United Colleges Group

Annual Report and Consolidated Financial Statements
For the Year Ended 31 July 2022

United
Colleges
Group

Key management personnel, Board of Governors and Professional advisers

Key management personnel

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

Mr. Stephen Davis	Chief Executive Officer and Group Principal (from 15 November 2021), and Accounting Officer (from 20 December 2021)
Mrs. Amanda Thorneycroft	Chief Financial Officer
Mr. Nick Bell	Chief Executive Officer (to 15 November 2021), and Accounting Officer (to 20 December 2021)

With effect from 15 November 2021, Mr. Nick Bell stepped down from the post of CEO and the Board of Governors decided to combine the existing roles of CEO and Group Principal into a single post of CEO and Group Principal. Mr. Stephen Davis was appointed to this role on 15 November 2021. Formal transfer of Accounting Officer responsibilities was completed on 20 December 2021.

Director of Governance

Miss. Zoë Lawrence

Board of Governors

A full list of Governors is given on pages 20 to 21 of these financial statements.

Professional advisers

Financial statements and regularity auditor

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Scrutton Bland LLP
Fitzroy House, Crown Street
Ipswich, Suffolk
IP1 3LG

Bankers

NatWest Bank PLC
Kilburn High Road (B) Branch
127 Kilburn High Road
London
NW6 6JL

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Solicitors

Eversheds Sutherland LLP
1 Wood Street
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EC2V 7WS

Addleshaw Goddard LLP
60 Chiswell Street
London
EC1Y 4AG

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Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The members of the Corporation present their report together with the audited financial statements for the year ended 31 July 2022.

Legal status

The Corporation was established under The Further and Higher Education Act 1992. The College is an exempt charity for the purpose of Part 3 of the Charities Act 2011.

United Colleges Group was formed from the merger of City of Westminster College and the College of North West London on 1 August 2017. It is a single legal entity and throughout this report will be referred to as the 'College' unless otherwise stated. The brands of City of Westminster College and College of North West London continue to be used, as these are recognised in their respective localities.

The College has a wholly owned subsidiary called CWC Enterprises Limited. The company is limited by shares and is registered in England and Wales (Company Registration Number 0292440). Its principal activity is letting facilities and ancillary services. Throughout this report the College and subsidiary combined will be referred to as the 'Group' unless otherwise stated.

Mission

The College's mission, as approved by the Corporation Members, is:

"To deliver outstanding, world class education and skills"

Vision

To be London's best College Group.

Values

The six key values that are important to the College's students, staff and partners are:

Student-focused
Transparent
Ambitious
Inclusive
Respectful
Supportive

Together these values form the STAIRS that help the College support everyone in its learning community to reach their aspirations.

Public Benefit

United Colleges Group is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on pages 20 to 21.

Report of the Governing Body (continued)

In accordance with the English Colleges' Code of Governance for Colleges, and the Charity Commission's guidance, being accountable to learners, to the wider community it serves, and to wider stakeholders, the United Colleges Group's Public Values Statement sets out how it fulfils this public benefit responsibility.

The United Colleges Group's mission is to deliver outstanding, world class education and skills. The Group's values are to be student focussed, transparent, ambitious, inclusive, respectful and supportive. In delivering its mission, the Group provides the following identifiable public benefits through the advancement of education:

- Delivery of outstanding teaching, learning and assessment.
- Provision of a broad and enriching programme of learning opportunities focused on helping students acquire essential work experience and employability skills.
- Embracing the diversity and achievement of every individual to ensure that they are valued and respected.
- Responding to the needs of our local communities to bridge the gap to employment for adults and young people who are NEET (Not in Education, Employment or Training).
- Promotion and active support of volunteering in the local community.

The College offers education and training in many vocational areas at a variety of levels for a wide range of learners of all post 16 ages and starting points. Sector specialisms include Business & Accountancy, Construction, Engineering, IT, Computing, Public Services, Science, Sport, Creative & Digital Industries and Provision for Learners with High Needs.

The College has extensive and effective employer links with SMEs and key employers in London and nationally, including: Transport for London, Skanska, Mace, United Biscuits, Arup, Atkins, Ringway Jacobs Ltd, and McLaren. The College has the capacity to respond effectively to the skills needs of London, and to deliver on national contracts.

Strategic aims

The Corporation approves strategic aims for the College which are supported by detailed business plans which are reviewed and updated annually. The Corporation monitors the performance of the College against these plans. The strategic aims in place for 2021-22 were:

- Enhancing student experience and outcomes;
- Improving staff satisfaction and engagement;
- Growing our learning community;
- Robust financial health;
- High performance, entrepreneurial culture;
- Embracing diversity and inclusion;
- Safe and supportive environment;
- Fit for the future assets;
- Building our reputation.

Report of the Governing Body (continued)

Under the strategic aims ‘robust financial health’ and ‘fit for future assets’, the College measures itself against several financial objectives. Progress against these objectives has been monitored by Governors throughout the year and progress can be summarised as follows:

a) Generate a positive cash flow together with annual operating surpluses.

   The College generated an operating surplus of £530,000 and a positive operational cash flow of £6,184,000. This was another year of remarkable financial performance, especially considering Covid-19 pandemic restrictions only eased from May 2021.

   The positive cash flow was used to service debt and make significant capital investments in both College IT infrastructure and the College’s Wembley Park Campus redevelopment project.

b) Reduce the dependency of the College on core funding by growing alternative sources of income.

   The Covid-19 pandemic resulted in the College temporarily reducing or withdrawing from some of its commercial activities. Areas impacted included the Cockpit Theatre, College lettings, and the delivery of some full cost recovery courses. However, from May 2021 - as restrictions eased - the College saw a recovery in these commercial activities.

c) To establish new strategic partnerships that will directly and positively impact on the range and quality of our provision.

   UCG continues to build on the ‘Flagship College’ status awarded by Microsoft. In addition, close relationships are maintained with the Local Authorities where the College operates, with Westminster, Brent and Camden taking an active part in supporting UCG projects.

d) To further develop systems and infrastructure to ensure that maximum resource is focused on offering the best possible service to all our students and staff.

   The College is progressing an ambitious property strategy which will bring all College campuses up to a high quality, modern standard.

   The College also continues to invest heavily in its IT infrastructure in line with its approved IT Strategy. In 2021-22, the College invested more than £1.6m in equipment. This included an upgrade to both the College’s Storage Area Network (SAN) and Local Area Network (LAN), as well as significant investment in additions to classroom touchscreens.

Performance indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The College also undertakes sector benchmarking analysis, particularly against other large urban and London Colleges, on a regular basis. In December 2021, the College returned a Finance Record to the ESFA. This provided a view of the outturn of 2020-21 and the budget for 2021-22. The College’s Financial Health grading based on this return was confirmed as “Outstanding” for 2020-21 and anticipated as “Good” for 2021-22 by the ESFA. However, based on the outturn for 2021-22, the College’s Financial Health is now expected to remain as “Good”. In addition, the Corporation has additional targets for the College which are monitored during the year.

Report of the Governing Body (continued)

FINANCIAL POSITION:

Financial results

The Group (the College and its subsidiary CWC Enterprises Limited) incurred a deficit before other gains and losses of £2,915,000 for the year (2020-21 deficit £495,000), with a total comprehensive surplus of £39,955,000 (2020-21 surplus £3,463,000). Before exceptional items (i.e. pension and disposal of asset adjustments) the Group made an operating surplus of £530,000 (2020-21 surplus £2,285,000).

At 31 July 2022, the Group had positive accumulated income and expenditure reserves of £41.512m (excluding the LGPS defined benefit pension scheme obligations) compared with £40.036m at 31 July 2021.

Tangible fixed asset additions during the year amounted to £23.027m which consisted of the purchase of a new College campus site in Wembley Park for £20.35m, professional fees in relation to the redevelopment of this site, and equipment purchases across the College.

The College has significant reliance on the education sector funding bodies for its principal funding sources, largely from recurrent grants. In 2021-22, the funding bodies provided 93% of the College's total income (2020-21 95%).

The College has a wholly owned subsidiary company, CWC Enterprises Limited. The principal activities of CWC Enterprises Limited are the management of the College's lettings revenues and the running of commercial activities of the College's Cockpit Theatre. In the current year CWC Enterprises Limited generated a surplus of £141,000 (2020-21 a deficit of £291,000). The surplus in 2021-22 follows two years of deficits which were incurred because of commercial activities having to be suspended due to the Covid-19 pandemic.

Staff restructuring

The College continues to respond to changing Government funding by achieving best use of its teaching and support service delivery. This year rationalisation and efficiencies resulted in the loss of seven staff and redundancy costs amounting to £69,000 (2020-21 loss of 12 staff at a cost of £95,000).

With effect from 15 November 2021, Mr. Nick Bell stepped down from the post of CEO and the Board of Governors decided to combine the existing roles of CEO and Group Principal into a single post of CEO and Group Principal. Mr. Stephen Davis was appointed to this role on 15 November 2021 having previously been United College Group's Deputy CEO and Group Principal. Formal transfer of Accounting Officer responsibilities from Mr. Nick Bell to Mr. Stephen Davis concluded on 20 December 2021. Mr. Nick Bell continued to progress the College's Wembley Park redevelopment project and develop commercial activities until his retirement in May 2022.

Treasury policies and objectives

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

Short term borrowing for working capital purposes is authorised by the CEO and Group Principal. All other borrowing requires the approval of the Corporation and complies with the requirements of the Financial Memorandum.

Report of the Governing Body (continued)

Cash flows

The operating cash inflow for the Group at £6.184m for the year (2020-21 £7.818m) was strong. Major cash outflows consisted of the servicing of the College's long-term loans and capital expenditure on the College's Wembley Park Campus redevelopment, including the purchase of a new College campus site in Wembley Park for £20.35m.

Liquidity

At the end of the year the College had the following loans in place secured against its Paddington Green Campus:

- £16m long term loan repayable over 25 years. The balance on this loan at 31 July 2022 was £10.973m.
- £7.5m long term loan repayable over 24 years. The balance on this loan at 31 July 2022 was £4.458m.
- £1.5m long term loan repayable over 24 years. The balance on this loan at 31 July 2022 was £858,000.

On the 22 December 2021, the College negotiated a rolling credit facility of £8.35m with Barclays Bank PLC. This facility was secured to bolster working capital as the College continues to invest its surplus cash on the Wembley Park redevelopment project. As at the 31 Jul 2022, this facility remained unutilised.

All borrowings have been authorised by the Corporation and were agreed by the LSC, or ESFA where appropriate, and are in accordance with the requirements of the ESFA Financial Memorandum.

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.

Covid-19

On 10 November 2021 the College's wholly owned subsidiary, CWC Enterprises Limited, received £250,000 from its primary insurers. This was in relation to a business interruption claim submitted by CWC Enterprises Limited for lost theatre and lettings income from March 2020 to May 2021 as a result of the Covid-19 pandemic.

Since restrictions were eased in May 2021, theatre and lettings income have seen a strong recovery, and theatre income in 2022-23 is expected to return to pre-pandemic levels.

For the year ended 31 July 2022 the College incurred £91,000 in Covid-19 related expenditure (2020-21 £387,000).

In 2020-21, the Corporation approved capital investment in IT to support students, with the College purchasing over £1.1m in devices that were loaned to 16-18 year old learners for the online elements of their courses. The College also supported adult learners in need of IT equipment with the option to purchase these through use of the Adult Bursary Fund. The loan of laptops continued in 2021-22.

Report of the Governing Body (continued)

Reserves

Whilst in the long term the College has the aim of strengthening its income and expenditure reserves, the short term strategy of managed growth involves investment ahead of income due to the lagged learner effect of ESFA funding. As at 31 July 2022 the College has an accumulated surplus of £18.651m (including pension liabilities of £22.861m) in its income and expenditure account.

Going concern

The College's forecast and financial projections through to 2023-24, indicate that it will be able to generate operational surpluses and operate within its existing available bank facilities. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence through this period. For this reason the College continues to adopt the going concern basis in the preparation of its financial statements.

As at 31 July 2022 the College had cash and cash equivalents of £5.864m and an unutilised rolling credit facility of £8.35m with Barclays Bank PLC.

As a consequence of the Office for National Statistic's reclassification on 29 November 2022 of all college corporations into the Central Government sector, the College has had to seek the Department for Education's (DfE) approval to utilise the Barclays' rolling credit facility. Approval to use this facility was received on 27 January 2023.

Discussions are now on-going with the DfE to convert the rolling credit facility into a loan when the rolling credit facility matures on 1 August 2023. Although at the date of approval of the financial statements, the loan hasn't been finalised, the DfE and ESFA remain supportive of the College and its capital strategy. Furthermore, the DfE have stated in their published guidance that they will put alternative financing arrangements in place to support colleges whose existing loan financing arrangements are nearing maturity. Thus, UCG has received adequate assurances that the maturing of the revolving credit facility with Barclays in August 2023 will not cause a risk to cash flow and going concern basis.

Given the above and the ongoing support of the ESFA, the Corporation believes the College will be able to continue in operation, and meet its liabilities as they fall due, for a period well beyond 12 months from the date of approval of these accounts.

CURRENT AND FUTURE DEVELOPMENTS AND PERFORMANCE:

The College has continued to embed and improve the quality of teaching, learning and assessment and during the year received a monitoring visit from OFSTED that confirmed this with a judgement of reasonable progress since the previous inspection. This has been achieved within the backdrop of the COVID-19 pandemic and the uncertainties associated with that.

The College has also continued to develop its educational ethos with the introduction of the UCG Method outlining a philosophical approach to teaching and learning backed by specific accountability measures for teachers.

The achievement figures for 2021-22 continue to be impacted by the COVID-19 pandemic, and overall English & Maths outcomes by non-exam attendance. As with the previous year however, the College has seen areas of progress that include:

- Improvements in the lesson observation grade profile for the College.
- Completion of the Power BI Dashboard project.
- Continued development of a College Operational Plan aligned to collective objectives.

Report of the Governing Body (continued)

- Improvement in the utilisation of the additional learner support provision allocation and College tuition funds for small group tuition.
- Significant improvement in value added levels.

Learner numbers

In 2021-22 the College had 3,659 16-18 learners against an allocation of 3,617. The College also recruited 8,047 funded adult learners and 257 students on HE programmes. In addition to these, 499 apprentices were enrolled.

Learner achievements

The College achievement profile for the past six years is as follows:

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
All qualifications	84.4%	86.9%	84.5%	84.1%	80.8%	79.3%
16 - 18	76.5%	78.3%	76.0%	80.1%	75.0%	69.6%
19+	89.0%	90.6%	88.6%	86.2%	83.1%	82.4%

Curriculum developments

Building on current strengths, the College will offer T levels in construction, digital, education and childcare and health and science routes from 2023-24 for 16-18-year olds. This offer will be expanded in 2024-25, providing young learners with opportunities to access high quality vocational and technical level 3 routes.

The College recognises that young people need progression routes to level 3 and aims to maintain relevant qualifications at level 1 and 2 across a full range of vocational areas that support access to further education or employment. While the College has a track record of delivery at its Willesden Green and Wembley Park Campuses, many younger Brent learners travel out of the borough to seek a more modern and connected learning environment.

The College continues to develop and enhance its integrated and expanded Special Educational Needs and Disabilities (SEND) and Profound and Multiple Learning Disability (PMLD) provision, supporting both London borough and GLA priorities. This, together with personal development, meaningful development of employment and ongoing development of living skills, in tandem with the College's continued evolution of supported internships with a range of public and high-profile private sector partners, leads to enhanced progression routes and life opportunities.

Meeting London and United Kingdom skills needs for all ages

The delivery of local skills-needs is at the heart of the College's curriculum strategy. Employers continue to face significant skills gaps because of such factors as Brexit and the pandemic. London's unemployment rate is currently 30% above the national average (source: Skills Roadmap for Londoners 2022).

College programmes are accessible to learners of all ages. The role of education is pivotal in ensuring that Londoners with lower level skills can develop these and impact their lives by moving out of insecure employment, upskilling, or progressing to higher level occupations and greater job security.

Report of the Governing Body (continued)

As London continues to move out of the pandemic and its pernicious influence on its communities, the College will ensure that its programmes offer all Londoners a real opportunity to access education with multiple entry and exit points, allowing adult learners in particular to "retrain and return" to the labour market quickly or progress to higher level qualifications by taking full advantage of lifelong loan entitlements as outlined in Skills for Jobs.

The College continues to grow its articulation routes from entry to level 2 in English, maths, digital, and English Speakers of Other Languages (ESOL), alongside a broad vocational curriculum offer.

Additional funding where available, such as Multiply, will be used to ensure that upskilling is accessible to a wider community. Short sector focused courses will continue to be offered in tandem with employer partners and JCP, delivering effective routes to employment and retraining.

College provision has routes for all learners, including those with low-level skills, to progress onto high value technical and vocational qualifications and sustainable employment, or onto higher education or apprenticeships through construction or skilled trades, Green Technologies, Digital and Science, alongside routes in Accounting, Health and Social Care and Creative Industries enhancing employment options, improving salary levels and creating opportunities for digital inclusion.

Future developments

London's Engineering & Green Skills Sector

As a kitemarked Mayor's Construction Academy, the College delivers skills and apprenticeship training for a host of significant national and southeast based employers, as well as SME businesses and local authorities. As part of the West London Alliance, the College supports the London Borough of Brent with strategic aims of improving the energy efficiency and carbon footprint of their housing stock with the contingent aims of promoting economic growth and supporting those most at risk of long-term unemployment. This has been realised in part with the creation of a Green Skills Hub at the College's Willesden Green Campus, supported by Brent Council. Membership of the Central London Forward Group develops this work further, where the creation of a Green Skills Academy at our Camden Campus will train the sustainability workforce of the future, specifically in the near future with the retro-fit of the Camden Council housing stock scheme, enhanced by an additional Green Skills Centre at the College's Paddington Green Campus, which will do the same in Westminster.

The College of North West London has been in partnership with the London Borough of Camden for nearly 10 years. The Partnership started originally to support the development of the King's Cross area, to train young and older people from the Camden area to develop the skills required to contribute to the significant work force demands of the project. This linked in with several other pan London projects, including the Mayor's Construction Academy scheme.

The total number of green jobs in London is projected to more than double in the 10 years from 2020 to 2030 to just over 500,000 (source: Skills Roadmap for Londoners 2022). As the King's Cross development nears completion, the College and the London Borough of Camden partnership will now turn their attention to the latest national scale construction project of HS2. The King's Cross Construction Centre will move next to Euston station in the summer of 2023, to continue to train the work force demanded of this enormous scheme. As well as working alongside Camden and HS2's Mace Dragados, the new Euston Construction Centre will also house a Green Skills Academy, to cater for the other national project of retrofitting council housing stocks.

The College will continue to pursue key initiatives to develop a demand led green skills agenda. This will include, for example, developing qualifications in infrared low carbon heating, modern methods of construction and developing partnerships with leading Refrigeration and Air Conditioning (RAC) manufacturers to inform curriculum regarding developments in heat source heat pumps, developing and informing apprenticeship pathways and developing courses related to the Mayor's academy programmes

Report of the Governing Body (continued)

(MAP) hubs to support the development of partnerships with employers, training partners, JCP and job brokerages. The College will also work with borough partners to ensure that those less likely to access employment or most at risk of long-term unemployment are supported to enter the sector.

London's Creative Skills Sector

The College recognises the key benefits of culture and the pivotal importance of the world class cultural and creative sector in Westminster and greater London, both in terms of the importance of cultural engagement and culture as a driver of innovation business and employment.

- For every £1 of turnover that art and culture generates, 51p of gross value is added to the economy.
- 27% of London's jobs in music, performing and visual arts are based in Westminster (source: Westminster Cultural Strategy 2021- 2025 City of Westminster).

The College continues to grow and develop its creative industries provision, working with partners to add industry value. The College delivers level 1 to level 4 provision across creative and performing industries from its Paddington Green Campus and will offer state of the art creative provision at its new flag-ship Wembley Park Campus once complete in 2026-27. The College recognises the role of digital within this sphere and will look to develop the synergies at qualification and project level that enable this.

Wembley Park Campus redevelopment

The United Colleges Group property strategy recognises the relatively poor quality of the College of North West London's estate and significant investment has been made in the development of plans for the establishment for a new flag-ship campus located in Wembley. As at 31 July 2022, the College has invested £24,391,000 in the project. This includes £20,350,000 on the purchase of a new campus site in Wembley Park, formerly known as the Olympic Office Centre at 8 Fulton Road, Wembley Park, Wembley, HA9 0NU.

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 out by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period

1 August 2021 to 31 July 2022, the College comfortably met this target. The College incurred no interest charges in respect of late payments for this period.

RESOURCES:

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

Tangible resources include the main College campuses at Paddington Green and Willesden Green, centres at Wembley Park and Maida Vale, along with the Cockpit Theatre in Gateforth Street and a Construction Skills Centre at King's Cross. On 22 December 2021 the College purchased a site in Wembley Park for redevelopment at a cost of £20.35m.

Financial
As at 31 July 2022 the Group had £40.498m of net assets after £22.861m in pension liabilities (2020-21 £543k net assets after £61.787m in pension liabilities) and long term creditors of £78.494m (2020-21 £82.308m).

Report of the Governing Body (continued)

People
In 2021-22 the College employed 763 people (2020-21 671), of whom 443 were teaching staff (2020-21 390). Expressed as full time equivalents, the College employed 645 people (2020-21 611), of whom 387 were teaching staff (2020-21 370).

Reputation
The College has a good reputation locally and nationally. Maintaining quality brands is essential for the College's success in attracting students and developing external relationships. The College's investment in its estate enhances that reputation and further property improvements are planned in the coming years.

PRINCIPAL RISKS AND UNCERTAINTIES:

1. Government Funding

The College has considerable reliance on continued government funding through the ESFA. In 2021-22, 93% (2020-21 95%) of the College's revenue was ultimately public funded.

The College is aware of the issues which impact on future funding and the pressures affecting the funding available both for 16-18 year olds and adults.

The risk is mitigated in a number of ways:

- An enhanced reputation and profile as a result of excellent achievement rates;
- Continued investment in College properties to provide a first class environment for students;
- Funding is derived through a number of direct and indirect contractual arrangements;
- By ensuring the College is rigorous in delivering high quality education and training;
- Considerable focus on and investment in maintaining and managing relationships with the various funding bodies;
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding;
- Developing an appropriate curriculum for full cost recovery work;
- Continuing to grow the other commercial income of the College;
- Successful bidding for procured contracts.

2. Failure to achieve planned learner numbers

With 93% of College income arising from grant funding, it is essential that the College recruits and delivers against its funding allocation. The College has a long history of meeting and exceeding its ESFA allocations.

The risk of under recruitment and delivery is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students;
- Close monitoring of the demand for courses and building of flexibility into curriculum planning;
- Formulation of an Enrolment Action plan and marketing strategy;
- Early identification of potential over/under recruitment with intervention strategies in place to respond.

3. Maintain adequate funding of pension liabilities

The financial statements report the College's share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

Report of the Governing Body (continued)

4. Increases in employer contributions to the Teachers' Pension Scheme

On 1 September 2019 employer contributions to the Teachers' Pension Scheme (TPS) increased from 16.48% to 23.68%; a 43.7% increase. The Department for Education reimbursed FE Colleges for this additional cost and have confirmed that they will continue to reimburse FE Colleges up to March 2023. Whether this will be reimbursed beyond March 2023 is still unknown, and the College has therefore taken this increase into account in its budgeting cycle.

STAKEHOLDER RELATIONSHIPS:

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

- Students;
- Education Sector funding bodies;
- Staff;
- Local and national employers (with specific links);
- Local Authorities;
- Greater London Authority;
- Government Offices / Regional Development Agencies;
- The local community including residents associations;
- Other FE institutions and Universities;
- Trade Unions;
- Professional bodies;
- Private training providers;
- Regeneration Agencies;
- Pension fund authorities;
- Banking partners;
- Employer Representative Bodies.

The College recognises the importance of these relationships and engages in regular communication with them by meetings, written communications, mailings and through the College's Internet site, staff-net and student-net sites as appropriate.

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. The College respects and values positively differences in race, gender, gender reassignment status, marital or civil partnership status, pregnancy, sexual orientation, disability, religion or belief and age. The College also strives vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis.

In pursuit of the College's aspirations to continually improve its approach to Equalities, Diversity and Inclusion it developed a holistic action plan and achieved Investors in Diversity accreditation from the National Centre for Diversity in 2021-22.

The College considers all applications from disabled persons, guaranteeing an interview where selection criteria are met. 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 for other employees.

Report of the Governing Body (continued)

Disability statement

The College seeks to achieve the objectives set down in the Equalities Act 2010.

a) The College employs an Assistant Principal and Curriculum Managers with responsibility for learners with learning difficulties and disabilities and employs a range of specialist staff to support learners with moderate and severe learning difficulties and/or disabilities (LLDD), who provide information, advice and arrange support where necessary for students with disabilities.

b) There is a list of specialist equipment which the College makes available for use by students. A range of assistive technology is available in the learning centres and from the College's Additional Learning Support Teams.

c) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.

d) The College has made a significant investment in the appointment of learning support assistants to support students with learning difficulties and/or disabilities. 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.

e) The College has a good reputation for providing discrete specialist programmes, details of which can be obtained from the relevant Assistant Principals and Curriculum Managers or through the course advice teams.

f) Counselling and welfare services, along with the College's Complaints and Disciplinary procedures, are described in the student induction pack, which is issued to every student at induction.

Trade union facility time

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

Number of employees who were relevant union officials during 2021-22	Full-time equivalent employee number
26	24.26

Percentage of time spent on facility time:

Percentage of time	Number of Employees
0-1%	3
1-50%	23
51-99%	-
100%	-

Percentage of pay bill spent on facility time:

Total cost of facility time	£54,333
Total pay bill of union representatives	£1,082,611
Percentage of total pay bill spent on facility time	5.0%

Report of the Governing Body (continued)

Paid trade union activities:

Time spent on paid trade union activities as a percentage of total paid facility time	5.0%

Events after the reporting period

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

As a consequence of this reclassification, the College has had to seek the DfE's approval to utilise the rolling credit facility the College had negotiated with Barclays Bank PLC in December 2021. Approval to use this facility was received on 27 January 2023.

The DfE have stated in their published guidance that they will put alternative financing arrangements in place to support colleges whose existing loan financing arrangements are nearing maturity. Discussions are now on-going with the DfE to convert the rolling credit facility into a loan when the rolling credit facility matures on 1 August 2023.

Disclosure of information to the auditor

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

Approved by order of the members of the Corporation on 27 February 2023 and signed on their behalf by:

Anthony D Johnston

Tony Johnston
Chair of Governors

Statement of Corporate Governance and Internal Control

The following Statement is provided to enable readers of the annual report and financial statements 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.

Governance Code

The College endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. in full accordance with the Charity Governance Code.

In the opinion of Governors, the College complies with all the relevant provisions of the Code, and it has complied throughout the year ended 31 July 2022. This opinion is based on an internal review of compliance with the Code reported to the board on 19 October 2022. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account the Charity Code which it formally adopted in 2021-22.

The Corporation

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

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance
Tony Johnston	4 Jul 2018	4 yrs		Independent member	• F&R • GSR • P&I • TLS	25 / 25
Franklin Asante	17 Dec 2018	4 yrs		Independent member	• F&R • GSR	12 / 14
Laura Griffin	3 Jul 2019	4 yrs		Independent member	• F&R • GSR	10 / 14
Colin Smith	26 Jan 2019	4 yrs		Independent member	• TLS • GSR	12 / 14
Alex Fyfe	4 Jul 2018	4 yrs		Independent member	• F&R • P&I	16 / 17
Lee Horsley	4 Jul 2018	4 yrs	31 Jul 2022	Independent member	• F&R • P&I	11 / 17
Ross Mackenzie	1 Aug 2020	4 yrs		Independent member	• F&R	7 / 10
Norman Whyte	17 Dec 2018	4 yrs		Independent member	• Audit	5 / 10
Derrick Betts	16 Oct 2019	4 yrs		Independent member	• Audit	12 / 14
Angela Drisdale Gordon	17 Dec 2018	4 yrs		Independent member	• TLS	9 / 10
Matthew Green	4 Jul 2018	4 yrs	31 Jul 2022	Independent member	• TLS	3 / 10
Grainne Brankin	16 Dec 2020	4 yrs		Independent member	• P&I • Audit	15 / 16
Nick Bell (CEO)	28 Aug 2019	N/A	15 Nov 2021	CEO	• P&I • F&R • TLS	6 / 6
Stephen Davis	15 Nov 2021	N/A		CEO	• P&I • F&R • TLS	14 / 14
Amish Nathwani	17 Dec 2018	4 yrs		Co-opted member	• P&I • Audit	9 / 11

Statement of Corporate Governance and Internal Control (continued)

Name	Date of appointment	Term in office	Date of resignation	Status of appointment	Committees served	Attendance
Natalie Dweh	10 Mar 2021	4 yrs		Independent member from 1 Aug 2021	• TLS	5 / 10
Elom Tay	10 Mar 2021	4 yrs		Co-opted member	• P&I	6 / 7
Temitope Alebiosu	1 Sep 2021	1 yr	31 Jul 2022	Student governor	• TLS	8 / 10
Melek Mandal	4 Nov 2021	1 yr	31 Jul 2021	Student governor	• TLS	2 / 9
Desmond Bishop	3 Jul 2019	4 yrs		Staff governor	• TLS	9 / 10
Max Maalimey	10 Mar 2021	4 yrs		Staff governor	• TLS	10 / 10
Nadia Babar	10 Mar 2021	4 yrs		Co-opted staff governor	• F&R	4 / 4

F&R – Finance and Resources Committee
P&I – Property and Infrastructure Committee
TLS – Teaching, Learning and Skills Committee
GSR – Governance, Search and Remuneration Committee

Miss. Zoë Lawrence acted as Director of Governance throughout 2021-22.

The governance framework

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Teaching Learning and Skills, Finance and Resources, Audit, Governance, Search and Remuneration, and Property and Infrastructure. Full minutes of all meetings, once approved, except those deemed to be confidential by the corporation, are available on the college's website (www.ucg.ac.uk) or from the Director of Governance at the College's registered address.

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Corporation and Committee meetings.

Statement of Corporate Governance and Internal Control (continued)

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

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

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding four years. For continuity following the merger a small number of members were re-appointed so will serve overall longer than the two terms of four years.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31 July 2022 and graded itself as "Good" on the Ofsted scale. The evaluation included a self-assessment questionnaire, and compliance against the Charity Governance Code. Corporation performance is monitored through a governance improvement plan which is reviewed by the Governance, Search and Remuneration Committee.

Corporation development

The Corporation is committed to development of its governors and the Director of Governance. A range of training and development activities were undertaken by the Corporation members during 2021-22. A summary is set out in the table below.

	Training & Development opportunity	Number of governors
1	EDI Awareness	14
2	Safeguarding	9
3	Link governors with a career cluster	7
4	Training/ support specifically for Committee Chairs	2
5	Governance Summit/ FE Conference	4
6	Careers Education Webinar	2
7	Student engagement 'Meet the learner'	3
8	Campus visits	6
9	Risk Workshop	6
10	Strategy and Governance Development	15
11	Sustainability and Climate Change	1
12	FE Finance	3
13	Curriculum Planning	2
14	Capital Projects	2
15	Governor induction	1

Statement of Corporate Governance and Internal Control (continued)

During 2021-22 the Director of Governance successfully completed a post graduate Diploma in Corporate Governance, the Governance Professionals Leadership Programme and training in EDI, and Safeguarding.

The governing body has considered DfE guidance on board reviews and has plans to commission an external reviewer in 2022-23 but did not carry out a formal review in 2021-22.

Remuneration

Throughout the year ending 31 July 2022 the college's Governance, Search and Remuneration Committee met on four occasions. The Committee is comprised of five members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Accounting Officer and other Senior Post Holders. The College has adopted the AoC's Senior Post Holder Remuneration Code.

Details of remuneration for the year ended 31 July 2022 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation. 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 auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of college management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

The Audit Committee met three times in the year to 31 July 2022. The members of the Committee and their attendance records are shown below:

Committee member	Meetings attended
Derrick Betts	3
Amish Nathwani	3
Grainne Brankin	3
Norman Whyte	2

Statement of Corporate Governance and Internal Control (continued)

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 CEO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding Agreement between United Colleges Group and the funding bodies. He is also responsible for reporting to the corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is 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 United Colleges Group for the year ended 31 July 2022 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the corporation on the recommendation of the Audit Committee. At minimum, annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement of Corporate Governance and Internal Control (continued)

Risk faced by the Corporation

During 2021-22 the College reviewed its Risk Management Policy which sets out how risks are identified and evaluated. Risks are collated into a series of risk registers and risk categories for review by the relevant committee against an agreed risk tolerance level. Strategic level risks are reviewed by the Corporation. The risk registers include mitigating actions and residual risk evaluation.

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the college who have responsibility for the development and maintenance of the internal control framework;
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Accounting Officer has been advised on the implications of the result of their 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 departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its October 2022 meeting, the corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2022.

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

Approved by order of the members of the Corporation on 27 February 2023 and signed on their behalf by:

Anthony D Johnston

Tony Johnston
Chair of Governors

Stephen Davis
CEO and Group Principal, Accounting Officer

Corporation's statement on the College's regularity, propriety and compliance with the funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreement and contracts with the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the grant funding agreements with the ESFA.

We confirm on behalf of the Corporation, that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding, under the Corporation's grant funding agreements and contracts with the ESFA, or any other public funder.

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

Approved by order of the members of the Corporation on 27 February 2023 and signed on their behalf by:

Tony Johnston	**Stephen Davis**
Chair of Governors	CEO and Group Principal, Accounting Officer

Statement of the Responsibilities of the Members of the Corporation

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

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 27 February 2023 and signed on their behalf by:

Anthony D Johnston

Tony Johnston
Chair of Governors

Independent auditor's report to the Corporation of United Colleges Group

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Conclusions relating to going concern

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

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

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

Other information

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

Independent auditor's report to the Corporation of United Colleges Group (continued)

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent college and its environment obtained in the course of the audit, we have not identified material misstatements in the governors' report including the strategic report.

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

- adequate accounting records have not been kept by the parent college; or
- the parent college financial statements are not in agreement with the accounting records and returns;
- certain disclosures of Corporation members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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

Responsibilities of governors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report to the Corporation of United Colleges Group (continued)

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:

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

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

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

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

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

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

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing available correspondence with HMRC and the College's legal advisors.

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

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

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

Independent auditor's report to the Corporation of United Colleges Group (continued)

Use of our report

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

Buzzacott LLP

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Date: 28 February 2023

Reporting Accountant's Assurance Report on Regularity to the Corporation of United Colleges Group and Secretary of State for Education acting through the Education and Skills Funding Agency ("the ESFA") and the Greater London Authority ("the GLA")

In accordance with the terms of our engagement letter and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts and those of the GLA, 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 United Colleges Group during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of United Colleges Group, the ESFA and the GLA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of United Colleges Group, the ESFA and the GLA 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 United Colleges Group and the ESFA and the GLA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of United Colleges Group and the reporting accountant

The Corporation of United Colleges Group 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 by the ESFA and in accordance with any guidance provided by the GLA. We performed a limited assurance engagement as defined in that framework.

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

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

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

Reporting Accountant's Assurance Report on Regularity to the Corporation of United Colleges Group and Secretary of State for Education acting through the Education and Skills Funding Agency ("the ESFA") and the Greater London Authority ("the GLA") (continued)

The work undertaken to draw to our conclusion includes:

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

Conclusion

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

Buzzacott LLP

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Date: 28 February 2023

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 July 2022		Year ended 31 July 2021	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	48,805	48,805	48,338	48,338
Tuition fees and education contracts	3	1,797	1,796	1,368	1,370
Other income	4	1,748	808	1,262	875
Investment income	5	4	4	111	111
Total income		**52,354**	**51,413**	**51,079**	**50,694**
EXPENDITURE					
Staff costs	6	32,079	32,079	29,578	29,578
Fundamental restructuring costs	6	69	69	95	95
Other operating expenses	7	15,559	14,763	14,428	13,758
Depreciation	10	5,204	5,200	5,196	5,190
Interest and other finance costs	8	2,358	2,358	2,277	2,277
Total expenditure		**55,269**	**54,469**	**51,574**	**50,898**
Deficit before other gains and losses		**(2,915)**	**(3,056)**	**(495)**	**(204)**
Profit on the disposal of assets	10	31	31	-	-
Deficit before tax		**(2,884)**	**(3,025)**	**(495)**	**(204)**
Taxation		-	-	-	-
Deficit for the year	9	**(2,884)**	**(3,025)**	**(495)**	**(204)**
Actuarial gain in respect of pension schemes	24	42,839	42,839	3,958	3,958
Total comprehensive income for the year		**39,955**	**39,814**	**3,463**	**3,754**
Represented by:					
Restricted comprehensive income		-	-	-	-
Unrestricted comprehensive income		39,955	39,814	3,463	3,754
		39,955	**39,814**	**3,463**	**3,754**

		Note	Year ended 31 July 2022		Year ended 31 July 2021	
			Group	College	Group	College
			£'000	£'000	£'000	£'000
Deficit for the year			**(2,884)**	**(3,025)**	**(495)**	**(204)**
Exceptional items						
FRS 102 pension adjustments:	- staff costs	6,24	2,376	2,376	1,856	1,856
	- interest payable	8,24	1,069	1,069	924	924
Profit on the disposal of assets			(31)	(31)	-	-
Surplus for the year before exceptional items			**530**	**389**	**2,285**	**2,576**

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance as at 1 August 2020	(25,661)	22,741	**(2,920)**
Surplus from the income and expenditure account	(495)	-	**(495)**
Other comprehensive income	3,958	-	**3,958**
Transfers between revaluation and income and expenditure reserves	447	(447)	**-**
	3,910	(447)	**3,463**
Balance at 31 July 2021	(21,751)	22,294	**543**
Deficit from the income and expenditure account	(2,884)	-	**(2,884)**
Other comprehensive income	42,839	-	**42,839**
Transfers between revaluation and income and expenditure reserves	447	(447)	**-**
	40,402	(447)	**39,955**
Balance at 31 July 2022	**18,651**	**21,847**	**40,498**
College			
Balance as at 1 August 2020	(25,460)	22,741	**(2,719)**
Surplus from the income and expenditure account	(204)	-	**(204)**
Other comprehensive income	3,958	-	**3,958**
Transfers between revaluation and income and expenditure reserves	447	(447)	-
	4,201	(447)	**3,754**
Balance at 31 July 2021	(21,259)	22,294	**1,035**
Deficit from the income and expenditure account	(3,025)	-	**(3,025)**
Other comprehensive income	42,839	-	**42,839**
Transfers between revaluation and income and expenditure reserves	447	(447)	**-**
	40,261	**(447)**	**39,814**
Balance at 31 July 2022	**19,002**	**21,847**	**40,849**

Balance sheets as at 31 July

	Note	2022	2022	2021	2021
		Group	**College**	**Group**	**College**
		£'000	£'000	£'000	£'000
Non current assets					
Tangible fixed assets	10	150,095	150,082	132,272	132,255
		150,095	**150,082**	**132,272**	**132,255**
Current assets					
Stock	13	213	213	423	423
Trade and other receivables	12	2,077	2,048	2,640	3,145
Short term investments	19	-	-	-	-
Cash and cash equivalents	20	5,864	5,835	24,891	24,857
		8,154	**8,096**	**27,954**	**28,425**
Less: Creditors - amounts falling due within one year	14	(13,568)	(13,146)	(12,112)	(12,074)
Net current (liabilities) / assets		**(5,414)**	**(5,050)**	**15,842**	**16,351**
Total assets less current liabilities		**144,681**	**145,032**	**148,114**	**148,606**
Creditors - amounts falling due after more than one year	15	(78,494)	(78,494)	(82,308)	(82,308)
Provisions					
Defined benefit obligations	21	(22,861)	(22,861)	(61,787)	(61,787)
Other provisions-Enhanced Pension liabilities	21	(2,828)	(2,828)	(3,476)	(3,476)
Total net assets		**40,498**	**40,849**	**543**	**1,035**
Unresticted reserves					
Income and expenditure account		18,651	19,002	(21,751)	(21,259)
Revaluation reserve	18	21,847	21,847	22,294	22,294
		40,498	**40,849**	**543**	**1,035**
Total reserves		**40,498**	**40,849**	**543**	**1,035**

The financial statements on pages 34 to 58 were approved for issue by the Corporation on 27 February 2023 and were signed on its behalf on that date by:

Tony Johnston
Chair

Stephen Davis
CEO and Group Principal, Accounting Officer

Consolidated Statement of Cash Flows

	Note	2022	2021
		£'000	£'000
Cash flows from operating activities			
Deficit for the year		(2,884)	(495)
Adjustment for non-cash items			
Depreciation		5,204	5,196
Decrease / (increase) in stocks		210	(423)
Decrease / (increase) in debtors		563	(565)
Increase in creditors due within one year		1,402	2,429
Decrease in creditors due after one year		(2,774)	(2,102)
Decrease in provisions		(648)	(332)
Pension costs less contributions payable		3,913	2,918
Adjustment for investing of financing activities			
Investment income		(4)	(111)
Interest payable		1,233	1,303
Profit on the sale of fixed assets		(31)	-
Net cash flow from operating activities		**6,184**	**7,818**
Cash flows from investing activities			
Proceeds from sale of fixed assets		31	-
Investment income		4	111
Withdrawal of deposits		-	10,000
ESFA capital funding receipts		-	1,974
Payments made to acquire fixed assets		(23,027)	(3,707)
		(22,992)	**8,378**
Cash flows from financing activities			
Interest paid		(1,233)	(1,303)
Repayments of amounts borrowed		(986)	(933)
		(2,219)	**(2,236)**
(Decrease) / increase in cash and cash equivalents in the year		**(19,027)**	**13,960**
Cash and cash equivalents at 1 August	20	24,891	10,931
Cash and cash equivalents at 31 July	20	5,864	24,891

Notes to the Accounts

1 Accounting policies

Statement of accounting policies and estimation techniques

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

Basis of preparation

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

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, CWC Enterprises Limited, which is controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of the subsidiary are included in the consolidated income and expenditure account. Intra-group transactions are eliminated fully on consolidation. In accordance with FRS 102, 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.

Going concern

The College's forecast and financial projections through to 2023-24, indicate that it will be able to generate operational surpluses and operate within its existing available bank facilities. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence through this period. For this reason the College continues to adopt the going concern basis in the preparation of its financial statements.

As at 31 July 2022 the College had cash and cash equivalents of £5.864m and an unutilised rolling credit facility of £8.35m with Barclays Bank PLC.

As a consequence of the Office for National Statistic's reclassification on 29 November 2022 of all college corporations into the Central Government sector, the College has had to seek the Department for Education's (DfE) approval to utilise the Barclays' rolling credit facility. Approval to use this facility was received on 27 January 2023.

Discussions are now on-going with the DfE to convert the rolling credit facility into a loan when the rolling credit facility matures on 1 August 2023. Although at the date of approval of the financial statements, the loan hasn't been finalised, the DfE and ESFA remain supportive of the College and its capital strategy. Furthermore, the DfE have stated in their published guidance that they will put alternative financing arrangements in place to support

1 Accounting policies (continued)

colleges whose existing loan financing arrangements are nearing maturity. Thus, UCG has received adequate assurances that the maturing of the revolving credit facility with Barclays in August 2023 will not cause a risk to cash flow and going concern basis.

Given the above and the ongoing support of the ESFA, the Corporation believes the College will be able to continue in operation, and meet its liabilities as they fall due, for a period well beyond 12 months from the date of approval of these accounts.

Recognition of income

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

The recurrent grant from the Office for Students (OfS) represents the funding allocations attributable to the current financial year and is credited direct to the statement of comprehensive income.

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

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

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

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

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

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

Post-retirement benefits

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

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

1 Accounting policies (continued)

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

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Short term Employment benefits

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

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College monthly. 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 the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2019 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 over their expected useful economic life, on a straight-line basis, of between 10 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 60 years.

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

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

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

1 Accounting policies (continued)

On adoption of FRS 102, City of Westminster College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, as deemed cost with the exception of the freehold land only of its Queen's Park and Cockpit Theatre sites. These were revalued by Gerald Eve and added £9.65m to the value of College land as at 1 August 2014. The College of North West London also undertook a revaluation exercise in July 2015 which added £2.14m to the value of College land and buildings at 31 July 2015, backdated to 1 August 2014.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

- Building improvements 10 years
- Technical equipment 10 years
- Motor vehicles 3 to 5 years
- Computer equipment 3 to 5 years
- Furniture, fixtures and fittings 7 to 10 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. Any borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised.

Leased assets

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

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

1 Accounting policies (continued)

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

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

Investments

Investments in subsidiaries

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

Stock

At the beginning of the 2020-21 academic year, the College invested £1.1m in laptops. These were purchased for use by 16-18 year-old learners in order to attend virtual lessons on-line during lockdown. The use of these laptops was also extended to Adult learners, with the option to purchase these outright or use a portion of their bursary allocation in lieu of payment.

Stocks are stated at the lower of their cost and net realisable value. Provisions have been made by way of impairment charges of £209,000 to other operating expenses (£423,000 in 2020-21) in the Statement of Comprehensive Income in relation to diminishing warranties on the laptops.

1 Accounting policies (continued)

Foreign currency translation

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

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 minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College'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.

1 Accounting policies (continued)

Agency arrangements

The College acts as an agent in the collection and payment of adult loan bursaries. Related payments received from the ESFA and subsequent disbursements to students are excluded from the income and expenditure of the College and are shown separately in note 26, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

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

- *Local Government Pension Scheme*
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	11,358	11,358	10,913	10,913
Education and Skills Funding Agency - 16-18	24,142	24,142	26,319	26,319
Education and Skills Funding Agency - apprenticeships	1,698	1,698	1,416	1,416
Greater London Authority - procured	2,615	2,615	1,418	1,418
Office for Students	199	199	277	277
Specific grants				
Releases of government capital grants	2,480	2,480	2,278	2,278
Local Authority income	4,321	4,321	3,542	3,542
Teachers' Pension Scheme contribution grant	664	664	758	758
Bursary income	1,328	1,328	1,417	1,417
	48,805	**48,805**	**48,338**	**48,338**

3 Tuition fees and education contracts

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Adult education fees	737	737	741	741
Fees for FE loan supported courses	424	423	189	191
Fees for HE loan supported courses	476	476	368	368
International students' fees	-	-	26	26
Total tuition fees	1,637	1,636	1,324	1,326
Educational contracts	160	160	44	44
	1,797	**1,796**	**1,368**	**1,370**

4 Other income

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
School Links	101	101	-	-
Lettings income	392	44	225	24
Cockpit Theatre income	332	-	182	-
Other grant income	31	31	74	74
COVID-19 grant income	-	-	368	368
Miscellaneous income	892	632	413	409
	1,748	**808**	**1,262**	**875**

5 Investment income

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Interest receivable	4	4	111	111
	4	**4**	**111**	**111**

6 Staff costs - Group and College

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

	2022 Number	2021 Number
Teaching staff	443	390
Non-teaching staff	320	281
	763	**671**

The above staff number, described as full time equivalent, is 645 (2020-21: 611).

Staff costs for the above persons		**2022** £'000	**2021** £'000
Wages and salaries		18,990	18,584
Social security costs		1,882	1,799
Other pensions costs		6,201	5,537
Payroll subtotal		**27,073**	**25,920**
Agency staff costs		5,006	3,658
		32,079	**29,578**
Fundamental restructuring costs:	- Contractual	69	95
Total staff costs		**32,148**	**29,673**

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 Leadership Team, which comprised the Chief Executive Officer, the Chief Financial Officer and Group Principal. During the year the in-post Chief Executive Officer stepped down, and the Group Principal was promoted to Chief Executive and Group Principal.

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

	2022 Number	2021 Number
The number of key management personnel, including the Accounting Officer was:	3	3

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

			Key management personnel		**Other staff**	
			2022 Number	**2021** Number	**2022** Number	**2021** Number
£55,001	to	£60,000	-	-	2	3
£60,001	to	£65,000	-	-	7	5
£65,001	to	£70,000	-	-	2	1
£70,001	to	£75,000	-	-	-	1
£75,001	to	£80,000	-	-	-	1
£85,001	to	£90,000	-	-	1	2
£95,001	to	£100,000	-	-	1	1
£105,001	to	£110,000	-	-	1	-
£135,001	to	£140,000	1	-	-	-
£140,001	to	£145,000	1	-	-	-
£145,001	to	£150,000	-	2	-	-
£160,001	to	£165,000	1	-	-	-
£175,001	to	£180,000	-	1	-	-
			3	3	14	14

6 Staff costs - Group and College (continued)

Key management personnel compensation is made up as follows:

	2022	2021
	£'000	£'000
Salaries	443	480
Employers National Insurance	59	63
Benefits in kind	2	1
	504	**544**
Pension contributions	71	68
Payroll subtotal	**575**	**612**
Consultancy costs	-	-
Total key management personnel compensation	**575**	**612**

There were no amounts due to senior post-holders that were waived in the year, nor any salary sacrifice arrangements in place. The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2022	2021
	£'000	£'000
Salaries	161	180
	161	**180**
Pension contributions	38	-
Total emoluments	**199**	**180**

The Governing Body adopted the AoC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principles.

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

The Accounting Officer's basic salary and total remuneration as a multiple of the median of all staff is 6.4 times the median, which was £25,783 (2020-21 6.8 times the median, which was £26,394).

The pension contributions in respect of the Accounting Officer and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and the London Pension Fund Authority and are paid at the same rate as for other employees.

In October 2021 the College resought and received approval from the Charity Commission to reimburse the in-post Chair of Governors for Trustee duties over and above those considered to be within the normal voluntary role of the Chair. The amount paid in 2021-22 was £10,152 (2020-21 £7,925).

Other than as stated above, the members of the Corporation, other than the CEO and Staff Governors, did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Compensation for loss of office paid to former key management personnel

	2022	2021
	£	£
Compensation paid to former post-holders	-	-

No severance payments were made to key management personnel in 2021-22 (2020-21 none).

7 Other operating expenses

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Teaching costs	2,616	2,616	1,893	1,893
Non teaching costs	7,260	6,467	7,186	6,518
Premises costs	3,948	3,945	3,125	3,123
Subcontractors costs	1,735	1,735	2,224	2,224
	15,559	**14,763**	**14,428**	**13,758**

Other operating costs include:

	2022 £'000	2021 £'000
Auditors' remuneration:		
Financial statements and regularity audit *	49	37
Internal audit	60	36
Hire of other assets - operating leases	3	3

* represents all fees paid by College, including £3,360 for CWC Enterprises Limited (2021: £3,000)

7a Access and participation spending

As an Office for Students registered college, the College has incurred the following access and participation costs in relation to its higher education students. These costs are included in Other operating expenses shown above.

	2022 £'000	2021 £'000
Access investment	84	80
Financial support to students	61	52
Disability support	66	25
Research and evaluation (relating to access and participation)	88	82
	299	**239**

8 Interest and other finance costs - Group and College

	2022 £'000	2021 £'000
On bank loans, overdrafts and other loans:		
On bank loans	1,233	1,303
Net interest on defined pension liability (note 24)	1,069	924
Other - interest on enhanced pension	56	50
	2,358	**2,277**

9 Deficit on continuing operations for the year - Group and College

	2022 £'000	2021 £'000
College's deficit for the year	(3,025)	(204)
Profit / (loss) generated by subsidiary undertaking	141	(291)
	(2,884)	**(495)**

10 Tangible fixed assets - Group

	Land and buildings				
	Freehold	Assets under construction	Leasehold	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	146,543	3,138	14,372	22,067	186,120
Additions	-	21,253	-	1,774	23,027
At 31 July 2022	**146,543**	**24,391**	**14,372**	**23,841**	**209,147**
Depreciation					
At 1 August 2021	32,030	-	4,172	17,646	53,848
Charge for the year	3,140	-	714	1,350	5,204
At 31 July 2022	**35,170**	**-**	**4,886**	**18,996**	**59,052**
Net book value at 31 July 2022	**111,373**	**24,391**	**9,486**	**4,845**	**150,095**
Net book value at 31 July 2021	114,513	3,138	10,200	4,421	132,272

Tangible fixed assets - College

	Land and buildings				
	Freehold	Assets under construction	Leasehold	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	146,543	3,138	14,372	22,019	186,072
Additions	-	21,253	-	1,774	23,027
At 31 July 2022	**146,543**	**24,391**	**14,372**	**23,793**	**209,099**
Depreciation					
At 1 August 2021	32,029	-	4,172	17,616	53,817
Charge for the year	3,140	-	714	1,346	5,200
At 31 July 2022	**35,169**	**-**	**4,886**	**18,962**	**59,017**
Net book value at 31 July 2022	**111,374**	**24,391**	**9,486**	**4,831**	**150,082**
Net book value at 31 July 2021	114,514	3,138	10,200	4,403	132,255

Assets under construction relate to property costs surrounding the College's Wembley Park Campus redevelopment and includes the purchase of the Olympic Office Centre at 8 Fulton Road, Wembley Park, Wembley, HA9 0NU on 21 December 2022 for £20.35m. It is this site that is being redeveloped and will become the College's new Wembley Park Campus.

10 Tangible fixed assets - Group (continued)

City of Westminster College's land and buildings were valued in 1994 at depreciated replacement cost by a firm of independent chartered surveyors, Edward Rushton Son & Kenyon. In 2015-16 the College revalued its Queen's Park and Cockpit Theatre sites. This was conducted by Gerald Eve and added £9.650m to the value of College land.

Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of professional advice.

If inherited land and buildings had not been valued they would have been included at nil value in the financial statements.

11 Non-current investments

	2022	2021
	£	£
Investment in subsidiary company	2	2
	2	**2**

The College owns 100% of the issued ordinary £1 shares of CWC Enterprises Limited, a company incorporated in England and Wales.

The principal business activity of CWC Enterprises Limited is the management of letting services for the College, the Cockpit Theatre and ancillary services.

12 Debtors

	2022 Group	2022 College	2021 Group	2021 College
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	933	711	802	715
Amounts owed by subsidiary undertaking	-	193	-	592
Other debtors	23	23	13	13
Prepayments and accrued income	1,121	1,121	1,825	1,825
	2,077	**2,048**	**2,640**	**3,145**

13 Stock

	2022 Group	2022 College	2021 Group	2021 College
	£'000	£'000	£'000	£'000
Stock	213	213	423	423
	213	**213**	**423**	**423**

At the beginning of the 2020-21 academic year, the College invested in excess of £1.1m in laptops. These were purchased for use by 16-18 year-old learners in order to attend virtual lessons on-line during lockdown. The use of these laptops was also extended to Adult learners, with the option to purchase these outright or use a portion of their bursary allocation in lieu of payment.

The stock value above is after an impairment of £210,000 (2020-21: £423,000) has been charged to other operating expenses in the Statement of Comprehensive Income. The College has impaired the stock in line with diminishing warranties on new devices that are boxed and unused.

14 Creditors: amounts falling due within one year

	Note	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Bank loans and overdrafts	16	1,040	1,040	986	986
Trade creditors		1,487	1,257	680	671
Other taxation and social security		677	677	921	921
Accruals		3,113	3,065	3,538	3,522
Deferred income - tuition fees and other grants		2,083	2,007	1,770	1,769
Deferred income - government capital grants	17	2,377	2,377	2,063	2,063
Bursary creditors		2,107	2,107	1,520	1,520
Other creditors		415	347	365	353
Holiday pay accrual		269	269	269	269
		13,568	**13,146**	**12,112**	**12,074**

15 Creditors: amounts falling due after one year

	Note	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Bank loans	16	15,250	15,250	16,290	16,290
Deferred income - government capital grants	17	63,244	63,244	66,018	66,018
		78,494	**78,494**	**82,308**	**82,308**

16 Maturity of debt

Bank, other 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 of less	1,040	1,040	986	986
Between one and two years	1,102	1,102	1,040	1,040
Between two and five years	3,693	3,693	3,494	3,494
In five years or more	10,455	10,455	11,756	11,756
	16,290	**16,290**	**17,276**	**17,276**

At 31 July 2022, the College had three main loan facilities with Barclays Bank PLC. A £16m loan repayable over 25 years (at 6.998% interest), a £7.5m loan repayable over 24 years (at 8% interest) and a £1.5m loan repayable over 24 years (at 7.760%).

On 22 December 2021, the College entered into an £8.35m revolving credit facility with Barclays Bank PLC. This facility was negotiated to bridge working capital requirements whilst the College incurs property costs surrounding the redevelopment of its Wembley Park campus. The facility was unused at 31 July 2022.

All of the above loans, including the revolving credit facility, are secured against the College's Paddington Green Campus, located at 25 Paddington Green, London, W2 1NB.

17 Deferred capital grants

	Group and College		
	ESFA/LEP grants	Other government	Total
	£'000	£'000	£'000
At 1 August 2021	68,060	19	68,079
Cash received	-	20	20
Released to statement of comprehensive income	(2,460)	(19)	(2,479)
At 31 July 2022	**65,600**	**20**	**65,620**

18 Revaluation reserve

	Group and College	
	2022	2021
	£'000	£'000
At 1 August 2021	22,294	22,741
Transfer from revaluation reserve to general reserve	(447)	(447)
At 31 July 2022	**21,847**	**22,294**

19 Current investments

	2022 Group	2022 College	2021 Group	2021 College
	£'000	£'000	£'000	£'000
Short term deposits	-	-	-	-
	-	**-**	**-**	**-**

20 Cash and cash equivalents

	At 1 August 2021	Cash flows	At 31 July 2022
	£'000	£'000	£'000
Group cash and cash equivalents	24,891	(19,027)	5,864
	24,891	**(19,027)**	**5,864**

21 Provisions

	Group and College		
	Defined benefit obligations	Enhanced pension	Total
	£'000	£'000	£'000
At 1 August 2021	61,787	3,476	65,263
Expenditure in the period	(1,644)	(236)	(1,880)
Additions in the period	(37,282)	(412)	(37,694)
At 31 July 2022	**22,861**	**2,828**	**25,689**

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

The enhanced pension provision relates to the cost of staff who have already left the College's employ.

The principal assumptions for this calculation are:

	2022	2021
Interest rate	3.3%	1.6%
Inflation rate (CPI)	2.9%	2.6%

22 Capital and other commitments

	Group and College	
	2022	2021
	£'000	£'000
Commitments contracted for at 31 July	-	-

23 Lease obligations

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

	Group and College	
	2022	2021
	£'000	£'000
No later than one year	3	3
Later than one year and not later than five years	10	-
	13	**3**

24 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LPGS), which is managed by the London Pension Scheme Authority (LPFA). Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2022**		**2021**
		£'000		£'000
Teachers' Pension Scheme: contributions paid		2,176		2,077
Local Government Pension Scheme:				
Contributions paid - normal	1,649		1,604	
FRS 102 (28) charge	2,311		1,856	
Charge to the Statement of Comprehensive Income		3,960		3,460
Total pension cost for the year within staff costs (note 6)		**6,136**		**5,537**

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. Contributions amounting to £177,000 (2021: £425,000) were payable to the schemes at 31 July 2022 and are included within creditors.

Teachers' Pension Scheme

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

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

Under the definitions set out in FRS102 (28.11), the TPS is a multi-employer plan. The College is unable to identify its share of underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption of FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of anticipated contribution rates.

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018-19). The Department has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The employer's pension costs paid to TPS in the year amounted to £2,176,000 (2021: £2,077,000).

24 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 London Pension Fund Authority (LPFA). The total contributions made for the year ended 31 July 2022 were £2,103,000, of which employer's contributions totalled £1,631,000 and employees' contributions totalled £472,000. The College has offered the LPFA a legal charge on its Paddington Green Campus. As a result of this, the agreed contribution rates are 23.4% for employers (31.1% with no legal charge) and range from 5.5% to 12.5% for employees, depending on salary.

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 for United Colleges Group.

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.80%	3.80%
Future pensions increases	2.80%	2.80%
Discount rate for scheme liabilities	3.40%	1.60%
Inflation assumption (CPI)	n/a	2.80%
Commutation of pensions to lump sums	n/a	n/a

Due to high periods of inflation up to 31 July 2022, an adjustment has been made to the year end valuation to account for the estimated impact on the Pension Order Increase due to be implemented from 1 April 2023. The estimated impact of the defined benefit obligation has been recognised as an experience loss of £5,267,000. This charge has been made against Other Comprehensive Income, however is not directly reflected within the listed actuarial assumptions above.

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

	At 31 July 2022	At 31 July 2021
Retiring today		
Males	21.6	21.5
Females	24.6	24.5
Retiring in 20 years		
Males	22.7	22.6
Females	26.0	25.9

Sensitivity analysis

	At 31 July 2022 £'000	At 31 July 2021 £'000
The changes in assumptions below would increase / (decrease) the net liability as follows:		
Discount rate +0.1%	(1,949)	(2,656)
Discount rate -0.1%	1,990	2,712
Long term salary increase +0.1%	112	176
Long term salary increase -0.1%	(111)	(175)
Pension increases and deferred revaluation +0.1%	1,888	2,501
Pension increases and deferred revaluation -0.1%	(1,851)	(2,453)
Life expectancy +1 year	3,897	6,369
Life expectancy -1 year	(3,740)	(6,067)

24 Defined benefit obligations (continued)

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

	Fair value at 31 July 2022 £'000	Fair value at 31 July 2021 £'000
Equities	43,573	40,459
Target return portfolio	16,670	15,781
Infrastructure	8,078	6,467
Property	7,539	6,092
Cash	923	2,845
Total	**76,783**	**71,644**
Weighted average expected long term rate of return	**3.4%**	**1.6%**
Actual return on plan assets	**5,757**	**7,601**

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

	2022 £'000	2021 £'000
Fair value of plan assets	76,783	71,644
Present value of plan liabilities	(99,545)	(133,313)
Present value of unfunded liabilities	(99)	(118)
Present value of unfunded liabilities-enhanced pension	(2,829)	(3,477)
Net pensions liability (Note 21)	**(25,690)**	**(65,264)**

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current and past service cost	3,955	3,337
Employer contributions	(1,644)	(1,481)
	2,376	**1,856**
Amounts included in investment income		
Net interest income	(976)	(839)
Administration charges	(93)	(85)
	(1,069)	**(924)**

Amounts recognised in Other Comprehensive Income

	2022 £'000	2021 £'000
Return on pension plan assets	4,615	6,727
Experience (losses) / gains arising on defined benefit obligations	(7,930)	2,479
Changes in assumptions underlying the present value of plan assets	45,686	(6,947)
Changes in assumptions underlying demographics	-	1,561
	42,371	**3,820**
Actuarial gains - pension enhancement	468	138
	42,839	**3,958**

24 Defined benefit obligations (continued)

Movement in net defined benefit liability during the year

	2022	2021
	£'000	£'000
Net defined benefit liability at 1 August	(61,787)	(62,827)
Movement in year:		
Current service cost	(3,955)	(3,337)
Employer contributions	1,644	1,481
Past service cost	(65)	-
Net interest on the defined liability	(976)	(839)
Actuarial gain or loss	42,371	3,820
Administration charges	(93)	(85)
Net defined benefit liability at 31 July	**(22,861)**	**(61,787)**

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at 1 August	133,431	128,242
Current service cost	3,955	3,337
Interest cost	2,118	1,713
Contributions by Scheme participants	472	425
Experience losses / (gains) arising on defined benefit obligations	7,930	(2,479)
Changes in financial assumptions	(45,686)	6,947
Changes in demographic assumptions	-	(1,561)
Estimated benefits paid	(2,629)	(3,181)
Past service cost	65	-
Unfunded pension payments	(12)	(12)
Defined benefit obligations at 31 July	**99,644**	**133,431**
Changes in fair value of plan assets		
Fair value of plan assets at 1 August	71,644	65,415
Interest on plan assets	1,142	874
Return on plan assets less interest	4,615	6,727
Employer contributions	1,644	1,481
Contributions by Scheme participants	472	425
Estimated benefits paid	(2,641)	(3,193)
Administration expenses	(93)	(85)
Fair value of plan assets at 31 July	**76,783**	**71,644**

25 Related party transactions

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

The total expenses paid to or on behalf of the Members of the Corporation during the year were £6,760 (2020-21: £12,250). This represents travel and subsistence expenses, mobile phone charges and other out of pocket expenses incurred in attending Corporation meetings, College events and conferences in their official capacity.

In October 21 the College resought and received approval from the Charity Commission to reimburse the in-post Chair of Governors for Trustee duties over and above those considered to be within the normal voluntary role of the Chair. The amount paid in 2021-22 was £10,152 (2020-21: £7,925).

No Member of the Corporation has received any remuneration from the College or its subsidiary during the year other than the Chair, the CEO and Accounting Officer, and two Staff Governors.

26 Learner support funds

	2022	**2021**
	£'000	£'000
Adult loans - funding body grants received	83	221
- funding body grants clawed back	-	-
	83	221
Disbursed to students	(24)	(74)
Administration costs	-	-
	(24)	(74)

The College acts as a paying agent for certain funding. In these circumstances, the grant and related disbursements are excluded from the Statement of Comprehensive Income. As at 31 July 2022, the amount shown in creditors in relation to funds held as agent is £1,173,000 (2021: £1,118,000).

27 Events after the reporting period

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

As a consequence of this reclassification, the College has had to seek the DfE's approval to utilise the rolling credit facility the College had negotiated with Barclays Bank PLC in December 2021. Approval to use this facility was received on 27 January 2023.

The DfE have stated in their published guidance that they will put alternative financing arrangements in place to support colleges whose existing loan financing arrangements are nearing maturity. Discussions are now on-going with the DfE to convert the rolling credit facility into a loan when the rolling credit facility matures on 1 August 2023.