop Fleming  
1-3 College Yard  
Worcester  
WR1 2LB

#### **Bankers**

Lloyds Bank  
Corporate  
2<sup>nd</sup> 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 2022.

### 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

The College's strategic plan for 2021/25 has the stated purpose:

*Halesowen College exists to provide the exceptional educational, training and support that will transform life chances and equip our community to flourish in a changing world.*

This is a new strategic plan underpinned by College values:

- We aim high and support everyone to achieve their best
- We work together and we work hard
- We are inclusive and value diversity
- We are open, honest and take responsibility
- We innovate and always look for improvement
- We recognise and celebrate achievement

The Corporation, at their meeting on 29 September 2021 considered and approved this new strategy for 2021 to 2025 which supports a refreshed vision "to be the first choice in our region for learners, parents, businesses and staff, working with partners to achieve remarkable things."

As part of the strategic planning process, the College has a range of key strategies including; teaching and learning; curriculum; digital; and estates, alongside a risk management framework and financial plans all of which are regularly reviewed.

The Corporation monitors the performance of the College against its strategic objectives with the senior team providing updates at each meeting of the Board and through the established committees. 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.

During the pandemic the College had to adapt quickly and incurred significant costs to procure digital resource and adapt the estate. The College also had to increase student transport provision to ensure social distancing whilst on board. This was supported by funding from West Midlands Combined Authority (WMCA). Education Skills Funding Agency (ESFA) also provided contributions to the costs of the onsite test centre. Central government also provided laptops and

the College used these to replace on-site resources that had been given to learners in lockdown one to address digital poverty. However, whilst the Covid measures have now been removed, throughout 2021/22 some additional costs have been ongoing and include overtime/agency payments to cover staff absence, continued investment in technology, higher cleaning costs and additional staffing input to address gaps in learning. Indeed, the impact of the pandemic on learners' education continues to be significant. Whereas the ESFA tuition fund goes some way to resourcing support, the conditions of use are very restrictive. It is estimated nationally that learners are on average four months behind where they need to be, and this is a primary challenge again for 2022/23.

## **Implementation of Strategic Plan**

As stated above 2021/22 saw a new strategic plan. It was timely to build on achievements and refresh the strategy moving forward given a change in leadership, a rapidly changing socioeconomic and educational landscape and the impacts of the Covid 19 pandemic.

The strategic plan ensures 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.

### **For 2021/22 strategic aims of Halesowen College were:**

1. A broad, inclusive, responsive and purposeful curriculum
2. Exceptional teaching, learning and outcomes
3. Learning environments that make a difference
4. A truly diverse, empowered, supportive and accountable community
5. Sound finances to allow investment and keep us ahead of the game
6. A reputation as the go-to College

The College has worked towards these refreshed objectives throughout 2021/22.

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. Priorities will again be continuously reviewed through the planning and accountability cycle and to inform the annual plan.

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 Resources; Students, Curriculum and Quality and Remuneration Committees. Given the importance of people to the College's success, the Corporation has for 2022/23 established a Personnel Committee.

The Finance and Resources Committee has a remit including recommending to Corporation the budget, estates strategy, cash management framework and financial targets. They also consider funding with HR policies and strategies now to be referred to the new Personnel Committee. 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 Corporation has undertaken an external review of governance which reflected on the committee configurations, remits, terms of reference and scheme of delegation. Recommendations have been actioned to ensure the very best governance practice.

The College has continued to review the curriculum to respond to employer, student and community need whilst being mindful of the WMCA and Local Enterprise Partnership (LEP) priorities. T levels have been introduced in two areas with more planned. The College secured Skills Accelerator funding on behalf of all the Black Country colleges and has been successful in providing support for small businesses in responding to a post lockdown, post Brexit commercial landscape.

Despite restrictions being relaxed and ultimately removed, performance has again been impacted by the Covid 19 pandemic. In particular student mental health fragility, gaps in education and, levels of attendance which fell below the College's minimum levels of performance created a challenging year. Moreover, summer 2022 also saw a return to exams and controlled assessments which for many students was the first experience of a formal exam as their GCSEs had been centre or teacher assessed. The impact of external factors including Covid have also, adversely affecting apprenticeship recruitment.

Overall retention rate was 89.8%, pass 85.3% and achievement 76.7%. This can be broken down as follows:

		<b>Retention Actual</b>	<b>Pass Actual</b>	<b>Achievement Actual</b>
<b>16-18</b>	Main Aim	91.0%	90.6%	82.4%
<b>16-18</b>	All Aims	90.8%	86.0%	78.0%
<b>19+</b>	Main Aim	89.9%	91.3%	82.1%
<b>19+</b>	All Aims	86.8%	83.2%	72.2%
<b>16-18</b>	English Resit	90.3%	82.7%	74.7%
<b>19+</b>	English	79.7%	57.6%	45.9%
<b>16-18</b>	Maths Resit	90.1%	64.6%	58.2%
<b>19+</b>	Maths	79.8%	66.7%	53.2%

Given the disruption to learning caused by the pandemic and reintroduction of exams, the College had anticipated that achievement would dip in 2022. The College is demonstrating a consistent picture of achievement in most areas but benchmarks now date back to 2018/19 and it will be useful to assess performance against the 2021/22 national position. 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, given learners have had their education disrupted by Covid and the ongoing ripple effect will manifest for several years to come.

The College has secured transformation fund grants to support the refurbishment of Shenstone House creating a centre of excellence for health, healthcare science and care. Given the level of student numbers, the College has also identified an additional building and is working with the Local Authority in a Levelling Up Fund Bid which will see an increased presence in the town centre. The College has also opened a Skills Shop in the local shopping mall and has an ambitious approved estates strategy now in place. This will ensure that the College has an excellent estate to respond to current and future business needs and utilises its current outstanding financial base to invest in the pursuance of excellent learning and teaching for all.

In terms of our community the College has retained its Leaders in Safeguarding accreditation and continues to offer an expertly managed service which is effective and valued by learners. The retention and recruitment of staff has emerged as one of the highest risks for the College and certainly turnover has increased year on year. Levels of sickness absence is also above the acceptable thresholds and in some areas morale is low. The strategic objectives to support the aim of recruiting, retaining and developing the best staff and, the wellbeing of the College community are clear priorities for the year ahead.

The targets for finance reflect the standards currently required by the ESFA to sustain outstanding financial health and this will be achieved for 2021/22. Seeking opportunities for income diversification and managing the balance between efficiency and quality are core considerations in the increasingly challenging financial climate.

In terms of reputation, the College has conducted a successful rebranding exercise and increased presence through various local, regional and national groups.

## **Financial Objectives**

As stated above, in order to assist the College in achieving its strategic objectives, the Corporation sets annual 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 revised the monthly management accounts pack to ensure financial performance is clearly communicated, performance against target is highly visible and sensitivity analysis is explored. The Corporation consider targets for the year ahead to ensure that they remain appropriate; achievable yet challenging. The Finance and Resources 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 have a new model to evaluate financial health and will update targets as necessary.

The key performance indicators for Halesowen College in 2021/22 were as follows:

### **Liquidity**

A current ratio of at least 4 (actual 2.97) [2020/21 actual 3.50].

Cash days in hand greater than 140 (actual 201.20) [ 2020/21 actual 184.25]

### **Profitability/Viability**

Earnings before interest, taxation, depreciation and amortisation as a percentage of income to exceed 8%. (Actual 9.31% of income) [2020/21 actual 11.88% 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 7.79%) [2020/21 actual 10.39%].

The financial health grade from the ESFA was outstanding [2020/21 outstanding].



## 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 8.19% excluding defined benefit obligations) [2020/21 actual 9.64% 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 0.27%) [2020/21 actual 0.42%]

Total borrowing as a percentage of income should be less than 17%(Actual 9.03%). [2020/21 actual 11.54%].

The College has not breached any loan covenants in 2021/22 [2020/21 loan covenants not breached].

## Constraint of Costs

The College's pay bill (excluding past service costs and impact of FRS102 pension adjustments) should be met within 60% of income (excluding the release of deferred capital grants) after accounting for extraordinary items. (Actual 62.45%) [2020/21 actual 63.51%]. There is significant pressure on the pay budget given increases in pension costs and national living wage. Also, looking forward the College is under pressure to make a pay award which is reflective of the level of inflation.

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 [2020/21 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 FE HE SORP, this section provides disclosure of resources (tangible, financial, people and reputational).

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

Tangible resources include the main College sites of Whittingham Road, Coombs Wood and Shenstone House. The College has £26.260m of net assets (including a £6.488m pension liability)

and long term debt of £13.629m [2020/21 The College has 9.696m of net assets (including a £22.533m pension liability) and long term debt of £14.147m].

The College recorded in excess of 6,144 funded students in 2021/22 [2020/21 6,086]. The student population included 4,408 16-18 study programme learners [2020/21 4,275], 217 apprentices [2020/21 219], 297 higher education students [2020/21 117] and 1,222 adult learners studying FE qualification or an economic course [2020/21 1475].

The College employs 459 [2020/21 409.92] people (expressed as full time equivalents), of whom 200.82 [2020/21 256.55] are teaching staff. Halesowen College Enterprises employs 41.39 FTE [2020/21 37.02 FTE] so collectively the group employs 500.39 FTE [2020/21 446.94 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". Halesowen College is also an accredited College of Sanctuary and has been re-awarded Leaders in Diversity 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 through digital methods and by face-to-face meetings now that Covid restrictions have been lifted.

## Public Benefit

Halesowen College is an exempt charity under the Part 3 of the Charities Act 2011 and 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 25.

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. 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 College wishes to be recognised as a charity and therefore must demonstrate, explicitly, that all 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 stated purpose, the College provides identifiable public benefits through the advancement of education to in excess of 5,000 students including those with an Education Health Care Plan (EHCP) and those with high needs. The College provides courses without charge to 16-18 learners, those who are unemployed or on low incomes and adult learners benefitting from academic entitlement, WMCA local flexibilities and/or taking English and Maths courses.

Halesowen College demonstrates:

- High quality teaching
- Widening participation and 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 LEPs, WMCA and Chamber of Commerce
- A relevant curriculum which has impact and meets the needs of 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 reviews 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 £519,000 (2020/21 – surplus of £965,000); with total comprehensive income of £16,564,000 (2020/21 £(698,000)). This was in accordance with budget and financial targets.

The College received 87.51% [2020/21 90.08%] of its total income for 2021/22 as grants from funding bodies, most notably from the Education and Skills Funding Agency for 16-18 provision.

The College has sustained outstanding financial health despite the mounting challenges of rising inflation and the increasing costs of pay.

### **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 1.5% above LIBOR. The loans moved from LIBOR to SONIA in 2022. The College

has arranged a new borrowing facility of up to £2.1m with NatWest in order to support the costs of Trinity Point although none of this loan has yet been drawn.

In 2021/22 net cashflow from operating activities is £3,451,000 [2020/21 £3,865,000] and the movement in cash in the period is an increase of £2,779,000 [2020/21 £5,946,000].

Ongoing investment strategy will impact on future cashflows. In order to provide the required security for the LEP grant, Walsall Council, the accountable body have a charge over property and loans are secured against cash balances. The new loan will be secured against Shenstone House and a red book valuation has been conducted.

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 new borrowing will not impact on financial resilience.

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

## **Reserves**

The Group has accumulated total reserves of £26,260,000 of which £31,196,000 relates to general reserve (excluding pension reserve), and cash balances of £12,372,000 (and short term investments which can be liquidated of £4,006,000). Retention of reserves are in accordance with the approved policy.

The College's cash and investments includes cash security to secure the loans held with NatWest bank. These loans were previously secured against property but the Whittingham Campus is now held as security for Walsall Council for a growth fund capital grant provided by the Black Country Local Enterprise Partnership. This grant may be repayable should output targets not be achieved.

## **Developments**

Tangible fixed asset additions during the year amounted to £1,557,000. This was split between land and buildings acquired (incorporating transfer from work in progress) of £729,000 and equipment purchased of £828,000. The work in progress transfer was valued at £617,000. This is in respect of the capital development to refurbish block 1 on the Whittingham Campus into a centre for E-Sports and Cyber Security.

## **Sources of Income**

The Group has significant reliance on the education sector funding bodies for its principal funding sources, largely from recurrent grants. In 2021/22 the funding body provided 87.51% 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 retail outlets offering students a range of 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. In previous years HCE has transferred under Gift Aid any surplus generated to Halesowen College or a registered charity, The Halesowen Foundation. The Company also operated an onsite nursery but this ceased trading on 30 September 2022.

Given the impact of the pandemic on trading activities the company made an operating loss of (£51,655) in the previous year. However, as Covid restrictions have been lifted the company has returned to a full trading model and in the current year has realised a surplus of £179,121 which is

in accordance with budget, with eligible profits transferred to the College under the terms of Gift Aid.

## **FUTURE PROSPECTS**

### **Developments**

The College continues to invest in its facilities. The refurbishment of Whittingham Road has created high quality teaching and learning spaces and has allowed the College to develop its academic, vocational and apprenticeships pathways in priority areas such as business, and health care science including pharmacy, which are aligned to the demands of the local and regional economies. Looking ahead the College has successfully bid for capital funds from the Transformation Fund to remodel Shenstone House as a centre of excellence for healthcare science. The College has a revised estates strategy to support the new strategic plan which includes the purpose of a new campus, Trinity Point.

### **Financial Plan**

Despite financial challenges including, increasing costs of pay, in particular national living wage and LGPS pension, the College has retained its outstanding financial health. This was forecast to extend into 2022/23 but the significant cost pressures linked with the cost of living crisis and the risks associated with failure to achieve contractual thresholds for learner numbers make this more challenging. The Corporation have already explored the advantages of outstanding financial health and the potential ramifications if this were recategorized as “good”. The governors approved this financial plan in July 2022 and the budget setting policy had a comprehensive section on risk and scenario planning. The plan fully incorporated all sources of income and expenditure and sets the financial objectives for 2022/23 and beyond.

### **Treasury Policies and Objectives**

Treasury management is the management of the College’s cashflow, its banking, money market 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 was exploring options with Co-op Bank and Handelsbanken but progress was halted by the pandemic.

The College worked with NatWest to transfer its loans from LIBOR to SONIA (Sterling Overnight Index Average) which is an alternative risk-free rate as LIBOR ceased on 31 December 2021. This is an industry wide change driven by the regulators. The College has not experienced any financial impact of the change as the switch was not designed to create advantage for either borrower or lender and as such a credit adjustment spread was added to minimise any value transfer.

## Going Concern

Halesowen College currently 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. There are, however, challenges ahead given the impact of the cost of living crisis with accelerating inflation and the increase in utility costs. The College is also under pressure to make a meaningful pay award in line with the inflation upturn. The Trade Unions are asking for a 10% pay award which is not affordable unless there is an increase in funding for the sector. Nonetheless to avoid key risks of failure to recruit and retain staff, the College must offer an attractive salary alongside favourable terms and conditions. Increase in pension costs and the impact of further rises to the National Living Wage further create cost pressures in the budgetary model. However, the College approaches these challenges from a position of financial strength.

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 £2,408,000 (2021: £2,703,000) of loans outstanding with bankers on terms negotiated in 2006 with the four loans being secured by a charge on Group cash. Of this, all but £307,000 is due for repayment after July 2022, with a matching level in the financial year to July 2024 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.

Enrolments for the 2021/22 financial year demonstrated growth which resulted in a larger ESFA 16-18 study programme contract for 2022/23 through the lagged funding model. The College now aims to sustain its market share of learners and forge its position in the educational landscape of the Black Country and Birmingham. The subsidiary company, Halesowen College Enterprises Limited, has faced more challenging times. However, this will not have a material effect on the view of the Group overall as a going concern. The College pledged its support to the subsidiary to enable it to continue to operate for at least the period to 31 January 2022. Going forward the College does not require HCE to make payment for inter-company expenditure until it is affordable by the Company. The 2021/22 accounts show a position of recovery and the subsidiary has realised a profit in 2021/22.

The College is confident that bank covenants can be met and hence will not have any impact on the going concern evaluation.

Accordingly, the Group has a reasonable expectation that despite the risks outlined above, 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 ESFA 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 in line with this policy.

## Streamlined Energy and Carbon Reporting

The College is committed to reducing its carbon emissions and has set an objective in the new strategic plan that "our learning environments will be sustainable and will demonstrate our commitment to environmental responsibility". The plan specifies that success will be:

- achievement of our targets to make a significant reduction in our carbon footprint.
- achieve sustainability accreditation.
- increase biodiversity.
- apply sustainable construction principles.
- reduce environmental impacts of travel.
- use of local suppliers when possible.

In order to drive forward this agenda, the College has set up an environmental working group and a new environmental strategy has been approved.

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

<b>UK Greenhouse gas emissions and energy use data for the period</b>	<b>1 August 2021 to 31 July 2022</b>	<b>1 August 2020 to 31 July 2021</b>
Energy consumption used to calculate emissions (kWh)		
<u>Scope 1 emissions in metric tonnes CO2e</u>		
Gas consumption	532.93	508.95
Owned transport	0.76	1.88
Total	533.68	510.83
<u>Scope 2 emissions in metric tonnes CO2e</u>		
Purchased electricity	505.47	421.09
<u>Scope 3 emissions in metric tonnes CO2e</u>		
Business travel in employee owned vehicles	6.24	2.12
<b>Total gross emissions in metric tonnes CO2e</b>	<b>1045.39</b>	<b>934.0</b>
<u>Intensity ratio</u>		
Metric tonnes CO2e per staff member	1.71	1.81

## **Qualification and reporting methodology**

The 2019 HM Government Environmental Reporting Guidelines have been used to collate this data alongside the GHG Reporting Protocol – Corporate Standard and the 2021 UK Government's Conversion Factors for Company Reporting.

## **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, i.e. 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; i.e.:

- 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 2022/23 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.

### **Risks Identified in the Risk Register**

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

Key themes can be summarised as follows:

- Failure to recruit and retain staff
- Inadequate accommodation
- Student attendance and retention
- Industrial relations
- Financial pressures
- Competition – need for effective marketing
- External factors – political, economic and social
- Mental health fragility and the demand for support
- Need to use digital technology v cyber security
- Educational reform

### **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 2021/22 the College has continued to respond to government priorities and the needs of local employers by developing apprentice standards introducing new study programmes and offering a range of relevant options for adults. This links with the priorities identified by the LEP and the WMCA through the local Industrial Strategy. The Skills Plan provides a framework for academic, vocational and technical pathways and presents significant changes for the sector. As stated above the College successfully bid for Skills Accelerator funding and was able to offer bespoke training and support to several companies in the locality enabling them to move forward with the new skills needed to respond to the post Brexit, post lockdown economy. 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 and aid employers to recruit too hard to fill vacancies and prepare young people for employment. 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 lockdowns.

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.

The College has introduced T levels in Early Years Education and Health with more planned in accounting and finance, digital and science.

The College has a statutory and moral responsibility for safeguarding including Prevent and, as part of this agenda, has introduced awareness as part of the tutorial framework alongside associated topics such as cyber safety.

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 2022/23 include developing relationships with Higher Education Institutes to offer progression for key priority areas such as health/nursing. A priority is to contribute to the upskilling of local people to aid 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 2021 to 31 July 2022 the College paid 81.28% [2020/21 68.31%] 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 29.4 over the period [2020/21 40.6]. 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 AND DIVERSITY**

### **Equality**

The College's Equality, Diversity and Inclusion statement is:

Halesowen College values social and cultural diversity and aims to ensure the College is an inclusive and welcoming place to study. The College is a learner focused organisation with values based on trust, integrity and respect. We seek to provide a working environment free from

harassment, discrimination and victimisation. We will not tolerate any form of discriminatory behaviour against actual or potential learners, visitors or employees.

The College aims to actively promote equality of opportunity and challenge discriminatory attitudes. Equality and diversity affects everyone as we all work in diverse teams with people of different genders, ethnic origins, sexual orientation, ability, beliefs, values, and working styles. It is important to understand what we mean by equality and diversity, how it impacts on everyday life, and the reasons for and benefits of promoting it. We are committed to creating an inclusive College, where people are treated with dignity and respect and where we anticipate and respond positively to different needs and circumstances so that everyone can achieve their potential.

The College uses a range of events and activities including training and workshops to raise understanding and awareness with the aim of developing diversity and inclusion skills. The College takes any allegation of hate, bullying, victimisation or harassment extremely seriously and will take disciplinary action in the event of any substantiated claim.

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, it 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 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 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 Disability' 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 and the welfare of staff and students 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.

### Gender Pay Gap Reporting:

Halesowen College is required by law to publish an annual gender pay gap report. This information is published on our website.

A summary is presented in the tables below:

Mean gender pay gap	4.74%
Median gender pay gap	6.86%

Halesowen College does not pay bonuses.

The proportion of males and females in each quartile of the pay distribution are:

	Male	Female
Lower	26.85%	73.15%
Lower – Mid	30.5%	69.4%
Mid – Upper	31.82%	68.18%
Upper	38.53%	61.47%

### 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 2 trade union representatives (2 FTE posts held/carrying 2 vacancies). Each representative spends 195 hours on facility time which equates to 25% of an annual teaching FTE.

Percentage of pay bill spent on facility time was 0.9% and total hours spent on trade union activities is 390 hours. That is on average 1.17 hours per FTE member of staff against annual teaching hours of 780. Time spent on paid trade union activities as a percentage of total paid facility time hours was 3.29%

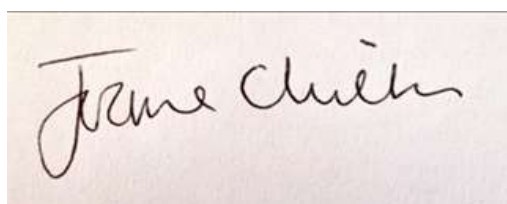
### **Events After the Accounting Period**

There are no significant post balance sheet events

### **Disclosure of Information to Auditors**

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

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

A handwritten signature in black ink on a light-colored background. The signature appears to read 'Joanne Chilton' in a cursive script.

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**Joanne Chilton**  
**Chair of Governors**

## 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 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); 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 2022. This opinion is based on the external review of governance and the internal review of compliance with the Code; both of which have been reported to the board. 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.

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

### Members of 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 2021 to 31 July 2022). With membership commencing August 2022 up to report writing included.

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 01/08/2021- 31/07/2024	1 year 3 years 3 years	14/12/2021	Member	Finance and Resources, Remuneration Vice Chair of Corporation 29/09/2021- 14/12/2021	4 of 4
David Allen	01/08/2018 – 31/07/2020 01/08/2020- 31/07/2022	2 years 2 years	31/07/2022	Staff	Students Curriculum and Quality	10 of 10
Aisha Benachour	01/08/2022- 31/07/2023	1 year		Member	Students Curriculum and Quality	n/a
Shabir Chagan	01/08/2022- 31/07/2023	1 year		Co-opted	Personnel	n/a
Joanne Chilton	01/08/2019 – 31/07/2020 01/08/2020 – 31/07/2023	1 year 3 years		Member	Finance and Resources Chair of Corporation Search Remuneration	13 of 15
Jamie Clayton	01/02/2022- 31/01/2023	1 year		Member	Students Curriculum and Quality	4 of 5
Lee Clulow	01/08/2022	2 years		Staff	Students Curriculum and Quality	n/a
Andrew Dobson	01/01/2021		30/11/2022	Principal/ Accounting Officer	Finance and Resources Students Curriculum and Quality Search	16 of 16
Alexandra Fratila	01/08/2022	< 1 yr		Student	Students Curriculum and Quality	n/a
Clair Graham	01/08/2022- 31/07/2023	1 year		Member	Students Curriculum and Quality Personnel	n/a
Andrew Hanson	01/10/2021- 30/09/2024	3 years		Member	Finance and Resources	10 of 11



Name	Date of Appointment	Term of Office	Date of Resignation/ Completion	Status of Appointment	Committees Served in year	Corporation Members Attendance
					Remuneration	
Lance Hanson	01/12/2018 – 31/07/2019 01/08/2019 – 31/07/2022	1 year  3 years	17/12/2021	Member	Search  Students Curriculum and Quality	5 of 5
Tiffany Harvey-Pallent	28/11/2017 01/08/2018 – 31/07/2021  01/10/2021-30/09/2024	< 1 yr 3 years  3 years	01/10/2020  Reappointed	Member	Audit	8 of 9
Ian Hughes	01/08/2022-31/07/2023	1 year		Member	Audit	n/a
Thomas Huntbatch	01/03/2021-31/07/2022 01/08/2022-31/07/2023	> 1yr  1yr		Member	Audit (part year)  Finance and Resources Committee (part year)  Remuneration	7 of 11
Alison Jarrett	01/08/2022-31/07/2023	1 year		Member	Finance and Resources  Remuneration	n/a
Helene Jones	01/08/2015 – 31/07/2016 01/08/2016 – 31/07/2019 01/08/2019 – 31/07/2022 01/08/2022-31/07/2024	1 year  3 years 3 years 2 years		Member	Search  Audit  Vice Chair of Corporation from 14/12/2021	11 of 13
Raj Joshi	01/08/2022-31/07/2023	1 year		Member	Search  Personnel	n/a
Zubeda Limbada	01/10/2020-30/09/2021 01/08/2021-31/07/2024	1 year  3 years	16/03/2022	Member	Students, Curriculum and Quality	3 of 6
Gail Rothnie	01/05/2021-31/07/2022 01/08/2022-31/07/2025	>1yr  3 years		Member	Finance and Resources (part year)  Students, Curriculum and Quality	8 of 10
Joanne Rouse	01/10/2020-30/09/2021 01/08/2021-31/07/2024	1 year  3 years		Member	Students, Curriculum and Quality  Audit	11 of 13



Name	Date of Appointment	Term of Office	Date of Resignation/ Completion	Status of Appointment	Committees Served in year	Corporation Members Attendance
Mark Sterling	10/01/2022-09/01/2023	1 year		Member	Audit	6 of 6
Joanne Williams	01/12/2022			Principal/ Accounting Officer	Finance and Resources Students Curriculum and Quality Search	1 of 1
Jonah Woodley	01/08/2021	< 1 yr	31/07/2022	Student	Students Curriculum and Quality	7 of 10
Jennifer Sunter	Clerk to the Corporation					

## **The Governance Framework**

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation has met at least termly.

The Corporation conducted its business through a number of committees including Finance and Resources 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](http://www.halesowen.ac.uk) or from the Clerk to the Corporation at the College's registered address. The College has undertaken an external review of governance which encompassed a review of the terms of reference, cycles of business and schemes of delegation. A new Personnel Committee will be in place for 2022/23.

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 Committee, consisting of four current members of the Corporation, which is responsible for the selection and nomination of any new independent 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 2022. In the College's self-assessment report for 2021/22, leadership and management has been graded as good on the Ofsted scale.

The governing body is committed to development and held two strategic planning events in 2021/22. Governors have attended various Association of College sessions.

## Remuneration Committee

Throughout the year ending 31 July 2022 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 2022 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 four 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.

The Audit Committee met 3 times in the year to July 2022. The members of the committee across this period and their attendance records are shown below:

Committee Member	Meetings Attended
Tiffany Harvey-Pallent	3 of 3
Thomas Huntbatch	1 of 1
Helene Jones	3 of 3
Joanne Rouse	1 of 3
Mark Sterling	2 of 2

## Search Committee

The College has a Search Committee to oversee the effectiveness of the search and appointments process including succession; The Committee comprises four 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 2022 and up to the date of approval of the annual report and accounts.

### *Capacity to handle risk*

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### *The risk and control framework*

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

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

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 2021/2022 the internal audit team conducted work in accordance with the audit plan. One assignment has been delayed until 2022/2023 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. 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 September 2022.

### **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 summarises the work of audit during the year.

### *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:

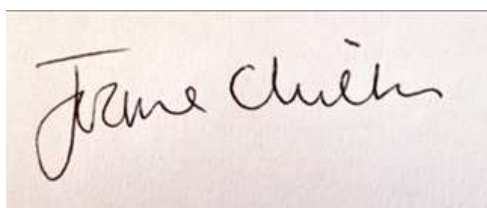
- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework;
- comments made by the College's financial statements auditors and the reporting accountants for regularity assurance 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 2022 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2022.

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

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



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**Joanne Chilton**  
**Chair of Governors**

Date: 13 December 2022



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**Joanne Williams**  
**Accounting Officer**

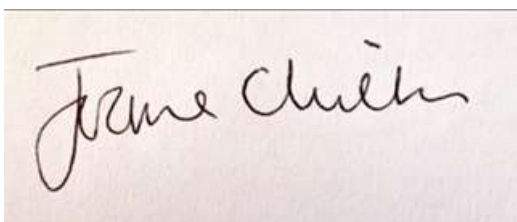
Date: 13 December 2022

**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.



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**Joanne Chilton**  
**Chair of Governors**

Date: 13 December 2022



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**Joanne Williams**  
**Accounting Officer**

Date: 13 December 2022



## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Corporation's grant funding agreements and contracts with ESFA, 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.

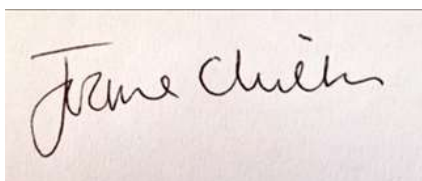
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the Corporation.

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 13 December 2022 and signed on its behalf by:



**Joanne Chilton, Chair of Governors**  
Date: 13 December 2022



## Independent Auditor's Report on the Financial Statements

### Independent auditors' report to the corporation of Halesowen College

#### Opinion

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

In our opinion, the financial statements:

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

#### Basis for opinion

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

#### Conclusion relating to going concern

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

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

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

#### Other information

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

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

We have nothing to report in this regard.

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

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

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

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

In our opinion:

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

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

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

### **Responsibilities of the corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 32, the corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- the nature of the sector, control environment and the corporation's performance;
- results of our enquiries of management and the members, including the committees charged with governance over the corporation's finance and control, about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the corporation's documentation of their policies and procedures relating to: identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

- how the corporation ensured it met its obligations arising from it being financed by and subject to the governance requirements of the ESFA and OfS, and as such material compliance with these obligations is required to ensure the corporation will continue to receive its public funding and be authorised to operate, including around ensuring there is no material unauthorised use of funds and expenditure;
- how the group and parent corporation ensured it met its obligations to its principal regulator, the Secretary of State for Education; and
- the matters discussed among the audit engagement team and involving relevant internal corporation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

Our procedures to respond to risks identified included the following:

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

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

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

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

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

**Use of our report**

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

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style.**Bishop Fleming LLP**

Chartered Accountants  
Statutory Auditors  
Salt Quay House  
4 North East Quay  
Sutton Harbour  
Plymouth  
Devon  
PL4 0BN

Date: 15 December 2022

## Reporting Accountant's Assurance Report on Regularity

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

In accordance with the terms of our engagement letter dated 16 May 2022 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Halesowen College during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

### Respective responsibilities of Halesowen College and the reporting accountant

The Corporation of Halesowen College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

### Approach

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

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

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

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

The work undertaken to draw our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across the College's activities;
- Evaluation and validation of the processes and controls in place to ensure regularity and propriety for the use of public funds, including the consideration of the College's self-assessment questionnaire (SAQ);
- Testing transactions with related parties;
- Sample testing of income to ensure that funds have been applied for the purposes that they were awarded, focused on areas assessed as high risk;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and

- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referenced to our regularity report.

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

## Conclusion

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



**Bishop Fleming LLP**  
Chartered Accountants  
Statutory Auditors  
Salt Quay House  
4 North East Quay  
Sutton Harbour  
Plymouth  
Devon  
PL4 0BN

Date: 15 December 2022

**Halesowen College**  
**Consolidated and College Statements of Comprehensive Income and Expenditure**  
**for the Year Ended 31 July 2022**

	Notes	Year ended 31 July		Year ended 31 July	
		2022	2022	2021	2021
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>Income</b>					
Funding body grants	2	26,505	26,505	24,669	24,669
Tuition Fees and Education Contracts	3	1,632	1,632	1,719	1,719
Other Grants and Contracts	4	251	251	229	229
Other Income	5	1,901	709	768	215
Investment Income	6	0	0	0	0
Donations and Endowments	7	0	0	0	0
<b>Total Income</b>		<b>30,289</b>	<b>29,097</b>	<b>27,385</b>	<b>26,832</b>
<b>Expenditure</b>					
Staff Costs	8	20,168	19,585	18,348	17,960
Restructuring Costs	8	116	111	110	110
Other Operating Expenses	9	9,136	8,575	7,169	6,952
Depreciation	12	1,596	1,596	1,635	1,635
Amortisation	12b	200	200	200	200
Interest and Other Finance Costs	10	451	451	401	401
<b>Total Expenditure</b>		<b>31,667</b>	<b>30,518</b>	<b>27,863</b>	<b>27,258</b>
<b>Surplus before other gains and losses and FRS pension adjustments</b>		<b>519</b>	<b>476</b>	<b>965</b>	<b>1,017</b>
FRS102 pension adjustments	26	(1,897)	(1,897)	(1,443)	(1,443)
<b>Deficit before other recognised gains and losses being (deficit) before tax</b>		<b>(1,378)</b>	<b>(1,421)</b>	<b>(478)</b>	<b>(426)</b>
Taxation	11	0	0	0	0
<b>Defecit for the Year</b>		<b>(1,378)</b>	<b>(1,421)</b>	<b>(478)</b>	<b>(426)</b>
Unrealised Surplus on Revaluation of Assets		0	0	0	0
Actuarial Gain/(Loss) in respect of Pensions Schemes	26	17,942	17,942	(220)	(220)
<b>Total Comprehensive Income for the Year</b>		<b>16,564</b>	<b>16,521</b>	<b>(698)</b>	<b>(646)</b>

**Halesowen College**  
**Consolidated and College Statements of Changes in Reserves**  
**For the Year Ended 31 July 2022**

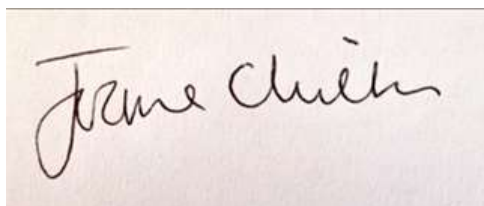
	Income and Expenditure account	Revaluation Reserve	Total
	£'000	£'000	£'000
<b>Group</b>			
<b>Balance at 1st August 2020</b>	8,741	1,653	10,394
Deficit from the Income and Expenditure account	(478)	0	(478)
Other comprehensive income	(220)	0	(220)
Transfers between Revaluation and Income and Expenditure Reserves	51	(51)	0
<b>Total comprehensive income for the year</b>	(647)	(51)	(698)
<b>Balance at 31st July 2021</b>	<b>8,094</b>	<b>1,602</b>	<b>9,696</b>
<b>Balance at 1st August 2021</b>	8,094	1,602	9,696
Deficit from the Income and Expenditure account	(1,378)	0	(1,378)
Other comprehensive income	17,942	0	17,942
Transfers between Revaluation and Income and Expenditure Reserves	50	(50)	0
<b>Total comprehensive income for the year</b>	16,615	(50)	16,564
<b>Balance at 31st July 2022</b>	<b>24,709</b>	<b>1,552</b>	<b>26,260</b>
<b>College</b>			
<b>Balance at 1st August 2020</b>	8,741	1,653	10,394
Deficit from the Income and Expenditure account	(426)	0	(426)
Other comprehensive income	(220)	0	(220)
Transfers between Revaluation and Income and Expenditure Reserves	51	(51)	0
<b>Total comprehensive income for the year</b>	(595)	(51)	(646)
<b>Balance at 31 July 2021</b>	<b>8,146</b>	<b>1,602</b>	<b>9,748</b>
<b>Balance at 1st August 2021</b>	8,146	1,602	9,748
Deficit from the Income and Expenditure account	(1,421)	0	(1,421)
Other comprehensive income	17,942	0	17,942
Transfers between Revaluation and Income and Expenditure Reserves	50	(50)	0
<b>Total comprehensive income for the year</b>	16,571	(50)	16,521
<b>Balance at 31st July 2022</b>	<b>24,717</b>	<b>1,552</b>	<b>26,269</b>



**Halesowen College**  
**Consolidated and College Balance Sheets as at 31 July 2022**

	Notes	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
<b>Fixed assets</b>					
Tangible fixed assets	12a	35,054	35,054	35,710	35,710
Intangible fixed assets	12b	200	200	400	400
Investments	13	0	0	0	0
		<b>35,254</b>	<b>35,254</b>	<b>36,110</b>	<b>36,110</b>
<b>Current assets</b>					
Stocks		29	19	34	26
Debtors	14	501	511	867	913
Investments	15	4,006	4,006	4,006	4,006
Cash and cash equivalents	21	12,372	12,304	9,593	9,582
		<b>16,908</b>	<b>16,840</b>	<b>14,500</b>	<b>14,527</b>
<b>Less: Creditors – amounts falling due within one year</b>	16	(5,701)	(5,624)	(4,143)	(4,118)
<b>Net current assets</b>		<b>11,207</b>	<b>11,216</b>	<b>10,357</b>	<b>10,409</b>
<b>Total assets less current liabilities</b>		<b>46,461</b>	<b>46,470</b>	<b>46,467</b>	<b>46,519</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	17	(13,629)	(13,629)	(14,147)	(14,147)
<b>Provisions</b>					
Defined benefit obligations	19	(6,488)	(6,488)	(22,533)	(22,533)
Other provisions	19	(84)	(84)	(91)	(91)
<b>Total net assets</b>		<b>26,260</b>	<b>26,269</b>	<b>9,696</b>	<b>9,748</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		31,196	31,205	30,627	30,679
Defined benefit reserves		(6,488)	(6,488)	(22,533)	(22,533)
Revaluation reserve		1,552	1,552	1,602	1,602
<b>Total unrestricted reserves</b>		<b>26,260</b>	<b>26,269</b>	<b>9,696</b>	<b>9,748</b>

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



**Joanne Chilton**  
**Chair of Governors**



**Joanne Williams**  
**Accounting Officer**

**Halesowen College**  
**Consolidated Statement of Cash Flows**  
**for the Year Ended 31 July 2022**

	Notes	2022 £'000	2021 £'000
<b>Cash from operating activities</b>			
(Deficit) for the year		(1,378)	(478)
<b>Adjustment for non cash items</b>			
Depreciation		1,796	1,835
Decrease in stocks		5	0
Decrease in debtors		366	663
Increase in creditors		1,399	910
(Decrease) in provisions		(7)	(57)
Pensions costs less contributions payable		1,897	1,443
Gift aid distribution		0	0
Deferred capital grants released to income		(575)	(446)
Taxation		0	0
<b>Adjustment for investing or financing activities</b>			
Investment income		0	0
Interest payable		79	114
Taxation paid		0	0
Loss on sale of fixed assets		0	0
<b>Net cash flow from operating activities</b>		<b>3,582</b>	<b>3,984</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		0	0
Disposal of non-current asset investments		0	0
Investment income		0	0
Withdrawal of deposits		0	3,905
New deposits		0	0
Payments made to acquire fixed assets		(940)	(3,780)
Capital grants received		642	2,409
		<b>(298)</b>	<b>2,534</b>
<b>Cash flows from financing activities</b>			
Interest paid		(79)	(114)
Interest element of finance lease rental payments		0	0
New unsecured loans		0	0
Repayments of amounts borrowed		(295)	(339)
Capital element of finance lease rental payments		(131)	(119)
		<b>(505)</b>	<b>(572)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>2,779</b>	<b>5,946</b>
Cash and cash equivalents at beginning of the year	21	9,593	3,647
Cash and cash equivalents at end of the year	21	<b>12,372</b>	<b>9,593</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 AUGUST 2021 TO 31 JULY 2022

### 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 2021 to 2022* 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 principle accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in 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 2022.

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.

## 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 £2,408,000 (2021: £2,703,000) of loans outstanding with bankers on terms negotiated in 2006 with the loans being secured by a charge on Group cash.

A summary of outstanding loans is included in the table below:

Date	Value Drawn	Term	Type	Rate	Bank
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% + SONIA	NatWest
Aug 2011	£1,320,000	20 years	Variable	1.5% + SONIA	NatWest

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

In 2020-2021 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 pledged its support to the subsidiary to enable it to continue to operate for at least the period to 31 January 2022. Then going forward, the College does not require the Company to make payment for inter-company expenditure until it is affordable by the Company.

In 2021-2022 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 included 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. There are no jointly controlled entities in 2021-22.

### **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 lives 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 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 the reporting date. 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. Previously revalued assets are now at deemed cost therefore there is no impairment. 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 the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes

a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

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

- *Impairment of fixed assets*

The 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		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	50	50	58	58
Education and Skills Funding Agency - 16-18	21,497	21,497	19,995	19,995
Education and Skills Funding Agency - apprenticeships	629	629	552	552
West Midlands Combined Authority - adult	1,366	1,366	1,366	1,366
Office for Students - HE	139	139	128	128
<b>Specific Grants</b>				
Other	2,647	2,647	2,390	2,390
Releases of Funding Body Capital Grants	177	177	180	180
<b>Total</b>	<b>26,505</b>	<b>26,505</b>	<b>24,669</b>	<b>24,669</b>

### 3 Tuition fees and Education Contracts

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	184	184	244	244
Apprenticeship fees and contracts	18	18	3	3
Fees for FE loan supported courses	228	228	287	287
Fees for HE loan supported courses	344	344	343	343
European (Excl. UK) Students	0	0	0	0
International student fees	0	0	0	0
<b>Total tuition fees</b>	<b>774</b>	<b>774</b>	<b>877</b>	<b>877</b>
Education contracts	858	858	842	842
<b>Total</b>	<b>1,632</b>	<b>1,632</b>	<b>1,719</b>	<b>1,719</b>

### 4 Other grants and contracts

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	0	0	0	0
UK-based charities	0	0	0	0
European Commission	0	0	0	0
Other grants and contracts	251	251	229	229
<b>Total</b>	<b>251</b>	<b>251</b>	<b>229</b>	<b>229</b>

# Halesowen College

## Notes to the Accounts (Continued)

### 5 Other Income

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	182	0	67	0
Other income generating activities	1,321	311	435	(51)
Other grant income	0	0	0	0
Releases of Non Funding Body Capital Grants	398	398	266	266
Miscellaneous income	0	0	0	0
<b>Total</b>	<b>1,901</b>	<b>709</b>	<b>768</b>	<b>215</b>

### 6 Investment income

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Income from bank deposits	0	0	0	0
Other interest receivable	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Pension finance income (Note 26)	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 7 Donations and endowments

	Year ended 31 July	
	2022	2021
	College	College
	£'000	£'000
Unrestricted donations and endowments	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

# 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:

	2022		2021	
	Group No.	College No.	Group No.	College No.
Teaching Staff	266.57	266.57	256.55	256.55
Non-Teaching Staff	214.24	167.31	190.39	153.37
	<b>480.81</b>	<b>433.88</b>	<b>446.94</b>	<b>409.92</b>

#### Staff costs for the above persons

	2022		2021	
	£'000 Group	£'000 College	£'000 Group	£'000 College
Wages and Salaries	14,434	13,893	13,217	12,856
Social security costs	1,375	1,344	1,226	1,207
Other pension costs	4,359	4,348	3,905	3,897
<b>Payroll Sub total</b>	<b>20,168</b>	<b>19,585</b>	<b>18,348</b>	<b>17,960</b>
Contracted out staffing services	0	0	0	0
	20,168	19,585	18,348	17,960
Restructuring costs - Contractual	116	111	110	110
Non-contractual	0	0	0	0
<b>Total staff costs</b>	<b>20,284</b>	<b>19,696</b>	<b>18,458</b>	<b>18,070</b>

#### 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/Chief Operating Officer 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

	2022 No.	2021 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	
	2021/22 No.	2020/21 No.	2021/22 No.	2020/21 No.
£ 60,001 to £65,000	0	0	0	3
£ 65,001 to £70,000	0	0	4	2
£ 70,001 to £75,000	0	0	0	0
£ 75,001 to £80,000	0	0	0	0
£ 80,001 to £85,000	0	1	0	0
£ 85,001 to £90,000	0	1	0	0
£ 90,001 to £95,000	2	0	0	0
£ 95,001 to £100,000	0	0	0	0
£ 100,001 to £105,000	0	0	0	0
£ 105,001 to £110,000	0	0	0	0
£ 110,001 to £115,000	0	1	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	1	0	0	0
£ 145,001 to £150,000	0	0	0	0
£ 150,001 to £155,000	0	0	0	0
	<u>3</u>	<u>3</u>	<u>4</u>	<u>5</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 2022 £'000	Year ended 31 July 2021 £'000
Salaries	327	282
National Insurance	43	36
Benefits in kind	0	0
	<b>370</b>	<b>318</b>
Pension Contributions	73	62
<b>Total emoluments</b>	<b>443</b>	<b>380</b>

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

The above emoluments include amounts payable to the Accounting Officer of:

	2022 £'000	2021 £'000
Salaries	143	139
Benefits in kind	0	0
	<b>143</b>	<b>139</b>
Pension Contributions	34	33
<b>Total emoluments</b>	<b>177</b>	<b>172</b>

In 2020/21 the Accounting Officer role was undertaken by an Interim for 5 months and then the Permanent role for 7 months.

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	6.4	6.3
Principal and Accounting Officer's total remuneration as a multiple of the median of all staff	6.3	5.9

The highest paid employee in 2022 was the Accounting Officer, but in 2021 the highest paid employee was the Interim Principal/Deputy Principal who is a member of key management

	Year ended 31 July 2022 £'000	Year ended 31 July 2021 £'000
Salaries	143	110
Benefits in kind	0	0
	<b>143</b>	<b>110</b>
Pension Contributions	34	26
<b>Total emoluments</b>	<b>177</b>	<b>136</b>

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.

## Halesowen College

### Notes to the Accounts (Continued)

#### 8 Staff Costs - Group and College

Compensation for loss of office paid to former key management personnel	2022	2021
	£	£
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>

#### 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.

No governor claimed travel and subsistence or out of pocket expenses in 2022 or 2021.

#### 9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching staff	4,862	4,862	3,831	3,831
Non Teaching costs	2,620	2,059	2,028	1,811
Premises costs	1,654	1,654	1,310	1,310
<b>Total</b>	<b>9,136</b>	<b>8,575</b>	<b>7,169</b>	<b>6,952</b>

#### Surplus before taxation is stated after charging:

	2022	2021
	£'000	£'000
Fees payable to Bishop Fleming 2022 (RSM UK LLP and its associates 2021) in respect of both audit and non-audit fees:		
Financial statements audit (2022 College £34,800)	42	41
Other services provided by the financial statements auditors (2022 College £1,200)	3	3
Internal audit (2022 College £9,467)	9	10
Losses 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

	2022 £'000	2021 £'000
On Bank loans, overdrafts and other loans	<u>79</u>	<u>114</u>
	79	114
On finance leases	0	0
Pensions finance costs (Note 26)	<u>372</u>	<u>287</u>
<b>Total</b>	<b><u>451</u></b>	<b><u>401</u></b>

#### 11 Taxation - Group and College

	2022 £'000	2021 £'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>
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>

**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
<b>Cost or Valuation:</b>					
At 1st August 2021	48,477	0	12,029	617	61,123
Additions	112	0	828	0	940
Transfers to Land and Buildings	617	0	0	(617)	0
Disposals	0	0	0	0	
<b>At 31 July 2022</b>	<b>49,206</b>	<b>0</b>	<b>12,857</b>	<b>0</b>	<b>62,063</b>
<b>Depreciation</b>					
At 1st August 2021	15,034	0	10,379	0	25,413
Charge for the year	1,224	0	372	0	1,596
Elimination in respect of disposals	0	0	0	0	0
<b>At 31 July 2022</b>	<b>16,258</b>	<b>0</b>	<b>10,751</b>	<b>0</b>	<b>27,009</b>
<b>Net book value at 31st July 2022</b>	<b>32,948</b>	<b>0</b>	<b>2,106</b>	<b>0</b>	<b>35,054</b>
Net book value at 31st July 2021	33,443	0	1,650	617	35,710

**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
<b>Cost or Valuation:</b>					
At 1st August 2021	48,477	0	12,019	617	61,113
Additions	112	0	828	0	940
Transfers to Land and Buildings	617	0	0	(617)	0
Disposals	0	0	0	0	0
<b>At 31 July 2022</b>	<b>49,206</b>	<b>0</b>	<b>12,847</b>	<b>0</b>	<b>62,053</b>
<b>Depreciation</b>					
At 1st August 2021	15,034	0	10,369	0	25,403
Charge for the year	1,224	0	372	0	1,596
Elimination in respect of disposals	0	0	0	0	0
<b>At 31 July 2022</b>	<b>16,258</b>	<b>0</b>	<b>10,741</b>	<b>0</b>	<b>26,999</b>
<b>Net book value at 31st July 2022</b>	<b>32,948</b>	<b>0</b>	<b>2,106</b>	<b>0</b>	<b>35,054</b>
Net book value at 31st July 2021	33,443	0	1,650	617	35,710

The net book value of tangible fixed assets includes an amount of £460,269 (2020-21 £530,987) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £65,278 (2020-21 £46,575).

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
<b>Net book value based on cost:</b>	<b>Nil</b>

## 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. 2021-22 year is year three.

	£'000
Cost at 1 August 2021	800
Additions/disposals	0
Amortisation at 1 August 2021	400
Charge for the year	200
<b>At 31 July 2022</b>	<b>200</b>

#### 13 Non current Investments

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, nursery and bistro. Total share capital issued is £2; 2 £1 shares both held by Halesowen College.

#### 14 Debtors

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Amounts falling due within one year:				
Trade debtors	295	132	549	464
Amounts owed by group undertakings:				
Subsidiary undertaking	0	173	0	131
Prepayments and accrued income	161	161	255	255
Amounts owed by the ESFA	45	45	63	63
Other		0	0	0
<b>Total</b>	<b>501</b>	<b>511</b>	<b>867</b>	<b>913</b>

## Halesowen College

### Notes to the Accounts (Continued)

#### 15 Current asset investments

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Short term deposits and bank bond	4,006	4,006	4,006	4,006
<b>Total</b>	<b>4,006</b>	<b>4,006</b>	<b>4,006</b>	<b>4,006</b>

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

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Bank loans and overdrafts	307	307	294	294
Obligations under finance leases	131	131	131	131
Trade creditors	956	956	861	860
Amounts owed to group undertakings:				
Subsidiary undertakings	0	0	0	0
Corporation tax	0	0	0	0
Other taxation and social security	658	639	630	619
Accruals and deferred income	2,649	2,591	1,534	1,521
Deferred income - Government capital grants	575	575	446	446
Deferred income - Government revenue grants	0	0	0	0
Amounts owed to the ESFA	425	425	247	247
<b>Total</b>	<b>5,701</b>	<b>5,624</b>	<b>4,143</b>	<b>4,118</b>

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

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Bank loan	2,101	2,101	2,409	2,409
Obligations under finance leases	143	143	274	274
Other taxation and social security	4	4	21	21
Deferred income - Government Capital Grants	11,381	11,381	11,443	11,443
<b>Total</b>	<b>13,629</b>	<b>13,629</b>	<b>14,147</b>	<b>14,147</b>



## Halesowen College

### Notes to the Accounts (Continued)

#### 18 Maturity of debt

##### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
In one year or less	307	307	294	294
Between one and two years	321	321	308	308
Between two and five years	1,019	1,019	1,007	1,007
In five years or more	761	761	1,094	1,094
<b>Total</b>	<b>2,408</b>	<b>2,408</b>	<b>2,703</b>	<b>2,703</b>

Bank loans are secured against the Whittingham Road site.

At 31 July 2022 the College had the following loans:

£1,525,000 taken over a 20 year term with NatWest bank at May 2006 fixed rate 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 SONIA

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

##### (b) Finance lease

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

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
In one year or less	131	131	131	131
Between two and five years	143	143	274	274
In five years or more	0	0	0	0
<b>Total</b>	<b>274</b>	<b>274</b>	<b>405</b>	<b>405</b>

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 £'000	Restructuring £'000	Enhanced pensions £'000	Other £'000	Total £'000
At 1st August 2021	22,533	0	91	0	22,624
Amounts utilised	(17,942)	0	(11)	0	(17,953)
Additions in the period charged to income and expenditure account	1,897	0	4	0	1,901
<b>At 31st July 2022</b>	<b>6,488</b>	<b>0</b>	<b>84</b>	<b>0</b>	<b>6,572</b>

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:

	2022	2021
Price Inflation	2.90%	2.60%
Discount rate	3.30%	1.60%

## 20 Financial Instruments

The group have the following financial instruments:

	Group	
	2022 £'000	2021 £'000
<b>Financial assets:</b>		
Debt instruments measured at amortised cost	340	612
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	5,896	5,503

## 21 Cash and cash equivalents

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Cash and cash equivalents	12,373	12,304	9,593	9,582
Overdrafts	0	0	0	0
<b>Total</b>	<b>12,373</b>	<b>12,304</b>	<b>9,593</b>	<b>9,582</b>

## 22 Capital commitments

	Group and College	
	2022 £'000	2021 £'000
Commitments contracted for at 31st July	0	358

## 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	
	2022	2021
	£'000	£'000
<b>Future minimum lease payments due</b>		
<b>Land and Buildings</b>		
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>
<b>Other</b>		
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 2022 was £9,278 (2021: £912).

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 received 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

The College was recategorised by the ONS (Office for National Statistics) into the public Sector with effect from 29 November 2022.

The Principal resigned on 30 November 2022 and appropriate interim arrangements are in place.

# 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	2022 £'000	2021 £'000
Teachers Pension Scheme: contributions paid	2,078	2,007
<b>Local Government Pension Scheme:</b>		
Contributions paid	686	722
FRS 102 (28) charge	<u>1,525</u>	<u>1,156</u>
Charge to the Statement of Comprehensive Income	2,211	1,878
Enhanced pension charge to Statement of Comprehensive Income	<u>0</u>	<u>0</u>
	0	0
<b>Total Pension Cost for Year</b>	<b><u>4,289</u></b>	<b><u>3,885</u></b>

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 2016 and of the LGPS 31 March 2019.

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 £198 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 2020-21 and 2021-22 academic years.

The pension costs paid to TPS in the year amounted to £2,078,000 (2021: £2,007,000).

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 2022 was £916,000, of which employer's contributions totalled £686,000 and employees' contributions totalled £230,000. The agreed contribution rates for future years is 18.9% from 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 2019 updated to 31 July 2022 by a qualified independent actuary.

	Year ended 31 July	
	2022	2021
Rate of increase in salaries	3.70%	3.80%
Future pensions increases	2.70%	2.80%
Discount rate for scheme liabilities	3.50%	1.60%
Inflation assumptions (CPI)	2.70%	2.80%
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	
	2022	2021
	Years	Years
<i>Retiring today</i>		
Males	21.20	21.60
Females	23.60	24.00
<i>Retiring in 20 years</i>		
Males	22.90	23.40
Females	25.40	25.80

# 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 2022 Fair Value £'000	31st July 2021 Fair Value £'000
Equities	15,421	13,827
Bonds	5,457	3,266
Property	1,898	1,595
Cash	949	836
Other	0	3,177
<b>Total fair value of plan assets</b>	<b>23,725</b>	<b>22,701</b>
<b>Actual return on plan assets</b>	<b>1,024</b>	<b>3,203</b>

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

	Year ended 31 July	
	2022	2021
	£'000	£'000
Fair value of plan assets	23,725	22,701
Present value of plan liabilities	(30,213)	(45,234)
<b>Net pensions (liability) (Note 19)</b>	<b>(6,488)</b>	<b>(22,533)</b>

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

	Year ended 31 July	
	2022	2021
	£'000	£'000
Current service cost	2,211	1,875
Past service cost	0	0
Net interest on the net defined pension liability	372	287
Administration expenses	0	3
<b>Total</b>	<b>2,583</b>	<b>2,165</b>

## 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	
	2022	2021
	£'000	£'000
(Deficit) in scheme at 1st August	(22,533)	(20,870)
Movement in year:		
Current service cost	(2,211)	(1,875)
Past service cost	0	0
Employer contributions	686	722
Administration expenses	0	(3)
Net interest on the defined (liability)/asset	(372)	(287)
Actuarial gain or (loss)	17,942	(220)
<b>Net defined benefit (liability) at 31st July</b>	<b>(6,488)</b>	<b>(22,533)</b>

##### Asset and Liability Reconciliation

	Year ended 31 July	
	2022	2021
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	45,234	39,909
Current service cost	2211	1,875
Interest cost	739	557
Contributions by Scheme participants	230	211
Experience (gains) and losses on defined benefit obligations	101	(654)
Changes in financial assumptions	(17,721)	4,390
Estimated benefits paid	(415)	(471)
Past service cost	0	0
Curtailments and settlements	0	0
Changes in demographic assumptions	(166)	(583)
<b>Defined benefit obligations at end of period</b>	<b>30,213</b>	<b>45,234</b>

##### Reconciliation of Assets

<b>Fair value of plan assets at start of period</b>	22,701	19,039
Interest on plan assets	367	270
Return on plan assets	156	2,933
Other actuarial gains	0	0
Administration fee	0	(3)
Employer contributions	686	722
Contributions by Scheme participants	230	211
Estimated benefits paid	(415)	(471)
Settlement prices received/(paid)	0	0
<b>Fair value of plan assets at end of period</b>	<b>23,725</b>	<b>22,701</b>

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 and in the prior year no expenses were paid out to governors.

In this financial year, the College has not made a grant payment to the Students Union (2021: £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.

Joanne Williams is Chair of Governors at Stourvale Multi Academy Trust. During the year the College made sales to Stourvale Multi Academy Trust of £33.75 in respect of refreshments.

#### 28 Amounts disbursed as agent

Apprenticeship grants for employers	2022 £'000	2021 £'000
Funding body grants	30	26
For disbursement to employers	(30)	(26)
Balance at 31st July	<u>0</u>	<u>0</u>

#### Learner support funds

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.

The annual grant income is wholly paid over to the LSF bank account each year.

	2022 £'000	2021 £'000
Funding body grants	946	893
For disbursement to students	(946)	(893)
Balance at 31st July	<u>0</u>	<u>0</u>
Actual disbursement to students	(919)	(858)
Actual administration fee	<u>(38)</u>	<u>(34)</u>
	<u>(957)</u>	<u>(892)</u>