

Nottingham College

Financial statements

For the period ended 31 July 2022

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Key management personnel, Board of governors and professional advisors

Key management personnel

Key management personnel were represented by the following in 2021/22:

Janet Smith - CEO and Accounting Officer (appointed 1 July 2022)
John van de Laarschot - CEO and Accounting Officer (resigned 31 December 2021)
Martin Sim - Interim CEO and Accounting Officer (resigned 30 June 2022)
Andrew Comyn – Deputy CEO and Chief Finance Officer
Mohammed Ramzan – Deputy Principal Curriculum, Quality and Student Experience (appointed 16 August 2021)
Lynne Craig – Vice Principal Curriculum Quality (resigned 31 October 2021)
Lisa Wilson – Group Director for Apprenticeships and Employer Services

Board of Governors

A full list of Governors is on page 15-16 of these financial statements.

Rachel Robson acted as Director of Governance throughout the period.

Professional advisers

Bankers:

Barclays Bank PLC
PO Box 3333
Snow Hill Queensway
Birmingham
B3 2WN

Solicitors:

Eversheds Sutherland LLP
Water Court
116 – 118 Canal Street
Nottingham
NG1 7HF

Internal auditors:

RSM UK Risk Assurance Services LLP
Fifth Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Financial statements auditor:

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Principal and Registered Office:

City Hub, 111 Canal Street, NOTTINGHAM, NG1 7HB

Strategic Report of the Members of the Corporation (including the operating and financial review)

Objectives and key strategies

The members present their report and the audited financial statements for the period ended 31 July 2022.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Nottingham College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The College was created by the merger of New College Nottingham and Central College Nottingham on 8 June 2017.

Mission

Nottingham College had a clear mission during 21-22 to change lives through “Excellence in Education and Employment in Nottingham”. We aimed to deliver this by combining outstanding academic and vocational education in a curriculum co-created with and powered by employers and communities; delivered by the best talent drawn from the FE sector and beyond.



Nottingham College is currently preparing a new 2023-2026 strategy, which we expect to implement in early 2023, following consultation with staff, students and stakeholders.

Public Benefit

Nottingham College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15-16.

Strategic Report of the Members of the Corporation (including the operating and financial review)

Nottingham College has a commitment to deliver a significant, measurable public benefit, and a full Public Value statement, setting out how the College adds value to the social, economic and physical well-being of the community served by the College can be found on the Nottingham College website.

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

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

- Delivering high quality teaching, learning, assessment and support; with a place for everyone, regardless of their educational background;
- Producing learners who are successful and grow in confidence; providing additional support to those who need it;
- Providing information, advice & guidance and developing students to secure sustainable employment;
- Supporting the development of new skills and knowledge to meet the needs of emerging and growth sectors; via a Market Driven curriculum;
- Promoting a culture of safety, inclusivity, and respect where every individual matters and providing an environment where everyone feels safe;
- Raising ambitions by challenging learners to be the best they can be;
- Maximising strategic partnerships for the benefit of the community including those with the Local Enterprise Partnership, Local Authorities, key stakeholders, new & existing employers and colleges;
- Reflecting the needs of the community including learners and employers in the range of the education and training offer;
- Valuing our people and supporting them to be the best they can be;
- Gathering, listening to and acting on feedback from our learners;
- Maximising business efficiency, delivering financial viability and value for money;
- Continuous improvement through critical self-evaluation and improvement.

Implementation of Financial and Estates Strategy

During 2021-22 the Corporation monitored against the financial and estates strategy provisionally agreed with lenders in mid 2021 and finalised and completed in February 2022.

The College strategic financial objectives are:

- EBITDA value to be above the covenant values at each point of measurement
- Cash generated from operations to be above covenant values
- Operation leverage to be within covenant values
- Minimum cash balances to be above the covenant values at each point of measurement

OFSTED Visit and Report

The College received a visit from OFSTED in January 2020, receiving a grade of "Requires Improvement" in line with the College's self-assessment.

The College received a monitoring visit from OFSTED on 14 and 15 September 2021. OFSTED reported that the College was making reasonable progress in most of the areas reviewed. Throughout 21-22, a Quality Improvement Plan was put in place to address the issues raised with the aim of moving the College to a grade of "Good".

Strategic Report of the Members of the Corporation (including the operating and financial review)

Resources

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

Financial

The College has negative net assets (net liabilities) of £1.0million when the £36.2 million pension liability is included and long term debt of £34.1million. There were net current assets at July 2022 of £0.8 million (2020-21 net current liabilities of £31.0million (due to bank loans being classified as current liabilities due to a covenant breach in July 2020). Tangible resources include a number of college sites which are mainly owned, including the new City Hub.

People

The College employs 1,030 people (expressed as full time equivalents), of whom 694 are teaching staff.

Student numbers

In 2021/22 the College has delivered activity that has produced £56,246,000 in funding body main allocation funding (2020/21: £57,538,000). Nottingham College engaged with 18,564 students, including 2,187 apprentices, 6,630 full time 16-18 year olds, 411 higher education students, and 16,347 adult SFA-or loans-funded enrolments, as well as further students in community, family, commercial, pre-16 or international learning (students may enrol on more than one programme across the year, so the sum of the enrolments is greater than the total number of students).

Reputation

The College is working with key local and regional stakeholders to continue to enhance its reputation.

Stakeholder relationships

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

- Current, future and past students
- Staff and their trade unions
- Governors
- Local MPs
- Funding Agencies
- Local Enterprise Partnerships
- Local & national employers and representative bodies
- Local Authorities & Government Offices
- Corporate partners (banks, solicitors, auditors)
- The local community
- Sports clubs and bodies
- Schools and universities
- Other FE institutions
- Partner training providers
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College website, regular publications and by meetings.

Strategic Report of the Members of the Corporation (including the operating and financial review)

Development and Performance

Financial Results

The Group generated a deficit before other gains and losses in the year of £3,243,000 (2020/21: operating deficit of £1,973,000), with total comprehensive income of £90,594,000, (2020/21 of £560,000) and education specific Earnings before Interest Tax Depreciation and Amortisation (EBITDA) of £5,131,000 (7.81% of income) (2020/21 £5,700,000, 8.72% of income), as set out in the reconciliation below.

	2022 £'000	2021 £'000
Total Comprehensive Income for the year	£90,495	£560
Deduct;		
Capital Grant release	(£1,686)	(£4,057)
LGPS Actuarial Gain	(£93,053)	(£6,126)
EPP Actuarial Gain	(£188)	(£4)
Asset revaluation	(£2,400)	£0
Gain on Lease Termination	(£493)	£0
Gain on Asset Sale (2021 loss)	(£4)	£3,597
Add back;		
LGPS Service Cost	£7,162	£6,310
EPP Service Cost	£37	£32
Depreciation	£4,085	£3,958
Interest Payable	£1,176	£1,430
Education specific EBITDA at July	£5,131	£5,700

The Group has a deficit on unrestricted reserves of (£1,006,000) and cash and short term investment balances of £11,859,000. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund and to re-invest in resources.

Developments

During the year, the College moved to a centre model, managed by a Head of Centre, as opposed to the previous model of Heads of Curriculum Areas. This means that a Head of Centre is now responsible for all the curriculum delivery at their campus.

Another development during the year was the investment in time and training in the College Management Team, a group of around 25 middle managers from both the academic and professional services functions.

Reserves

The College net reserves are in a negative position due to the significant pension deficit arising from the Local Government Pension scheme. The College reserves include £71,000 held as restricted reserves. The Group has

Strategic Report of the Members of the Corporation (including the operating and financial review)

accumulated Income and Expenditure reserves of £30,719,000 (2021 £26,116,000) and cash and short term investment balances of £12,138,000 (2021 £15,100,000).

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021-22 the FE funding bodies provided 80% of the Group's total income (2020-21 83%).

Group companies

The College has three subsidiary companies; Nottingham College Services Limited, EMTEC Colleges Limited and EMTEC (Shanghai) Limited. The activities of all 3 subsidiaries have been consolidated into the Group accounts. Any surpluses generated are transferred to the College under deed of covenant.

Future Prospects

Curriculum developments

The College continues to develop its apprenticeship and employer programmes across a number of disciplines and the vision of the College is of an organisation that will be instrumental in helping employers raise productivity and, through training and education, support the implementation of innovation throughout the economy. The curriculum is driven by local economic need, growth plans and key sectors. To achieve this we will:

- Develop more extensive specialist apprenticeship provision
- Ensure the ongoing development of the curriculum offer to meet the needs of the local, regional and national labour market
- Create a fuller commercial offer servicing the training and mentoring needs of business
- Develop 'fully rounded' students with adaptable skills for employment and changing careers
- Embed English and maths, and core employability and independence skills
- Promote a coherent offer with progression opportunities from Entry to HE enabling the best opportunity for positive destinations
- Develop partnerships and commercial arrangements that benefit students, communities and employers
- Establish a quality proposition that delivers a great student experience driving the College to be excellent in every way

The focus remains on improving outcomes and positive destinations (whether into further training or into employment) for our students.

Impact of Brexit

The College continues to take account of the AoC guidance available on the possible impact of Brexit. The College will continue to monitor the situation on an ongoing basis.

Financial plan

The College Board approved a financial plan in June 2021 (completed in February 2022) which sets financial objectives for the period to July 2024.

Treasury policies and objectives

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

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Strategic Report of the Members of the Corporation (including the operating and financial review)

Cash flows and liquidity

During 2021-22 there was a net cash outflow of £2,961,000. In 2020-21 there was a net cash outflow of £856,000.

The impact of the Covid situation on commercial and other income adversely affected the cash position too. The College was able to make use of the Coronavirus Job Retention Scheme and the Provider Relief Scheme for a short period at the beginning of the year and paid all staff in full (including pension contributions) throughout 2021-22.

Going Concern

The College's financial position and going concern status

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

Following completion of the re-financing agreement with the College's lenders in February 2022, the financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of plausible downsides, including any on-going impact of Covid, the College will have sufficient funds to meet its liabilities as they fall due over the period covering at least 12 months from the date of approval of the financial statements.

In reaching this conclusion the Corporation has taken the following factors into account:

- a potential downturn in recruitment for 16-18 study programmes, apprenticeships and adults, commercial and Higher Education learners
- additional costs associated with the legacy of the Covid pandemic where appropriate, such as cleaning, hygiene supplies, PPE, covering staff absence and the costs of making the estate Covid safe to enable socially distanced learning to take place; and
- the receipt of additional funding from the ESFA to upgrade the quality of the estate through the Further Education Capital Allocation grant, which has reduced the College's cash contribution towards planned capital expenditure for the forthcoming 19 months.

In all scenarios modelled, the College remains in compliance with its loan covenants and demonstrating a minimum cash balance of at least £5million at each year end and never less than £5.1million at any month end through to July 2024.

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Strategic Report of the Members of the Corporation (including the operating and financial review)

Principal risks and uncertainties

The College has well developed strategies to embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets, reputation and financial stability. The Board has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

Based on the strategic plan, the Risk Management Group undertake a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent appraisal will review their effectiveness and progress against risk mitigation actions. Risk Management Group will also consider any new or emerging risks as they arise.

A risk register is maintained at the College level which is reviewed termly by the Audit Committee and reports the key strategic risks to the Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system from the College's Risk Management Policy, which is reviewed every two years. Training is undertaken periodically to raise awareness of risk throughout the College.

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

1. Risk of income shortfalls or reductions in Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through Office for Students. In 2021-22 80% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College has based its forecasts on steady state ESFA (16-18) funding and Adult Education Budget. Apprenticeship funding at 16-18 and adult levels is assumed to increase internally, and there is a risk that this increase in activity may not be funded or achieved. Furthermore, the College is planning for the relationship with sub-contractor partners to change and the plans include a reduction in third party provision.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements;
- The College continues to strive for improvements in quality which will improve student recruitment and increase financial benefits for the College;
- College apprenticeship provision is made up of a mix of larger employers who are subject to the Employer Levy, and SME employers who are not;
- Robust future planning, horizon scanning and marketing strategy to ensure all opportunities are optimised; and
- Ensuring the College is focused on those priority sectors and identifying opportunities for income diversification.

2. Risk of cost pressures or failure to achieve efficiency targets

The College faces a number of financial pressures in line with most colleges in the sector. There are a number of ongoing efficiencies which need to be delivered to achieve the financial plan and added pressures e.g. from inflation and pension rate increases. There is a risk that the economies of scale are not realised as quickly as anticipated resulting in shortfalls in the future operating surpluses.

This risk is mitigated in a number of ways:

Strategic Report of the Members of the Corporation (including the operating and financial review)

- By ensuring the College is rigorous in developing an efficient curriculum delivery plan which recognises the contribution by course;
- Detailed financial planning including sensitivity analysis;
- Maximising efficiencies from centralised procurement and embedding value for money across the organisation;
- Maximise efficiencies through the use of technology and the streamlining of processes; and
- Comprehensive budget monitoring, forecasting and intervention plans, if required.

3. Failure to develop a motivated, high performing workforce resulting in impacts on students and staff

The transformation process to embed flexible modern employment contracts and effective staff development can create a number of risks due to the scale of change required and the impact on staff.

This risk is mitigated in a number of ways:

- Staff engagement and internal communication strategy
- Collaboration and negotiation with trade unions
- Comprehensive professional and legal advice
- Continuous professional development of teaching and non-teaching staff.

Performance indicators

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Finance Record produces a financial health grading. Based upon the Education and Skills Funding Agency assessment the financial health of the College is "Requires Improvement" for 2021-22. For 2020-21 the assessment would have been "Requires Improvement" in the ordinary course of business if the College's loans had not all been reclassified as current liabilities due to the covenant breach at July 2020, this meant the actual assessment for 2020-21 was "Inadequate".

Student achievements

For class room based provision, the College achievement rate for 2021-22 was 83.2% compared to 2020-21 at 80.1%, and the overall apprenticeship achievement rates improved to 60.6% for 2021-22 from 58.7% in 2020-21. Retention (for classroom based students) was 93.1% compared to the target of 91.3% in 2021-22.

Equality statement

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

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

The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

During 2020-21, the College signed up to the Association of College's Mental Health and Wellbeing Charter.

Strategic Report of the Members of the Corporation (including the operating and financial review)

Disability statement

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

- 1 The College has a specialist student support team, who can provide information, advice and arrange support where necessary for students with 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.
- 2 There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- 3 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.
- 4 Specialist programmes are described in College prospectuses.
- 5 Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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

Numbers of employees who were relevant period	FTE employee number
50 to 1,500 employees	1,030

Percentage of time	Number of employees
0%	2
1-50%	18
51-99%	0
100%	0

Total cost of facility time	£31,287.43
Total pay bill	£45,175,000
Percentage of total bill spent on facility time	0.07%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Payment performance

The Late Payment of Commercial Debts (Interest) Act 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. During the accounting period 1 August 2021 to 31 July 2022, the percentage for the College was 66%.

Events after the end of the reporting period

On 29 November 2022, the Office for National Statistics reclassified all college corporations as public sector institutions with immediate effect and this prompted the Department for Education to introduce some new rules for colleges which will take effect during 2022-23.

The College considers this announcement to be a non-adjusting post balance sheet event and is evaluating the implications of the announcement and the potential new rules but do not consider that they will have an impact on these financial statements.

Strategic Report of the Members of the Corporation (including the operating and financial review)

Disclosure of information to auditors

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

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



Carole Thorogood:
Chair of Governors

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”)

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the period ended 31 July 2022. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 14 June 2017.

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

Statement of Corporate Governance and Internal Control

The Corporation

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

Name	Date of appointment	Term of office expiry date	Date of retirement/resignation	Status of appointment	Committees served in 21/22	Corporation Attendance in 21/22
Carole Thorogood (Chair)	8 June 2017 1 Aug 2021	31 July 2021 31 July 2024		External	Governance & Search Remuneration Finance & Assets Workforce & Development	19 out of 19
Sarah Akhtar	6 Sep 2022	31 July 2026		External	N/A	N/A
Kirsty Bailey	1 Aug 2022	31 July 2024		Staff	N/A	N/A
Simon Bedford	1 Aug 2021	31 July 2025		External	Audit	10 out of 12
Anja Beriro	16 April 2018 1 Aug 2021	31 July 2021 31 July 2025		External	Governance & Search Workforce & Development	10 out of 13
Mary Carswell	8 June 2017 1 Aug 2020 1 Aug 2022	31 July 2020 31 July 2022 31 July 2023		External	Governance & Search Remuneration Learning & Quality Workforce & Development	18 out of 20
Andrew Dickinson	16 April 2018 1 Aug 2021	31 July 2021 31 July 2025	17 Sep 2021	External	Audit, Remuneration	1 out of 1
Caitlin Duffield	17 Oct 2022	31 July 2022		Student	N/A	N/A
Michael Green	4 March 2019	31 July 2022	31 July 2022	External	Remuneration Finance & Assets	6 out of 13
Andy Griffin	25 Jan 2021	24 Jan 2025		External	Finance & Assets Learning & Quality	3 out of 18
Patricia Harman	30 March 2020	31 July 2023		External	Governance & Search Learning & Quality Workforce & Development	18 out of 19
Jonathan Hawley	4 March 2019 1 Aug 2022	31 July 2022 31 July 2024		External	Audit	10 out of 12
Henry Icke	4 Oct 2021 17 Oct 2022	31 July 2022 31 July 2022	31 May 2022	Student	Learning & Quality	7 out of 7
Angela Kandola	13 Dec 2021 1 Aug 2022	31 July 2022 31 July 2023		External	None	3 out of 4
John van de Laarschot – on sick leave throughout 21/22 period of membership	8 Jun 2017	n/a	31 December 2021	Chief Executive Officer	Governance & Search Learning & Quality Finance & Assets Workforce & Development	0 out of 0
Natalia Maziarz	4 Oct 2021	31 July 2022	31 July 2022	Student	Learning and Quality (unable to attend due to timetabling issue)	3 out of 5
Liz Mossop	1 Aug 2022	31 July 2026		External	N/A	N/A
Allen Motsi	25 Jan 2021	24 Jan 2025	9 May 2022	External	Audit	6 out of 10

Statement of Corporate Governance and Internal Control

Nick Proverbs	12 Oct 2020	31 July 2022	31 July 2022	Staff	Workforce & Development	7 out of 8
Liam Sewell	12 Oct 2020 1 Aug 2022	31 July 2022 31 July 2024		Staff	Learning & Quality	7 out of 10
Martin Sim	1 Jan 2022	n/a	30 June 2022	Interim Chief Executive Officer	Governance & Search Learning & Quality Finance & Assets Workforce & Development	12 out of 12
Andrew Simpson	25 Jan 2021	24 Jan 2025		External	Finance & Assets	11 out of 12
Janet Smith	1 July 2022	n/a		Chief Executive Officer	Governance & Search Learning & Quality Finance & Assets Workforce & Development	2 out of 2
Helen Smurthwaite	1 August 2022 (co-opted member of Audit Committee)) 28 March 2022 (external governor)	27 March 2026		External	Audit Committee	7 out of 7
Sharon Townes	25 Jan 2021	24 Jan 2025		External	Remuneration Governance & Search Learning & Quality Audit	18 out of 19
Andrew Unitt	16 Apr 2018 1 Aug 2021	31 July 2021 31 July 2025		External	Governance & Search Finance & Assets Workforce & Development	17 out of 18
Steve Wooler	1 Aug 2022	31 July 2026		External	N/A	N/A

Rachel Robson served as Director of Governance, this role replaced the traditional ‘Clerk to the Corporation’ role.

Corporation Performance

The Board conducts an annual self-assessment process to review the effectiveness of its performance. . The resulting self-assessment report and improvement plan were reviewed by the Board at the meeting on 12th December 2022. As part of the assessment of their performance the Board considers the outcomes of a range of processes including an annual governance survey, committee surveys, attendance and training review and a review of compliance against the Code. Overall effectiveness for the year ended 31st July 2022 was considered as ‘good’, with areas for further development identified. Progress against identified actions is tracked through the Governance and Search Committee and reported to Board.

The Board is planning to undertake an external review in the latter part of 22-23. Three quotes have been obtained and reviewed by the Governance & Search Committee. A preferred reviewer has been identified and work is underway to confirm the appointment of the reviewer and the scope for the review.

Statement of Corporate Governance and Internal Control

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 conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Governance & Search, Audit and Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.nottinghamcollege.ac.uk or from the Director of Governance at:

Nottingham College
City Hub
111 Canal Street
Nottingham
NG1 7HB

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 Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

Training is provided for governors on areas identified as requiring development and an induction programme is in place for newly appointed governors. Training undertaken by governors in 21-22 included safeguarding, Ofsted EIF, attendance at AoC regional governance conference, attendance at the AoC EDI conference, attendance at the student governor festival and Skills for Jobs White Paper. The Board has identified mandatory online training for all governors that is undertaken on appointment and at regular intervals during membership, these sessions are on safeguarding, prevent and EDI. The Board ensures that the Director of Governance undertakes appropriate training and development, during 21-22 this included regular attendance at AoC regional clerks' meetings, attending the AoC governance professionals conference, reflective practice coaching and training on changes to the Ofsted EIF.

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 appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a governance and search committee, consisting of six 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 4 years. The Corporation monitors terms of office and succession planning through the Governance and Search Committee. In accordance with the Code independent governors are appointed for a term of office of 4 years with the potential for appointment for a further term of 4 years. Any additional term of office is only considered in exceptional circumstances. A recruitment process was undertaken during 21-22 which was supported by Peridot Partners.

Statement of Corporate Governance and Internal Control

Remuneration Committee

Throughout the period ended 31 July 2022 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel. The College adopted the AoC's Senior Staff Remuneration Code. Details of remuneration for the period ended 31 July 2022 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises ~~four~~ up to five eligible members of the Corporation (excluding the Accounting Officer and Chair) and up to two co-opted members (if appointed). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

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

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

Committee Member	Meetings Attended
Sharon Townes	5/5
Simon Bedford	4/5
Jon Hawley	5/5
Allen Motsi (resigned from the Board on 9.5.22)	3/4
Helen Smurthwaite	5/5

All Audit Committee meetings during the year were quorate and attendance was 91%.

The internal audit service for 21-22 was provided by KPMG, who undertook five reviews in the following areas;

- Staff Establishment, Utilisation and Payroll
- Learner Support Funding
- Apprenticeships
- IT Strategy Implementation
- Follow Up

The internal audit plan for 2021-22 was driven by the College's key risks.

All recommendations have been responded to or commented on by management and the Audit Committee reviews progress in management implementing internal audit report recommendations.

KPMG also undertook the Subcontractor Control Report (as required by ESFA), observations previously raised did not reoccur in 2021-22.

Statement of Corporate Governance and Internal Control

The external audit service was provided by Mazars following a tender process in April/May 2021. Mazars attended all Audit Committee meetings.

The committee is satisfied that as a result of its work, and that of the internal auditor in relation to risk management, that the College has sound risk management arrangements giving substantial assurance that the risks facing the College were identified and managed appropriately.

Learning and Quality Committee

In January 2021 the Corporation established a Learning and Quality Committee. In 21/22 the Learning and Quality Committee comprised up to four external members of the Corporation, the Principal/CEO, one staff governor and one student governor. The Committee operates under Terms of Reference approved by the Corporation.

The Learning & Quality Committee meets at least five times in a year. The primary role of the Committee is to gain assurance on behalf of the Corporation, in relation to all provision, that:

- a) The curriculum responds to and meets the needs of learners, employers, and other key stakeholders at local, regional, and national levels.
- b) Teaching, learning, and assessment are being monitored, that appropriate improvement actions are in place where needed and that those actions deliver the improvements required to the benefit of our learners.
- c) The achievement, progress and progression of our learners is being monitored against internal targets and that it exceeds national averages.

Finance & Assets Committee

In July 2021 the Corporation established a Finance & Assets Committee. The Finance & Assets Committee comprises of five to seven members including the CEO. The Committee operates under Terms of Reference approved by the Corporation.

The Finance & Assets committee meets at least three times in a year, it met five times in 21/22. The Committee is responsible for monitoring and advising the Corporation on financial performance, financial reporting, funding, capital investment, value for money, estates, health & safety, IT and MIS.

Governance & Search Committee

The Governance and Search Committee consists of six members of the Corporation. The Committee operates under Terms of Reference approved by the Corporation.

The Governance & Search Committee meets at least three times in a year. The Committee is responsible for considering and advising the Corporation on all matters relating to the constitution of the Corporation, including the selection of new governors, blending the skills of members, code of conduct, training, attendance, membership of committees and evaluation of performance of governance.

Workforce & Development Committee

In July 2021 the Corporation established a Workforce & Development Committee. The Committee is comprised of five to seven members including the CEO and a staff governor. The Committee operates under Terms of Reference approved by the Corporation.

The Workforce & Development Committee meets three times in a year. The Committee considers and advises the Board on all matters connected with the College workforce and its development, including the current and projected staffing needs, recruitment and retention policy, and pay and working conditions.

- d) The achievement, progress and progression of our learners is being monitored against internal targets and that it exceeds national averages.

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.

Statement of Corporate Governance and Internal Control

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Nottingham College for the period 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 ended 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

Nottingham College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College.

Control weaknesses identified

During the year the Internal Auditors identified 4 significant weaknesses in the College's systems and processes, 2 arising from the Learner Support Funding internal audit and 1 from the audit of Staff Establishment, Utilisation and Payroll and 1 from the Apprenticeships internal audit. Actions have been agreed to address the recommendations made by the Internal Auditors.

Statement of Corporate Governance and Internal Control

Review	Assurance	Management Actions Accepted			
		High	Medium	Low	Total
01/22: Staff establishment, utilisation and payroll	Staff establishment: Partial assurance with improvements required Payroll: Significant assurance with minor improvements	1	1	3	5
02/22: Learner Support Funding	Partial assurance with improvements required	2	1	4	7
03/22: Apprenticeships	Partial assurance with improvements required	1	2	1	4
04/22: IT Strategy Implementation	Significant assurance	-	-	1	1
05/22: Follow Up	Not applicable	-	-	-	-
	Total	4	4	9	17

Responsibilities under funding agreements

Statement from the Audit Committee

The Audit Committee has advised the Corporation, through the Audit Committee Annual Report, that it is the Committee's opinion that the College has an adequate and effective framework of governance, risk management and internal control. This opinion has been formed through the business undertaken by the Committee through 21/22 including the work undertaken by the Internal Auditors.

The specific areas of work undertaken by the Audit Committee in 21/22 and up to the date of the approval of the financial statements included:

- Risk Management and review of Risk Register
- Internal Audit tendering and the appointment of RSM
- Review of Internal Audit Reports and recommendation tracking
- Review of Policies
- Review of work undertaken by the External Auditor
- Review of Annual Statements and Accounts
- Reports from College's senior management
- Updates on Audit Code of Practice
- Annual Reports on whistleblowing, data protection, fraud, bribery and irregularity

Statement of Corporate Governance and Internal Control

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive management team 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 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 December 2022 meeting, the Corporation carried out the annual assessment for the period 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 12 December 2022 and signed on its behalf by:



Carole Thorogood
Chair of Governors



Janet Smith
Accounting Officer

Governing Body's statement of the College's regularity, propriety and compliance with Funding Body Terms and Conditions of funding

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

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

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



Janet Smith
Accounting Officer
12 December 2022

Statement of the responsibilities 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 College'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 College and its 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 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 the legal and administrative status of the College.

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

The Corporation is responsible for the 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 are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

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



Carole Thorogood
Chair of Governors

Independent auditor's report to the Corporation of Nottingham College

Opinion

We have audited the financial statements of Nottingham College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2022 which comprise the Group and College Statement of Comprehensive Income and Expenditure, the Group and College Statement of Changes in Reserves, the Group and College Balance Sheet, the Group Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2022 and of the Group's and College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

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

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 24, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Based on our understanding of the Group and the College and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the ESFA funding agreements, the OfS regulatory framework, the OFSTED regulatory framework, safeguarding, employment regulation, health and safety regulation, anti-bribery, corruption and fraud and money laundering.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Group and the College is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the College which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and data protection laws.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the assumptions used in determining the valuations of defined benefit obligations, revenue recognition (which we pinpointed to the cut-off assertion in respect of non-funding body grant income), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Members of the Corporation and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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.

Other required reporting

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

Matters on which we are required to report by exception

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

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

Use of the audit report

This report is made solely to the Corporation as a body in accordance with Article 19 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Nottingham College
Financial statements for the period ended 31 July 2022

Mazars LLP
Mazars LLP (Dec 20, 2022 12:17 GMT)

Mazars LLP

Chartered Accountants and Statutory Auditor

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Date Dec 20, 2022

To: The corporation of Nottingham College and Secretary of State for Education acting through Education and Skills Funding Agency (“ESFA”)

In accordance with the terms of our engagement letter dated 12 July 2022 and further to the requirements and conditions of funding in the ESFA’s grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Nottingham College during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Nottingham College and the reporting accountant

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

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

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College’s regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College’s completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA/funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Tested a sample of individual learner records.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year.

- **Nottingham College**
Financial statements for the period ended 31 July 2022

- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

In the course of our work, except for the matters listed below 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, that the financial transactions do not conform to the authorities that govern them.

Signed: 
Mazars LLP (Dec 20, 2022 12:17 GMT)

Mazars LLP

Date: Dec 20, 2022

Statement of comprehensive income and expenditure

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	56,246	56,246	57,538	57,538
Tuition fees and education contracts	3	5,651	5,556	6,746	6,601
Other grants and contracts	4	3,186	3,185	2,677	2,531
Other income	5	2,923	3,788	2,438	3,097
Investment income	6	2,411	2,411	-	-
Donations and Endowments		-	-	-	-
Total income		70,417	71,186	69,399	69,767
EXPENDITURE					
Staff costs	7	46,776	45,357	44,138	42,378
Restructuring costs	7	461	461	491	501
Other operating expenses	8	19,195	21,464	19,728	21,838
Depreciation	11	4,085	4,085	3,958	3,958
Interest and other finance costs	9	3,143	3,143	3,057	3,057
Total expenditure		73,660	74,510	71,372	71,732
Deficit before other gains and losses		(3,243)	(3,324)	(1,973)	(1,965)
Gain/(Loss) on disposal of assets		496	496	(3,597)	(3,597)
Deficit before tax		(2,747)	(2,828)	(5,570)	(5,562)
Taxation	10	-	-	-	-
Deficit for the year		(2,747)	(2,828)	(5,570)	(5,562)
Actuarial gain in respect of pension schemes	18	93,241	93,241	6,130	6,130
Total Comprehensive Income for the year		90,495	90,413	560	568

The notes on pages 35-59 form part of these financial statements.

Statement of changes in reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2020	(97,972)	5,912	(92,060)
Deficit from the income and expenditure account	(5,570)	-	(5,570)
Other comprehensive income	6,130	-	6,130
Transfers between revaluation and income and expenditure reserves	1,532	(1,532)	-
	2,092	(1,532)	560
Balance at 31st July 2021	(95,880)	4,380	(91,500)
Deficit from the income and expenditure account	(2,747)	-	(2,747)
Other comprehensive income	93,241	-	93,241
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	90,494	-	90,494
Balance at 31st July 2022	(5,386)	4,380	(1,006)
College			
Balance at 1st August 2020	(98,003)	5,912	(92,091)
Deficit from the income and expenditure account	(5,562)	-	(5,562)
Other comprehensive income	6,130	-	6,130
Transfers between revaluation and income and expenditure reserves	1,532	(1,532)	-
	2,100	(1,532)	568
Balance at 31st July 2021	(95,903)	4,380	(91,523)
Deficit from the income and expenditure account	(2,828)	-	(2,828)
Other comprehensive income	93,241	-	93,241
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	90,413	-	90,413
Balance at 31st July 2022	(5,490)	4,380	(1,110)

The notes on pages 35-59 form part of these financial statements.

Balance Sheets

	Notes	Group	College	Group	College
		2022	2022	2021	2021
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	11	127,183	127,183	126,071	126,071
Investments	12	-	1	-	1
Investment Property	13	3,800	3,800	1,400	1,400
		130,983	130,984	127,471	127,472
Current assets					
Stocks		64	48	69	56
Trade and other receivables	14	2,569	2,858	2,394	2,642
Cash and cash equivalents	19	12,138	11,593	15,100	14,686
		14,771	14,499	17,563	17,384
Less: Creditors – amounts falling due within one year	15	(13,986)	(13,819)	(48,063)	(47,908)
Net current assets		785	680	(30,500)	(30,524)
Total assets less current liabilities		131,768	131,664	96,971	96,948
Less: Creditors – amounts falling due after more than one year	16	(94,571)	(94,571)	(64,067)	(64,067)
Provisions					
Defined benefit obligations	18	(36,176)	(36,176)	(122,067)	(122,067)
Other provisions	18	(2,027)	(2,027)	(2,337)	(2,337)
Total net assets		(1,006)	(1,110)	(91,500)	(91,523)
Restricted reserves					
Thomas Earp funds gifted the the college		43	43	43	43
Other funds gifted to the college		28	28	28	28
Total restricted reserves		71	71	71	71
Unrestricted reserves					
Income and expenditure account		30,719	30,615	26,116	26,093
Pension reserve	23	(36,176)	(36,176)	(122,067)	(122,067)
Revaluation reserve		4,380	4,380	4,380	4,380
Total unrestricted reserves		(1,077)	(1,181)	(91,571)	(91,594)
Total reserves		(1,006)	(1,110)	(91,500)	(91,523)

The financial statements on pages 31 to 59 were approved and authorised for issue by the Corporation on 12th December 2022 and were signed on its behalf on that date by:



Carole Thorogood
Chair of Governors



Janet Smith
Accounting Officer

The notes on pages 35-59 form part of these financial statements.

Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash inflow from operating activities			
(Deficit) for the year		(2,747)	(5,570)
Adjustment for non cash items			
Depreciation of tangible assets		4,085	3,958
Gain on fair value of investment property		(2,400)	-
Decrease/(Increase) in stocks		5	(8)
(Increase)/Decrease in debtors		(175)	1,697
Increase/(Decrease) in creditors due within one year		1,390	(189)
(Decrease) in creditors due after one year		(2,421)	(4,193)
(Decrease) in provisions		(310)	(132)
Pensions costs less contributions payable		5,354	4,684
Adjustment for investing or financing activities			
Investment income		11	-
Interest payable		3,143	3,057
Gain on lease termination		(492)	-
Profit/(Loss) on sale of fixed assets		(4)	3,597
		<u>5,439</u>	<u>6,901</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Proceeds from sale of fixed assets		4	10,813
Investment income		(11)	-
Payments made to acquire fixed assets		(5,197)	(9,648)
		<u>(5,204)</u>	<u>1,165</u>
Cash flows from financing activities			
Interest paid		(1,008)	(1,427)
Interest element of finance lease rental payments		(168)	-
New unsecured loans		172	16
Receipt of ESFA capital grant		2,255	2,758
Repayments of amounts borrowed		(3,824)	(9,658)
Capital element of PFI obligation		(624)	(611)
		<u>(3,197)</u>	<u>(8,922)</u>
(Decrease) in cash and cash equivalents in the year		<u>(2,962)</u>	<u>(856)</u>
Cash and cash equivalents at beginning of the year	18	<u>15,100</u>	<u>15,956</u>
Cash and cash equivalents at end of the year	18	<u>12,138</u>	<u>15,100</u>

Notes to the financial statements

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2021/22 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The financial statements are presented in Sterling (£), rounded to the nearest thousand.

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiary companies, Nottingham College Services Limited, EMTEC Colleges Limited and EMTEC (Shanghai) Limited, controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. The students' union is run as a completely separate entity with all cash flow going through an independently controlled bank account although monitoring of the account is carried out by the learner service function.

Going concern

Following completion of the re-financing agreement with the College's lenders in February 2022, the financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The Corporation has prepared cash flow forecasts for a period of 19 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of plausible downsides, including any on-going impact of Covid, the College will have sufficient funds to meet its liabilities as they fall due over the period covering at least 12 months from the date of approval of the financial statements.

In reaching this conclusion the Corporation has taken the following factors into account:

- a potential downturn in recruitment for 16-18 study programmes, apprenticeships and adults, commercial and Higher Education learners
- additional costs associated with the legacy of the Covid pandemic where appropriate, such as cleaning, hygiene supplies, PPE, covering staff absence and the costs of making the estate Covid safe to enable socially distanced learning to take place; and
- the receipt of additional funding from the ESFA to upgrade the quality of the estate through the Further Education Capital Allocation grant, which has reduced the College's cash contribution towards planned capital expenditure for the forthcoming 19 months.

Notes to the financial statements

In all scenarios modelled, the College remains in compliance with its loan covenants and demonstrating a minimum cash balance of at least £5million at each year end and never less than £5.1million at any month end through to July 2024.

Consequently, the Corporation is confident that the College will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Recognition of income

Revenue grant funding

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

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

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

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

Capital grant funding

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

Fee income

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

Investment income

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

Agency Arrangements

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

Notes to the financial statements

Accounting for post-retirement benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Nottinghamshire Local Government Pension Scheme

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

Actuarial gains and losses are recognised immediately in other recognised 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 a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to 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 using the enhanced pension spreadsheet provided by the funding bodies.

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 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Buildings – 50 years

Notes to the financial statements

- Refurbishments – 50 years

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

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

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.

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 unless it is part of a larger project. All other equipment is capitalised at cost.

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

- | | |
|------------------------------------|---------|
| • technical equipment | 7 years |
| • motor vehicles | 4 years |
| • computer equipment | 3 years |
| • furniture, fixtures and fittings | 7 years |

Borrowing costs

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

Leased assets

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

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor

Notes to the financial statements

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.

Investment Property

Investment properties are held at fair value in the balance sheet. Formal market valuations are completed at least bi-annually with any material movements released to the income and expenditure account.

Cash and cash equivalents

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

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

Financial 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 Group 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 Group 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.

Foreign currency translation

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

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when;

Notes to the financial statements

- the College has a present legal or constructive obligation as a result of a past event;
- it is probable that a transfer of economic benefit will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

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

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

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

Agency arrangements

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

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 risk 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.

Pension Increase Orders are used to set the level of pension increases with effect from 1 April of each year, normally with reference to the change in CPI inflation over the 12 months to the previous September, which was announced in October. This was 10.1% and was considerably higher than the CPI assumption set by employers as at 31 July 2022. As Pension Increase orders are not automatically set with reference to the September CPI and they are only known with certainty when the Pension Increase Order is enacted by Parliament, which is usually in April of the following year, no adjustment has been made to recognise the possible 2023 Pension Increase Order within the CPI assumption.

Other key sources of estimation uncertainty:

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 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by

Notes to the financial statements

the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount on the pension liability.

Notes to the financial statements

2 Funding body grants

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	15,766	15,766	16,602	16,602
Education and Skills Funding Agency – 16 -18	34,283	34,283	33,387	33,387
Education and Skills Funding Agency - apprenticeships	5,218	5,218	4,188	4,188
Office for Students	278	278	315	315
Specific Grants				
Releases of government capital grants	701	701	743	743
Release of government capital grants from property disposals	-	-	2,240	2,240
Apprenticeships Provider Relief Scheme	-	-	63	63
Total	56,246	56,246	57,538	57,538

3 Tuition fees and education contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult Education Fees	1,280	1,185	1,118	973
Apprenticeship contracts	104	104	177	177
Fees for FE loan supported courses	1,529	1,529	2,428	2,428
Fees for HE loan supported students	2,724	2,724	3,021	3,021
International students' fees	14	14	2	2
Total	5,651	5,556	6,746	6,601

Details of grant and fee income

Grant income from the OfS	278	278	315	315
Grant income from other bodies	55,267	55,267	54,177	54,177
Fee income for taught awards (exclusive of VAT)	2,724	2,724	3,021	3,021
Fee income for research awards (exclusive of VAT)	-	-	-	-
Fee income from non-qualifying courses (exclusive of VAT)	2,927	2,832	3,725	3,580
Total grant and fee income	61,196	61,101	61,238	61,093

4 Other grants and contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Erasmus	-	-	-	-
Coronavirus Job Retention Scheme	12	10	491	346
Other grants and contracts	3,174	3,175	2,186	2,185
Total	3,186	3,185	2,677	2,531

The College furloughed some of the catering, cleaning, estates and commercial income staff under the Government's Coronavirus Job Retention Scheme. The funding received of £12,000 relates to staff costs included in the staff costs note below.

Notes to the financial statements

5 Other income

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	1,189	1,189	702	702
Other income generating activities	461	460	369	369
Other grant income	220	220	210	210
Non government capital grants	985	985	891	891
Release of government capital grants from property disposals	-	-	183	183
Miscellaneous income	68	934	83	742
Total	2,923	3,788	2,438	3,097

6 Investment income

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	11	11	-	-
Gain on revaluation of investment property	2,400	2,400	-	-
	2,411	2,411	-	-

Notes to the financial statements

7 Staff costs - Group and College

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

	2022 No.	2021 No.
Teaching staff	845	852
Non teaching staff	406	432
	<u>1,251</u>	<u>1,285</u>
Staff costs for the above persons		
	2022 £'000	2021 £'000
Wages and salaries	31,279	29,379
Social security costs	2,795	2,518
Other pension costs	11,200	10,402
Payroll sub total	45,275	42,299
Contracted out staffing services	1,501	1,839
	<u>46,776</u>	<u>44,138</u>
Restructuring costs - contractual	461	491
non contractual	-	-
	<u>47,237</u>	<u>44,629</u>

The corporation does not have any salary sacrifice arrangements in place.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Leadership Team which comprises the Chief Executive Officer, Chief Financial Officer, Deputy Principal and Executive Director (Employer Services). Staff costs include compensation paid to key management personnel for loss of office.

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

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:	7	8

Notes to the financial statements

7 Staff costs - Group and College

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

	Senior post-holders		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£65,001 to £70,000	-	-	1	-
£70,001 to £75,000	-	-	3	9
£80,001 to £85,000	-	1	5	-
£85,001 to £90,000	-	-	1	1
£90,001 to £95,000	1	-	1	-
£95,001 to £96,000	-	1	-	-
£105,001 to £110,000	-	2	-	-
£110,001 to £115,000	2	1	-	-
£145,001 to £150,000	1	1	-	-
£185,001 to £190,000	1	-	-	-
£205,001 to £210,000	1	2	-	-
£215,001 to £220,001	1	-	-	-
	<u>7</u>	<u>8</u>	<u>11</u>	<u>10</u>

The table above refers to the whole year salary, whether the senior post holder/other staff worked the entire year or not.

	Senior post-holders		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£15,001 to £20,000	1	-	-	-
£20,001 to £25,000	-	1	-	-
£30,001 to £35,000	-	2	-	-
£35,001 to £40,000	-	-	-	-
£40,001 to £45,000	-	1	-	-
£45,001 to £50,000	-	1	-	-
£50,001 to £55,000	-	-	-	-
£55,001 to £60,000	-	-	-	-
£65,001 to £70,000	1	-	2	-
£70,001 to £75,000	-	2	2	4
£75,001 to £80,000	-	-	2	-
£85,001 to £90,000	-	-	1	-
£90,001 to £95,000	1	-	-	-
£110,001 to £115,000	1	-	-	-
£145,001 to £150,000	1	-	-	-
£195,001 to £200,000	1	-	-	-
£205,001 to £210,000	-	1	-	-
£225,001 to £230,000	1	-	-	-
	<u>7</u>	<u>8</u>	<u>7</u>	<u>4</u>

The table above refers to the actual salary paid during the year.

Access and Participation (Payroll Element)	2022 £'000	2021 £'000
Access Investment	-	24
Financial Support	-	-
Disability Support (excluding expenditure included in the two categories above)	46	44
Research and Evaluation	8	8
	<u>54</u>	<u>76</u>

Nottingham College
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7 Staff costs - Group and College

Key management personnel compensation is made up as follows:

	2022	2021
	£'000	£'000
Salaries - gross of salary sacrifice and waived emoluments	764	531
Benefits in Kind	9	
Termination	30	
Employers National Insurance	102	68
	905	599
Pension contributions	75	16
Total emoluments	980	615

There were no amounts due to key management personnel 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:

	Accounting Officer	Interim Accounting Officer 1	Interim Accounting Officer 2	2022
	16	94	189	£'000
Salaries	16	94	189	299
	16	94	189	299
Pension contributions	4	-	-	4

Accounting Officer 01/07/22 to 31/07/22
Interim Accounting Officer 1 01/08/21 to 31/12/21
Interim Accounting Officer 2 01/08/21 to 30/06/22

The governing body adopted AoC's Senior Staff Remuneration Code in April 2019 and will assess pay in line with its principles in future.

The remuneration package of the Chief Executive Officer is subject to review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Chief Executive Officer reports to the Chair of the Governing Body who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Chief Executive Officer pay and remuneration expressed as a multiple;

Chief Executive Officer's basic salary as a multiple of the median of all staff*	6.6	(2020-21 7.4)
Chief Executive Officer's total remuneration as a multiple of the median of all staff*	7.8	(2020-21 7.4)

*While the College had more than one CEO during the year, the median calculation is based on the fulltime salary for the post.

Compensation for loss of office paid to former key management personnel

	2022	2021
	£	£
For 2022, the £30,000 compensation was paid to one former key management person.	30	28

The severance payment was approved by the Corporation.

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Notes to the financial statements

8 Other operating expenses

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	10,308	10,308	10,778	10,777
Non teaching costs	5,011	7,278	4,926	7,099
Premises costs	3,876	3,878	4,024	3,962
Total	19,195	21,464	19,728	21,838
Other operating expenses include:		2022		2021
		£'000		£'000
Auditors' remuneration:				
Financial statements audit *		68		64
Tax compliance		2		2
Other services		4		7
Internal audit		67		42
Operating lease expense		736		734
		736		734
* Includes £64,000 in respect of the College (2020-21 £60,000)				
Access and Participation		2022		2021
		£'000		£'000
Access Investment (i)		102		173
Financial Support		152		212
Disability Support (excluding expenditure included in the two categories above) (ii)		48		47
Research and Evaluation (iii)		15		15
		317		447

- (i) £0k of these costs are already included in the overall staff cost figures included in the financial statements, see note 7
(ii) £46k of these costs are already included in the overall staff cost figures included in the financial statements, see note 7
(iii) £8k of these costs are already included in the overall staff cost figures included in the financial statements, see note 7

Nottingham College's Access and Participation Plan can be accessed via the link below;

<https://www.nottinghamcollege.ac.uk/study/university-centre/welcome-to-the-university-centre-at-nottingham-college/key-information-and-supporting-documents>

Notes to the financial statements

9 Interest payable - Group and College

	2022 £'000	2021 £'000
On bank loans, overdrafts and other loans:	<u>1,176</u>	<u>1,427</u>
	1,176	1,427
On finance leases	-	-
Net interest on defined pension liability (note 23)	<u>1,967</u>	<u>1,630</u>
Total	<u><u>3,143</u></u>	<u><u>3,057</u></u>

10 Taxation - Group only

	2022 £'000	2021 £'000
Tax payable by the group	<u>-</u>	<u>-</u>

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year. The tax charge relates to its trading subsidiary companies.

Notes to the financial statements

11 Tangible fixed assets (Group)

	Land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2021	145,190	35,254	180,444
Additions	2,349	2,848	5,197
Disposals	(4)	-	(4)
At 31 July 2022	147,535	38,102	185,637
Depreciation			
At 1 August 2021	21,873	32,500	54,373
Charge for the year	2,682	1,403	4,085
Elimination in respect of disposals	(4)	-	(4)
At 31 July 2022	24,551	33,903	58,454
Net book value at 31 July 2022	122,984	4,199	127,183
Net book value at 31 July 2021	123,317	2,754	126,071

Notes to the financial statements

12 Non current Investments

	College 2022 £'000	College 2021 £'000
Investments in subsidiary companies	1	1
Total	1	1

The College owns 100 per cent of the issued ordinary £1 shares of Nottingham College Services Limited, a company incorporated in England and Wales, and 100 per cent of the issued ordinary £1 shares of Emtec Colleges Limited, a company incorporated in England and Wales. The principal business activity of Nottingham College Services Limited is the provision of cleaning services. Emtec Colleges Limited is an intermediate holding company.

13 Investment Property

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Opening balance	1,400	1,400	1,400	1,400
Transfer to Fixed Assets	-	-	-	-
Gain on fair value	2,400	2,400	-	-
Total	3,800	3,800	1,400	1,400

The freehold property was valued as at 31 July 2022 by an external valuer, FHP Ltd., a regulated firm of Chartered Surveyors. The valuation was carried out using RICS Valuation Global Standards 2022.

14 Trade and other receivables

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Amounts falling due within one year:				
Trade receivables	518	518	673	637
Amounts owed by group undertakings:				
Subsidiary undertakings	-	290	-	288
Prepayments and accrued income	2,051	2,050	1,721	1,717
Amounts owed by the ESFA	-	-	-	-
Total	2,569	2,858	2,394	2,642

Notes to the financial statements

15 Creditors: amounts falling due within one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans.	2,727	2,727	37,556	37,556
Obligations under PFI.	-	-	638	638
Trade payables	433	433	541	486
Other taxation and social security	1,326	1,296	799	768
Accruals and deferred income	7,574	7,436	6,826	6,757
Deferred income - government capital grants.	1,926	1,926	1,703	1,703
Unspent capital grants	-	-	-	-
Learner Support Funds	-	-	-	-
Total	13,986	13,819	48,063	47,908

16 Creditors: amounts falling due after one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank Loans	31,350	31,350	-	-
Obligations under PFI	-	-	656	656
Rent Creditor	314	314	369	369
Deferred income - government capital grants	62,907	62,907	63,042	63,042
Total	94,571	94,571	64,067	64,067

Notes to the financial statements

17 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
In one year or less	2,727	2,727	37,556	37,556
Between one and two years	2,787	2,787	-	-
Between two and five years	17,919	17,919	-	-
In five years or more	10,644	10,644	-	-
Total	34,077	34,077	37,556	37,556

The College's loans are detailed as follows;

Lender	Term	Rate	Amount £'000
Barclays	Aug 2024	3.37%	7,508
Nottingham City Council	Oct 2032	3.09%	18,527
ESFA	Aug 2024	2.30%	8,042
TOTAL			34,077

The loans are secured on a portion of the freehold land and buildings of the College.

(b) PFI leases

The net PFI lease obligations to which the institution is committed were:

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
In one year or less	-	-	638	638
Between two and five years	-	-	656	656
Total	-	-	1,294	1,294

PFI lease obligations were secured on the assets to which they related.

The College negotiated the early termination of the PFI lease in July 2022.

Notes to the financial statements

18 Other Provisions Group and College

	Defined benefit obligations £'000	Enhanced benefit obligations £'000	Other £'000	Total £'000
At 1 August 2021	(122,067)	(2,337)	-	(124,404)
Expenditure in the period	(7,162)	122	-	(7,040)
Actuarial gain	93,053	188	-	93,241
At 31 July 2022	(36,176)	(2,027)	-	(38,203)

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

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

The principal assumptions for this calculation are:

	2022	2021
Price inflation	2.90%	2.10%
Discount rate	3.30%	1.60%

19 Cash and cash equivalents

	At 1 August 2021 £'000	Cash flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	13,380	(1,521)	-	11,859
Restricted cash*	1,720	(1,441)	-	279
Overdrafts	-	-	-	-
Total	15,100	(2,962)	-	12,138

*Restricted cash is made up of the bank balance of the College's operation in Shanghai.

Analysis of change in net debt

	At 1 August 2021 £'000	Cash flows £'000	New bank Loans £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	15,100	(2,962)	-	-	12,138
Bank loans - short term	37,556	-	-	(34,829)	2,727
Bank Loans - long term	-	(3,824)	172	35,002	31,350
PFI obligations-short term	638	(624)	-	(14)	-
PFI obligations- long term	656	-	-	(656)	-
Total	53,950	(7,410)	172	(497)	46,215

20 Capital commitments

	Group and College	
	2022 £'000	2021 £'000
Commitments contracted for at 31 July	2,203	716

Notes to the financial statements

21 Lease Obligations

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

	Group and College	
	2022	2021
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	580	493
Later than one year and not later than five years	1,235	1,274
Later than five years	190	385
	<u>2,005</u>	<u>2,152</u>
Other		
Not later than one year	156	156
Later than one year and not later than five years	-	208
Later than five years	-	-
	<u>156</u>	<u>364</u>
Total lease payments due	<u>2,161</u>	<u>2,516</u>

22 Contingent liabilities

There are no contingent liabilities as at 31 July 2022 or 31 July 2021

Notes to the financial statements

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

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

Total pension cost for the year	2022 £'000	2021 £'000
Teachers Pension Scheme: contributions paid	3,074	2,823
Local Government Pension Scheme:		
Contributions paid	2,886	2,887
Other pension contributions	15	239
Pension Strain	-	60
FRS 102 (28) charge	5,165	4,362
Charge to the Statement of Comprehensive Income	8,066	7,548
Enhanced pension charge to Statement of Comprehensive Income	37	31
Total Pension Cost for Year included within Staff Costs	11,177	10,402

Teachers' Pension Scheme

The Teachers' Pension Budgeting and Valuation Account

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

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

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

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

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

Valuation of the Teachers' Pension Scheme

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 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year.

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

The pension costs paid to TPS in the year amounted to £3,034,000 (2021: £2,823,000)

Notes to the financial statements

23 Defined benefit obligations (continued)

FRS 102 (28)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Nottinghamshire County Council. The total contribution made for the year ended 31 July 2022 was £3,745,000, of which employer's contributions totalled £2,886,000 and employees' contributions totalled £859,000. The agreed contribution rates for future years are 18.5% for employers and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions

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

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.80%	3.85%
Future pensions increases	2.80%	2.85%
Discount rate for scheme liabilities	3.40%	1.60%
Inflation assumption (CPI)	2.20%	2.20%
Commutation of pensions to lump sums	50%	50%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement age 65 are:

	At 31 July 2022	At 31 July 2021
	years	years
<i>Retiring today</i>		
Males	21.6	21.6
Females	24.4	24.3
<i>Retiring in 20 years</i>		
Males	23.0	22.9
Females	25.8	25.7

CPI assumption

Pension Increase Orders are used to set the level of pension increases with effect from 1 April of each year, normally with reference to the change in CPI inflation over the 12 months to the previous September, which was announced in October. This was 10.1% and was considerably higher than the CPI assumption set by employers as at 31 July 2022. As Pension Increase orders are not automatically set with reference to the September CPI and they are only known with certainty when the Pension Increase Order is enacted by Parliament, which is usually in April of the following year, no adjustment has been made to recognise the possible 2023 Pension Increase Order within the CPI assumption.

Notes to the financial statements

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Long-term rate of return expected at 31 July 2022	Fair Value at 31 July 2022	Long-term rate of return expected at 31 July 2021	Fair Value at 31 July 2021
		£'000		£'000
Equity instruments	59%	80,224	65%	86,669
Gilts	2%	3,220	3%	4,368
Other Bonds	7%	9,454	6%	8,428
Property	14%	19,837	10%	13,682
Cash	6%	7,822	4%	5,452
Inflation-linked pool fund	5%	7,138	5%	6,394
Infrastructure	7%	9,172	5%	7,235
Unit Trust	0%	-	1%	1,276
Total market value of assets		136,867		133,504

The amount included in the balance sheet in respect of the defined benefit pension plan [and enhanced pensions benefits] is as follows:

	2022 £'000	2021 £'000
Fair value of plan assets	136,867	133,504
Present value of plan liabilities	(172,941)	(255,447)
Present value of unfunded liabilities	(102)	(124)
Net pension liability	(36,176)	(122,067)

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 service cost	8,051	7,249
Past service cost	-	-
Total	8,051	7,249
Amounts included in investment		
Net interest	1,930	1,630
	1,930	1,630

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	1,358	15,763
Other actuarial losses on assets	-	-
Change in financial assumptions	92,248	(17,355)
Change in demographic assumptions	-	2,983
Experience losses arising on defined benefit obligations	(553)	4,735
Amount recognised in Other Comprehensive Income	93,053	6,126

Notes to the financial statements

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability) during the year

	2022	2021
	£'000	£'000
(Deficit) in scheme at 1 August	(122,067)	(121,883)
Movement in year:		
Current service cost	(8,051)	(7,249)
Employer contributions	2,886	2,887
Past service cost	-	(249)
Net interest on the defined (liability)	(1,930)	(1,630)
Administrative expenses	(67)	(69)
Actuarial gain or loss	93,053	6,126
Net defined benefit (liability) at 31 July	(36,176)	(122,067)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	255,571	238,554
Current Service cost	8,051	7,249
Interest cost	4,066	3,202
Contributions by scheme participants	859	821
Experience gains and losses on defined benefit obligations	553	(4,735)
Changes in financial assumptions	(92,248)	17,355
Change in demographic assumptions	-	(2,983)
Estimated benefits paid	(3,800)	(4,132)
Unfunded pension payments	(9)	(9)
Past Service cost	-	249
Defined benefit obligations at end of period	173,043	255,571

Reconciliation of Assets

	2022	2021
	£'000	£'000
Fair value of plan assets at start of period	133,504	116,671
Interest on plan assets	2,136	1,572
Return on plan assets	1,358	15,763
Other actuarial losses	-	-
Administration expenses	(67)	(69)
Employer contributions	2,886	2,887
Contributions by Scheme participants	859	821
Estimated benefits paid	(3,809)	(4,141)
Fair value of plan assets at end of period	136,867	133,504

McCloud/Sargeant judgements

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements. Remedial regulations are expected in 2022 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised.

Impact on liabilities

The McCloud remedy may impact the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report.

If an allowance was already made for McCloud at a previous accounting date in an employer's IAS19/FRS102 report then no explicit adjustment will be made in our results this year.

Impact on Current service cost

Where the cost of McCloud has been allowed for in an employer's report, this includes an allowance in the Current service cost in respect of the benefits members accrue each accounting period. The McCloud remedy is expected to only apply to benefits accrued up to 31 March 2022, and therefore an adjustment is required to the Current service cost from 1 April 2022 so that no further allowance for the McCloud remedy is made.

Notes to the financial statements

24 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £152,40; 1 governor (2020-21: £nil; 0 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2021: None).

Nottingham College Services Limited – a subsidiary of Nottingham College

Purchase transactions in the year amounted to £1,772,000 (2020-21 – £2,221,000). There were no balances outstanding at the year end (2021 – £5,000)

25 Amounts disbursed as agent

Learner support funds

	2022 £'000	2021 £'000
Funding body grants – bursary support	2,164	1,777
Funding body grants – discretionary learner support	1,269	1,184
Funding body grants – residential bursaries	-	-
Other Funding body grants	-	-
Interest earned	-	-
	<u>3,433</u>	<u>2,961</u>
Disbursed to students	(3,133)	(2,310)
Administration costs	(107)	(98)
	<u>193</u>	<u>553</u>
Balance unspent as at 31 July, included in creditors		

26 Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principle activity
EMTEC Limited	UK	Ordinary	100%	Dormant.
EMTEC (Shanghai) Limited	China	Ordinary	100%	Provision of education.
Nottingham College Services Limited	UK	Ordinary	100%	Provision of cleaning services.

27 Events after the reporting period

On 29 November 2022, the Office for National Statistics reclassified all college corporations as public sector institutions with immediate effect and this prompted the Department for Education to introduce some new rules for colleges which will take effect during 2022-23.

The College considers this announcement to be a non-adjusting balance sheet event and is evaluating the implications of the announcement and the potential new rules but do not consider that they will have an impact on these financial statements.