



Annual Report and
Financial Statements

Year Ended 31 July 2022

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TELFORD COLLEGE

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISORS REPORT FOR THE YEAR ENDED 31 JULY 2022

Board of Governors

- A full list of Governors is given on page 12 of these financial statements.
- Ms S. Morley acted as Clerk to the Corporation throughout 2021/22 (Resigned 31/08/2022) and was replaced by Mr B. Deed on 01/09/2022.
- Mr P. Hinkins acted as Chair of the Corporation until 31/12/2021
- Ms G. Bleasby acted as Interim Chair from 01/01/2022 and was appointed as Chair of the Corporation on 16/05/2022
- Ms W. Farrington-Chadd acted as Chair of the Audit Committee until 31/12/2021
- Ms L. Biffin was appointed as Chair of the Audit Committee from 01/01/2022

Key management personnel

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

Graham Guest	-	Principal/CEO and Accounting Officer
Janet Stephens	-	Deputy CEO

Financial Statement & Regularity Auditors:

Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
1 – 3 College Yard
Worcester
Worcestershire
WR1 2LB

Internal Auditors:

Haines Watts
Sterling House
97 Lichfield Street
Tamworth
Staffordshire
B79 7QF

Bankers:

Barclays Bank
The Telford Centre
Woodhouse Central
Overdale
Telford
TF3 4AD

TELFORD COLLEGE

MEMBERS' REPORT FOR THE YEAR ENDED 31 JULY 2022

NATURE, OBJECTIVES AND STRATEGIES:

The members of the Corporation of Telford College present the report and the audited financial statements of the College for the year ended 31 July 2022.

Telford College

Legal Status

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

Strategic Plan

Telford College is an ambitious college and, as a measure of our determination for continued success, we have set ourselves the following four objectives:

1. We will maximise opportunities for students, through flexible and blended learning strategies, to develop skills and achieve aspirations.
2. We will support employers to drive business change, innovation and investment, and we will make a major contribution to the economic success of the Marches Area and the West Midlands.
3. We will foster healthy and connected communities, and we will provide our staff with the opportunity to develop their skills and careers.
4. We will embed financial sustainability by taking advantage of new opportunities and remaining efficient in the use of our resources.

Vision

"To be an ethical skills eco-system for the Marches and West Midlands. We will be a Further Education college that works for the community and for our stakeholders."

Values

Our ethics and values underpin our strategies, policies, objectives and procedures by providing a basis and a reference point for everything that we do. These values and beliefs will guide our conduct and that of our students. We will:

- Teach students the knowledge and entrepreneurial attitudes, skills and competencies to adapt to the changes in society and the labour market.
- Expand learning opportunities to reskill and upskill adult students.
- Work in harmony with other educational partners within our local area through transparent collaborations, putting students first.
- Invest in green activities to support the community and safeguard it for future generations.
- Enhance the local economy through procuring goods and services.

TELFORD COLLEGE

MEMBERS' REPORT FOR THE YEAR ENDED 31 JULY 2022

Implementing the Strategic Plan

Over the next 5 years, Telford College will measure our success by:

- Increasing local participation in skills-based learning.
- Engaging students from diverse communities.
- Increasing the numbers of students who successfully achieve their programme of study.
- Supporting the progression of our students to positive destinations.
- Making a significant impact on the local skills gap by upskilling young people and adults.
- Making a significant contribution to the Marches LEP economy.

The strategic plan is underpinned by a number of implementation plans which identify the management actions required to achieve identified strategic objectives. These plans include specific actions and agree outcomes relating to student recruitment, curriculum development and quality improvement. The College also compiles two-year financial plans on an annual basis that fully reflect planned and anticipated developments, and current ongoing risks such as rising non-pay costs due to inflation and the energy crisis plus the long term economic impact of Brexit.

Resources:

Financial

The College has 11.9 million of net assets which includes £8.8 million pension liability (2020/21: £8.9 million of net liabilities including £26.8 million pension liability) and bank loans of £1.8 million (2020/21: £3.2 million).

People

The College employed 407 people (2020/21: 409), of whom 273 are teaching staff (2020/21: 273).

Stakeholders:

The College has many stakeholders including:

- Students
- Parents
- Staff
- Education sector funding bodies
- FE Commissioner
- Local employers
- Local authorities
- Local Enterprise Partnerships (LEPs)
- The local community
- Other FE institutions
- Trade unions
- Professional bodies
- Business Chamber

DEVELOPMENTS AND PERFORMANCE:

Financial Results

The Total Comprehensive Income of the College for the year before pension scheme costs was £726k (£20.727m surplus after a net actuarial gain of £20m, £1.361m FRS102 costs in respect of pension schemes) compared with a surplus £604k in 2020/21 (£3.738m surplus after actuarial gain of 3.134m, £1.651m FRS 102 costs in respect of pension schemes).

TELFORD COLLEGE

MEMBERS' REPORT FOR THE YEAR ENDED 31 JULY 2022

Robust financial planning and processes, linking curriculum delivery to staffing and non-pay costs, are in place in addition to regular year end outturn forecasts. This, alongside accurate and timely funding forecasting has allowed the College to maintain a strong financial position.

Effective budgeting, planning and monitoring has enabled the College to respond swiftly and effectively to reductions in funding and the changing economic environment. The College is independently financially viable and well placed to face the ongoing financial challenges facing the sector.

Tangible fixed asset additions in the year amounted to £1.621m compared to £1.566m in the previous year. Included in the £1.621m was £0.263m of assets which were funded by the Skills Development Fund Grant.

Cash and bank balances amounted to £8.264m (2020/21: £6.132m).

Developments

Telford College is working closely with Telford and Wrekin council to utilise part of the £22.3m Telford Towns fund in the new Station Quarter development. The College is intending to set up and run a digital skills and enterprise hub alongside local businesses and strategic partners. This project and its location create an opportunity to address an identified local skills gap and to expand Telford College's provision in a way which is accessible to a greater proportion of people across the borough.

The College is a lead partner of the Strategic Development Fund project (SDF) in collaboration with two Further Education Colleges and a Limited Company, which aims to increase the capacity and capability of education providers in the Marches area to jointly develop curriculum to support the delivery of teaching in Health and Social Care provision. Of which, part of the capital grant was received for the purchase of a mobile teaching unit (MTU) to deliver immersive/virtual learning (AR/VR/MR) for social care and health workers and students; and to support recruitment to the sector. In 2021/22 the College received £2.739m of which £1m was received for capital purchases. The project is due to conclude on 31st December 2022.

The College is also a partner of the Strategic Development Fund 2 project (SDF 2) in collaboration with 5 Further Education Colleges which aims to create Centres of Excellence in Environmental Technologies, to enable and support a growth in expertise in new and emerging environmental technologies and providing a collaborative model to deliver the skills necessary for a net zero carbon future.

Reserves Policy

The College recognises the importance of reserves in the financial stability of any organisation and aims to ensure there are adequate reserves to support the College's core activities. At the balance sheet date, the Income and Expenditure reserve excluding the pension liability stands at £18.4m (2020/21: £15.6m). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

Sources of Income

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2021/22, 84.4% (2020/21: 86.6%) of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue.

Financial Plan

The College financial health grade moved from 'Good' in 19/20 to 'Outstanding' in 20/21. College Governors approved a sustainable financial plan effective from the 1st August 2021, which has delivered sustained 'Outstanding' financial health in year 2021/22.

TELFORD COLLEGE

MEMBERS' REPORT FOR THE YEAR ENDED 31 JULY 2022

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.

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Cash flows and Liquidity

The College generated an operating cash inflow of £2,777k (2020/21 inflow: £4,944k).

Going Concern

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The College has prepared cash flow forecasts for a period of 24 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of severe but plausible downsides, including:

- a potential 5% reduction in 16-18 student numbers,
- an inability to meet apprenticeship recruitment targets,
- an inability to deliver the full AEB allocation leading to a clawback of funds,
- additional running costs associated with rising energy prices, interest rates and inflation

The College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements.

The College monitors its financial position and cash flows on an ongoing basis and reports to both the ESFA and its lenders on a quarterly basis. The College had an additional loan facility from its bank of £3m which was originally to be repaid by December 2020. £750k was repaid in 18/19 following the sale of King Street campus, leaving a balance as at 1st August 2019 of £2,250k. In January 19/20 the College sold its interest in the Whitehouse Hotel and the £1,700k net proceeds were used to reduce the loan balance to £550k. The College refinanced both of its loans in July 2022 with an early repayment of £1,000k reducing the year end balance to £1,790k with quarterly repayments reduced to £45k. The College has not breached its covenants on 31 July 2022 and has headroom in its loan covenants following Barclays updating the terms.

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 have prepared the financial statements on a going concern basis.

Principal Risks and Uncertainties:

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

The Executive Leadership Team undertakes a comprehensive and regular 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. In addition to the annual review, the Executive Leadership Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A strategic risk register is maintained which is reviewed at least once per term by the Audit Committee

MEMBERS' REPORT FOR THE YEAR ENDED 31 JULY 2022

and more frequently where necessary. 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.

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.

Events After The Reporting Period:

On 29 November 2022 the Office for National Statistics published its decision to reclassify the statutory further education sector into the government sector. The government have confirmed that colleges will retain their surpluses and be able to carry them over from one year to the next, but the transfer to the public sector will mean that colleges will be subject to the public sector framework for financial management as set out in the Managing Public Money document published by HM Treasury.

1 Failure to maintain the financial viability of the College

The College's current financial health grade is "Outstanding". The College approved a sustainable financial plan and repayment of historical debt which will aim to sustain Outstanding financial health to the end of 23/24 and beyond. Throughout the financial plan period strong cash management will be required to ensure that the College continues to operate within its banking facility and a system of daily monitoring is in place to this end. The College has modelled the impact of several plausible yet significant downturn scenarios on income and expenditure streams and consider the current financial plan to be achievable.

This risk is also mitigated in several other ways:

- By rigorous budget setting procedures.
- Regular in year budget monitoring.
- Robust financial controls.
- Exploring ongoing procurement efficiencies.

2 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2021/22, 84.4% (2020/21: 86.6%) of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue.

The College is aware of several issues which may impact on future funding, including apprenticeship reforms and further devolution of the adult education budget.

This risk is mitigated in several ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment are placed on maintaining and managing key relationships with the various funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies.

3 Quality of provision and data quality

The College has continued its rigorous programme of data interrogation and cleansing. The quality of the College's provision remains one of its highest priorities and the College takes seriously the risks which may impact on the quality of provision.

These risks are mitigated by:

MEMBERS' REPORT FOR THE YEAR ENDED 31 JULY 2022

- Maintaining rigorous focus on data quality.
- Withdrawal of provision where quality is below acceptable standards.
- Robust Quality Improvement Action Plan monitored closely by the College and the Corporation.
- Learning Walks and targeted CPD for teaching staff, designed to raise quality of teaching and learning.

4 Apprenticeships

The College must ensure that it is able to meet the needs of learners who aspire to become apprentices and deliver high-quality standards that match local employer demand. Whilst the College has the ability and client base to develop further adult apprenticeship provision in line with Government priorities, there remain significant challenges – namely:

- Meeting the challenge of changes to the funding system whereby funds flow through the employer to the training provider and managing the shift to the Digital Apprenticeships Service.
- Improving the quality of provision in delivering the full apprenticeship standards.
- Mitigating the impact of Covid-19 on the changed employment market and the training of existing apprentices, and on future recruitment.

These risks will be mitigated by:

- Working closely with employers and establishing clear communication links.
- Continuing the quality improvement actions.
- Supporting apprentices with remote learning and simulated practical elements.

5 Maintain adequate funding of pension liabilities

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

6 Staffing

The College is working to ensure minimal disruption to teaching provision caused by staff absences and to recruit and retain the best new candidates to join the College staff.

These risks were mitigated by:

- Regular, clear communication with staff.
- Good, open working relationships with staff representatives.
- Recruitment of interim fixed term staff.
- Implementation of the Wellbeing policy.
- Implementation of the Talent Management Strategy.

KEY PERFORMANCE INDICATORS:

Key Performance Indicator	Target for 2021/22	Actual 2021/22
16-19 Learner numbers	1,990	1,823
Apprentice learner enrolments – New Starts	322	308
Financial health grade	Outstanding	Outstanding

Student Achievements

	2019/20 %	2020/21 %	2021/22 %	Movement %
Overall Achievement	87.7	88.0	88.2	+0.2
Overall Achievement (Excluding Maths and English)	92.6	92.7	93.4	+0.7
19+	91.2	90.7	92.0	+1.3
19+ (Excluding Maths and English)	96.0	95.7	96.2	+0.5
16-18	83.5	83.5	81.5	-2.0
16-18 (Excluding Maths and English)	87.1	87.0	87.4	+0.4
Apprenticeships Overall	43.6	53.0	47.8	-5.2

Public Benefit

Telford College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 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 12.

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

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

- High-quality teaching.
- Widening participation and tackling social exclusion.
- Excellent employment record for students.
- Strong student support systems.
- Strong links with employers, industry and commerce.
- Collaborative links with Local Enterprise Partnerships (LEPs) and the Business Chamber of Commerce.

Equal opportunities and employment of disabled persons

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, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equality, Diversity and Inclusion policy is published on the College's internet site.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which are, as far as possible, identical to those for other employees. How the College ensures equality and diversity underpins its day-to-day activities and college-wide communication of these priorities is set out in the policy, including action planning and monitoring; staff induction and refresher training; data collection and analysis; and celebration.

TELFORD COLLEGE

MEMBERS' REPORT FOR THE YEAR ENDED 31 JULY 2022

Disability statement

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

The College has a comprehensive Equality, Diversity and Inclusion policy which refers to persons with disabilities such as learning difficulties, and physical and sensory disabilities.

- a) There is a list of specialist equipment, which the College can make available for use by students and a range of assistive technology is available in the Learner Hub.
- b) 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.
- c) The College has several specialist lecturers to support students with learning difficulties and/or disabilities. There are several student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- d) Specialist programmes are described in college prospectuses, and achievements and destinations are recorded and published in the standard College format.

Counselling and welfare services are 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.

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
7	6.4

Percentage of time	Number of Employees
0%	0
1-50%	7
51-99%	0
100%	0

Total cost of facility time	£11,315
Total pay bill	£12,981,786
Percentage of total pay bill spent on facility time	0.087%

Time spent on paid trade union activities as a percentage of total paid facility time hours	100%
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TELFORD COLLEGE

MEMBERS' REPORT FOR THE YEAR ENDED 31 JULY 2022

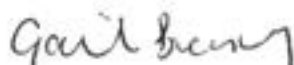
Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1st November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is over 95%. The College has a policy of paying all suppliers within the agreed terms of trade, or within 30 days of receipt of invoice where terms are not specified. In the accounting year to 31st July 2022 this policy has been maintained and the College has suffered no interest charge for late payment.

DISCLOSURE OF INFORMATION TO THE 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:



Gail Bleasby

Chair of Governors

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED JULY 2022

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 1st August 2021 to 31st July 2022 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2022 and up to the date of these financial statements. 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. 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.

The Corporation

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

Name	Date of appointment	Term of office length	Date of resignation	Status	Committees served in year	Attendance 21/22
Kevin BARTON	13/12/2021	4	N/A	General	Corporation	6/6
Rosie BESWICK	01/12/2009	4	30/11/2021	General	Corporation	2/3
Louise BIFFIN	07/10/2019	4	N/A	General	Corporation Audit (Ch) Capital Focus Group (Ch) Remuneration (Ch from May 2022) Search	10/10 4/4 6/6 1/1
Paul BIRCH	05/11/2018	4	N/A	General	Corporation Audit Remuneration	7/10 3/4 1/1
Dan BLASCZYK	20/02/2019	4	18/08/2022	Staff	Corporation	9/10
Gail BLEASBY	19/12/2017	4	N/A	General	Corporation (Ch) Remuneration (Ch until May 2022) Search Capital Focus Group	9/10 1/1 1/1 6/6
Corin CRANE	09/07/2019	4	N/A	General	Corporation Audit	7/10 1/4
Keith DANIELS	12/11/2021	2	5/12/2022	Student	Corporation	1/7
Wendy FARRINGTON-CHADD	07/10/2019	4	31/12/2021	General	Corporation Audit (Ch)	1/4 2/2
Graham GUEST	01/05/2017	-	N/A	Ex-officio	Corporation	10/10
Bhpendra JANAGAL	22/11/2022	4	22/11/2026	Staff	N/A	N/A
Manny JHAWAR-GILL	13/12/2021	4	N/A	General	Corporation Search	5/6 1/1
Paul HINKINS	01/07/2013	4	31/12/2021	General	Corporation (Ch) Remuneration Search (Ch)	4/4 1/1 0/1
Geoff LAYER	19/12/2017	4	27/09/2021	General	Corporation	0/1
Shannon MARSH-LLOYD	12/12/2022	2	12/12/2024	Student	Corporation	N/A

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE YEAR ENDED JULY 2022

Ruth MATTHEWS	07/10/2019	4	N/A	General	Corporation Remuneration Search	8/10 1/1 1/2
Chris PALLETT	17/07/2018	4	N/A	General	Corporation Audit	9/10 3/4
Gavin REAL	21/10/2019	4	08/02/2022	Staff	Corporation	0/3
Charlotte ROBINSON	26/11/2020	2	31/07/2022	Student	Corporation	3/10
Ian ROBINSON	26/09/2022	4	26/09/2022	General	N/A	N/A
Karina SAINI	12/12/2022	2	12/12/2024	Student	Corporation	N/A
Martin SEYMOUR	11/03/2022	4	N/A	Staff	Corporation	6/7
Stew WATSON	13/12/2021	4	N/A	General	Corporation Capital Focus Group	5/6 2/4

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets monthly, apart from April and August.

The Corporation conducts its business through several committees/groups. Each committee/group has terms of reference, which have been approved by the Corporation. These committees are Audit, Remuneration and Search. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on request from:

The Clerk to the Corporation, Telford College, Haybridge Road, Wellington TF1 2NP.

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address and is also published on the College's website (<https://www.telfordcollege.ac.uk/about/governance/>).

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Corporation Register of Interests is reviewed on an annual basis (or when changes occur in-year) and declarations of interest are an agenda item at the beginning of every Corporation and committee meeting.

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 search committee, consisting of four 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE
YEAR ENDED JULY 2022

Remuneration Committee

Throughout the year ending 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.

Details of remuneration for the year ended 31 July 2022 are set out in note 7 to the financial statements.

Audit Committee

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

The Audit Committee meets four times per year 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.

Internal Control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to the Principal in the Funding Agreement between the College and the funding bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

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 a 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 the College for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

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 process for identifying, evaluating and managing the College's

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE
YEAR ENDED JULY 2022

significant risks that has been in place for the period ending 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and annually by the Corporation.

The risk and control framework

The College's system of internal controls and governance structures ensure regularity and propriety in the use of funds, including all public funds, via the following processes:

- As detailed in the statement of Internal Control (page 14), the College Corporation is responsible for maintaining a sound system of internal control that safeguards the public and other funds and assets for which it has responsibility.
- The College maintains a comprehensive suite of Financial Regulations and Procedures, giving control over the totality of the College's resources and providing an appropriate financial regulatory framework which ensures that resources are used with due regard to propriety, regularity and value for money, in the context of the achievement of the College's strategic plan. All employees and contractors are required to abide by the Financial Regulations and Procedures.
- The College is required to adhere to all funding body rules, in addition to the requirements of its own Financial Regulations and Procedures and operates various controls to do this.
- The College's Internal Audit function provides assurance to management and the Audit Committee. Internal Audit makes recommendations for improvement in key management processes. It particularly aims to ensure that key risks are being appropriately managed, including those in relation to the use of funds and value for money.

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At each Audit Committee meeting, the Internal Auditors provide the governing body with a report on internal audit activity in the College. The report includes an independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

The College's External and Internal Audit providers both make recommendations for improvement in key management and internal processes. In addition to the assurance reports, the Audit committee and Governors receive benchmarking and sector specific reports from both External and Internal auditors to assist them in discharging responsibility to monitor the college's performance in delivering value for money.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors.
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
- Comments made by the College's financial statements and regularity auditors in their management letters and other reports.

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL FOR THE
YEAR ENDED JULY 2022

The Executive leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive leadership 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 Executive Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit Committee and the Principal, 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 assets"*.

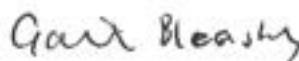
The Corporation has considered its responsibility to notify the Education & Skills Funding Agency of material irregularity, impropriety and non-compliance with Education & Skills Funding Agency terms and conditions of funding, under the Funding Agreement in place between the College and the Education & Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the Funding Agreement.

We confirm, on behalf of the Corporation that to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education & Skills Funding Agency's terms and conditions of funding under the College's Funding Agreement. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Education & Skills Funding Agency.

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



Graham Guest
Accounting Officer



Gail Bleasby
Chair of Governors

TELFORD COLLEGE

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR
ENDED 31 JULY 2022

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

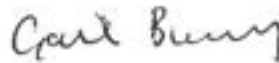
We confirm on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we can identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contract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

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

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



Graham Guest
Accounting Officer



Gail Bleasby
Chair of Governors

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION FOR
THE YEAR ENDED 31 JULY 2022

The members of the Corporation 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 for each financial year in accordance with the *2019 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2021 to 2022* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the College 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 the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the College or to cease operations or have no realistic alternative but to do so.

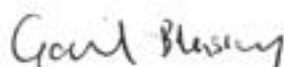
The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping adequate 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 of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 the ESFA are not put at risk.

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



Gail Bleasby

Chair of Governors

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF TELFORD COLLEGE

Opinion

We have audited the financial statements of Telford College (the 'corporation') for the year ended 31 July 2022 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet and the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice: Accounting for Further and Higher Education (the 'FE HE SORP') and the College Accounts Direction for 2021 to 2022.

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation's affairs as at 31 July 2022 and of the corporation's the statement of comprehensive income, the statement of changes in reserves, the balance sheet and the statement of cash flows; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the FE HE SORP, and College Accounts Direction 2021 to 2022.

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 corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion relating to going concern

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

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

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

Other information

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

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

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF TELFORD COLLEGE

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the corporation

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF TELFORD COLLEGE

- how the corporation ensured it met its obligations to its principal regulator, the Secretary of State for Education; and
- the matters discussed among the audit engagement team and involving relevant internal corporation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

Our procedures to respond to risks identified included the following:

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE CORPORATION OF TELFORD COLLEGE

Use of our report

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

Bishop Fleming LLP

Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
1-3 College Yard
Worcester
WR1 2LB

12th December 2022

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF TELFORD COLLEGE ("THE COLLEGE") AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION ("THE DEPARTMENT")

In accordance with the terms of our engagement letter dated 20 June 2022 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Telford 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 Telford College and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Telford 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 Telford College and ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Telford College and the reporting accountant

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

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

Approach

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

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

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

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

The work undertaken to draw our conclusion includes:

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

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE CORPORATION OF TELFORD COLLEGE ("THE COLLEGE") AND SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION ("THE DEPARTMENT")

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

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

Conclusion

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

Bishop Fleming LLP

Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
1-3 College Yard
Worcester
WR1 2LB

12th December 2022

TELFORD COLLEGE

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2022

	Notes	2022 £'000	2021 £'000
INCOME			
Funding body grants	2a	19,401	19,804
Tuition fees and education contracts	3	2,153	2,178
Other grants and contracts	4	194	209
Other income	5	875	620
Investment income	6	6	-
		<hr/>	<hr/>
Total income		22,629	22,811
EXPENDITURE			
Staff costs	7	14,848	14,306
Other operating expenses	8	4,650	5,616
Depreciation	11	1,902	1,725
Interest and other finance costs	9	528	560
		<hr/>	<hr/>
Total expenditure		21,929	22,207
		<hr/>	<hr/>
Surplus before other gains and losses		700	604
Gain on disposal of assets		25	-
		<hr/>	<hr/>
Surplus before tax		726	604
Taxation	10	-	-
		<hr/>	<hr/>
Surplus for the year		726	604
Actuarial Gain in respect of pension scheme		20,001	3,134
		<hr/>	<hr/>
Total Comprehensive Income for the year		20,727	3,738
		<hr/>	<hr/>

TELFORD COLLEGE**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2022**

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1st August 2020	(14,978)	2,354	(12,624)
Surplus from the income and expenditure account	604	-	604
Other comprehensive income	3,134	-	3,134
Transfers between revaluation and income and expenditure reserves	46	(46)	-
Total comprehensive income for the year	3,784	(46)	3,738
Balance at 31st July 2021	(11,194)	2,308	(8,886)
Surplus from the income and expenditure account	726	-	726
Other comprehensive income	20,001	-	20,001
Transfers between revaluation and income and expenditure reserves	46	(46)	-
Total comprehensive income for the year	20,773	(46)	20,727
Balance at 31st July 2022	9,579	2,262	11,841

TELFORD COLLEGE**BALANCE SHEET AS AT 31 JULY 2022**

	Notes	2022 £'000	2021 £'000
Fixed assets			
Tangible fixed assets	11	30,991	31,270
		30,991	31,270
Current assets			
Trade and other receivables	12	448	563
Asset held for sale	13	–	114
Cash and cash equivalents	18	8,264	6,132
		8,712	6,809
Less: Creditors – amounts falling due within one year	14	(6,061)	(5,002)
Net current assets		2,651	1,807
Total assets less current liabilities		33,643	33,077
Less: Creditors – amounts falling due after more than one year	15	(11,821)	(13,692)
Provisions			
Defined benefit obligations	17	(8,770)	(26,819)
Other provisions	17	(1,211)	(1,452)
Total net assets/(liabilities)		11,841	(8,886)
Restricted reserves			
Unrestricted reserves			
Income and expenditure account		9,579	(11,194)
Revaluation reserve		2,262	2,308
Total unrestricted reserves		11,841	(8,886)
Total reserves		11,841	(8,886)

The financial statements on pages 25 to 48 were approved and authorised for issue by the Corporation on 12 December 2022 and were signed on its behalf on that date by:


Graham Guest
 Accounting Officer


Gail Bleasby
 Chair of Governors

TELFORD COLLEGE**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2022**

	Notes	2022 £'000	2021 £'000
Cash inflow from operating activities			
Surplus for the year		726	604
Adjustment for non cash items			
Depreciation	11	1,902	1,725
Decrease/(increase) in debtors		115	(16)
(Decrease)/increase in creditors due within one year		1,058	2,439
(Decrease)/increase in creditors due after one year		(1,871)	(673)
(Decrease)/increase in provisions (excluding actuarial gain)		(241)	(63)
Pensions costs less contributions payable		1,361	1,204
Adjustment for investing or financing activities			
Deferred capital and revenue grants released to income		(777)	(836)
Interest payable	9	528	560
Gain on sale of fixed assets	5	(25)	–
Net cash flow from operating activities		2,777	4,944
Cash flows from investing activities			
Proceeds from sale of fixed assets		20	–
Disposal of non-current asset investments		(117)	–
Interest receivable		6	–
Deferred grants received		2,739	881
Payments made to acquire fixed assets	11	(1,621)	(1,566)
		1,027	(685)
Cash flows from financing activities			
Interest paid	9	(82)	(93)
Repayments of amounts borrowed		(1,590)	(600)
		(1,672)	(693)
Increase in cash and cash equivalents in the year		2,132	3,566
Cash and cash equivalents at beginning of the year	18	6,132	2,566
Cash and cash equivalents at end of the year	18	8,264	6,132

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

1 Statement of accounting policies and estimation techniques

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going concern

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

The Corporation has prepared cash flow forecasts for a period of 24 months from the date of approval of these financial statements. After reviewing these forecasts, the Corporation is of the opinion that, taking account of severe but plausible downsides, including:

- a potential 5% reduction in 16-18 student numbers,
- an inability to meet apprenticeship recruitment targets,
- an inability to deliver the full AEB allocation leading to a clawback of funds,
- additional running costs associated with rising energy prices, interest rates and inflation.

The College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The Corporation monitors its financial position and cash flows on an ongoing basis and reports to both the ESFA and its lenders on a quarterly basis. The College had a loan facility from its bank of £3m which was originally to be repaid by December 2020. £750k was repaid in 18/19 following the sale of King Street campus, leaving a balance as at 1st August 2019 of £2,250k. In January 19/20 the College sold its interest in the Whitehouse Hotel and the £1.7m net proceeds were used to reduce the loan balance to £550k. The College refinanced both of its loans in July 2022 with an early repayment of £1,000k reducing the year end balance to £1,790k with quarterly repayments reduced to £45k. The College has not breached its covenants on 31 July 2022 and has headroom in its loan covenants following Barclays updating the terms.

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

Recognition of income

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

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

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.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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

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

Accounting for post-employment benefits

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

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.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. In determining the valuation of the Shropshire Pension Fund, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the College:

- Discount rate;
- Inflation rate; and
- Life expectancy

The asset values are reported using estimated asset allocations prepared by the scheme Actuary. This asset value is calculated at each triennial valuation. Thereafter it is rolled forward to accounting dates using investment returns, contributions received, and benefits paid out. During each annual reporting period between triennial valuations, asset returns are estimated using 11 months of market experience and one month of extrapolation being assumed.

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

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 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 2019 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 5 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

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 and expenditure in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- | | |
|--|-------------|
| • motor vehicles and general equipment | 3-10 years |
| • computer equipment | 3-5 years |
| • furniture and fittings | 5-10 years |
| • land and buildings | 15-50 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 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.

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.

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

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

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 a minor element 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 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 risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on several factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 202

2a Funding council grants

	2022	2021
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - Adult	5,282	5,612
Education and Skills Funding Agency - 16 -18	10,739	10,576
Education and Skills Funding Agency - Apprenticeships	2,260	2,369
Office for Students	29	55
Specific Grants		
Releases of government capital grants	777	836
16-19 Tuition Fund	313	356
Total	<u>19,401</u>	<u>19,804</u>

2b Grant and fee income

	2022	2021
	£'000	£'000
Grant income from the Office for Students	29	55
Grant income from other bodies	19,371	19,749
Fee income for taught awards (exclusive of VAT)	388	396
Total grant and fee income	<u>19,788</u>	<u>20,200</u>

There were no income received for research and non qualifying courses. Fee income for taught awards (exclusive of VAT) is exclusively Higher Education (HE) income. Grant income from ESFA is included in Grant income from other bodies. Grant and fee income figures include all taught levels.

3 Tuition fees and education contracts

	2022	2021
	£'000	£'000
Adult education fees	290	566
Fees for Further Education loan /Supported courses	280	388
Fees for Higher Education loan/ Supported courses	170	148
Total tuition fees	<u>740</u>	<u>1,102</u>
Education contracts	1,413	1,076
Total	<u>2,153</u>	<u>2,178</u>

4 Other grants and contracts

	2022	2021
	£'000	£'000
Other grants and contracts	162	115
Coronavirus Job Retention Scheme grant	33	94
Total	<u>194</u>	<u>209</u>

5 Other income

	2022	2021
	£'000	£'000
Other income generating activities	542	460
Miscellaneous income	333	160
Total	<u>875</u>	<u>620</u>

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

6 Investment income

	2022	2021
	£'000	£'000
Other interest receivable	<u>6</u>	<u>0</u>
	<u>6</u>	<u>0</u>

7 Staff costs

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

	2022	2021
	No.	No.
Teaching staff	273	273
Non teaching staff	<u>134</u>	<u>136</u>
	<u>407</u>	<u>409</u>

Staff costs for the above persons

	2022	2021
	£'000	£'000
Wages and salaries	10,377	10,204
Social security costs	892	890
Other pension costs	<u>3,265</u>	<u>3,041</u>
Payroll sub total	14,534	14,135
Contracted out staffing services	<u>264</u>	<u>140</u>
	<u>14,798</u>	<u>14,275</u>
Restructuring costs - contractual	50	31
	<u>14,848</u>	<u>14,306</u>

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

7 Staff costs (cont'd)

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 Executive Leadership Team which comprises the Principal and Deputy CEO. 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:	<u>2</u>	<u>2</u>

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:

	Key management		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£60,001 to £65,000 p.a	-	-	2	5
£65,001 to £70,000 p.a	-	-	-	1
£70,001 to £75,000 p.a	-	-	1	-
£75,001 to £80,000 p.a	-	-	1	-
£120,001 to £125,000 p.a	1	1	-	-
£145,001 to £150,000 p.a	1	1	-	-
	<u>2</u>	<u>2</u>	<u>4</u>	<u>6</u>

	2022 £'000	2021 £'000
Basic Salary	270	270
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	55	55
Total key management personnel compensation	<u>325</u>	<u>325</u>

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

	2022 £'000	2021 £'000
Basic Salary	150	150
Performance related pay and bonus	-	-
Other including benefits in kind	-	-
Pension contributions	36	36
	<u>186</u>	<u>186</u>

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

7 Staff costs (cont'd)

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

The remuneration package of key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who justify the remuneration on the following grounds:

The Principal and Chief Executive reports to the Chair of Corporation, who undertakes an annual review of his performance against the College's overall objectives using both qualitative and quantitative measures of performance. The Principal has performed very well during 2021/22, with increased challenges posed by the Covid-19 pandemic, meeting the College's objectives, maintaining quality teaching and learning provision, ensuring positive positioning of the College locally and regionally as well as achieving outstanding financial health.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:

	2022	2021
Principal's basic salary as a multiple of the median of all staff	8.1	7.6
Principal's total remuneration as a multiple of the median of all staff	8.4	7.8

Compensation for loss of office paid to former key management personnel and

	2022	2021
	£	£
Compensation paid to the former Key management personnel and other staff	-	-

Severance payments where needed are approved by the College's Remuneration Committee

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

8 Other operating expenses

	2022	2021
	£'000	£'000
Teaching costs	1,840	2,238
Non teaching costs	1,717	2,311
Premises costs	1,093	1,067
Total	4,650	5,616

Other operating expenses include:

	2022	2021
	£'000	£'000
Auditors' remuneration:		
Financial statements audit	32	23
Internal audit	18	25
Other services provided by the financial statements auditors	3	-

9 Interest and other finance costs

	2022	2021
	£'000	£'000
On bank loans, overdrafts and other loans:	82	93
Net interest on defined pension liability	446	467
Total	528	560

10 Taxation

The members do not believe that the Group was liable for any corporation tax arising out of its activities during either year.

TELFORD COLLEGE**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022****11 Tangible fixed assets**

	Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2021	41,872	11,824	53,696
Additions	5	1,616	1,621
Fixed Assets in Transit	–	2	2
Disposals	(155)	–	(155)
At 31 July 2022	41,722	13,442	55,164
Depreciation			
At 1 August 2021	12,907	9,519	22,426
Charge for the year	928	974	1,902
Elimination in respect of disposals	(155)	–	(155)
At 31 July 2022	13,680	10,493	24,173
Net book value at 31 July 2022	28,042	2,949	30,991
Net book value at 31 July 2021	28,965	2,305	31,270

Land and building asset was moved to held for sale with the value of £117k on 31/7/2020. Delays with the sale meant that the asset was still held for sale as at 31/7/2021. Completion date of sale was 26/8/2021 for £133,944. Profit on disposal has been recognised in financial year 21/22.

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 202

12 Trade and other receivables

	2022	2021
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	88	119
Prepayments and accrued income	360	444
Total	448	563

13 Asset held for sale

	2022	2021
	£'000	£'000
Bennetts Bank	–	114
Total	–	114

At the date of signing the Bennetts Bank was no longer an asset held for sale, as completion took place on 26th August 2021 for £133,994. £25k Profit on disposal will be accounted for in 2021/22

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

14 Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Bank loans and overdrafts	180	280
Trade payables	1,405	1,612
Other taxation and social security	238	223
Accruals and deferred income	3,486	1,321
Deferred income - government capital grants	694	759
Amounts owed to other Agencies	58	360
Amounts owed to the ESFA	-	447
Total	<u>6,061</u>	<u>5,002</u>

15 Creditors: amounts falling due after one year

	2022	2021
	£'000	£'000
Loans	1,610	2,940
Deferred income - government capital grants	10,211	10,752
Total	<u>11,821</u>	<u>13,692</u>

16 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2022	2021
	£'000	£'000
In one year or less	180	280
Between one and two years	180	280
Between two and five years	540	840
In five years or more	890	1,820
Total	<u>1,790</u>	<u>3,220</u>

In addition to the above, £480k ESFA loan was drawn down on 18 March 2019. This loan was to support the launch of the College augmented/virtual reality facility. £320k was repaid in 2020/21 and final £160k was repaid in October 2021.

Telford College restructured its loan with Barclays Bank in July 2022 following a £1m repayment and now has one loan combining the previous two loans.

This is on a floating rate basis term Loan for £1,790,000 with interest is charged at 2.3% above Libor. The loans maturity date has been extended 5 years to 31st July 2027. Interest is charged at 2.3% above Libor in line with previous years. The loan was originally to be repaid within 3 years, but in July 2020 the bank agreed to extend the maturity date by 2 years prior to the July 2022 restructure. During the loan restructure, the debt service covenants remained the same as previous years with the operational leverage covenant reducing from 4x to 3x, as at 31st July the College met its loan covenant conditions. In September 22, the £0.5m overdraft facility was removed following no usage since the 2017 merger.

Barclays bank has a legal charge over the Telford College campus situated on Haybridge Road in Wellington, Telford. Previously the legal charge included two Freehold properties owned by Telford College at 48 Bennetts Bank Telford and 166 Haybridge Road Telford. 166 Haybridge Road was held for sale as at 31/07/2021 and was sold in August 2021, the proceeds were used to reduce the loan with a top up amount paid by the College totalling £150k.

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

17 Provisions

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2021	26,819	1,452	28,271
Expenditure in the period	1,784	(96)	1,688
Transferred (to)/from income and expenditure account	(19,833)	(145)	(19,978)
At 31 July 2022	8,770	1,211	9,981

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 22.

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	2022	2021
Price inflation	2.9%	2.6%
Discount rate	3.3%	1.6%

18 Cash and cash equivalents

	At 1 August 2021 £'000	Cash flows £'000	At 31 July 2022 £'000
Cash and cash equivalents	6,132	2,132	8,264
Total	6,132	2,132	8,264

19 Capital commitments

	2022 £'000	2021 £'000
Commitments contracted for at 31 July	158	–

Capital commitments contracted for at 31 July 2022 were £158k (2021: £nil). The College is a lead partner of the Strategic Development Fund project (SDF) in collaboration with 2 Further Education Colleges and a Limited Company, which aims to increase the capacity and capability of education providers in the Marches area to jointly develop curriculum software to support the delivery of teaching in Health and Social Care provision. Of which, part of the capital grant was received for the purchase of a mobile teaching unit (MTU) to deliver immersive/virtual learning (AR/VR/MR) for social care and health workers and students; and to support recruitment to the sector. The MTU has committed costs of £237k with an initial £79k payment made in December 21.

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

20 Lease Obligations

At 31 July 2022 the College had minimum lease payments under non-cancellable operating leases as follows:

	2022	2021
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	21	21
Later than one year and not later than five years	21	42
Later than five years	–	–
Total land and building lease payments due	42	63
Other		
Not later than one year	108	97
Later than one year and not later than five years	65	122
later than 5 years	–	–
Total other lease payments due	173	219
Total lease payments due	215	282

21 Contingent liabilities

There were no Contingent Liabilities at 31 July 2022 (2021: Nil).

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

22 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Shropshire 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	1,118	463
Local Government Pension Scheme: Contributions paid	777	776
FRS 102 (28) charge	<u>1,332</u>	<u>1,175</u>
Charge to the Statement of Comprehensive Income	2,109	1,951
Enhanced pension charge to Statement of Comprehensive Income	(168)	13
Total Pension Cost for Year	<u>3,059</u>	<u>2,427</u>

Teachers' Pension Scheme

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

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament. 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 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 £1,118,000 (2021: £463,000)

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

22 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Shropshire Local Authority. The total contribution made for the year ended 31 July 2022 was £1,080,009, of which employer's contributions totalled £775,442 and employees' contributions totalled £304,567. The agreed contribution rates for future years are 16.2% for employers and range from 5.5% to 12.5% cent 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, Mercer.

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.95%	3.85%
Future pensions increases	2.80%	2.70%
Discount rate for scheme liabilities	3.50%	1.60%
Inflation assumption (CPI)	2.70%	2.60%
Commutation of pensions to lump sums	0.00%	0.00%

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

	At 31 July 2022 Years	At 31 July 2021 Years
<i>Retiring today</i>		
Males	22.90	23.00
Females	25.10	25.10
<i>Retiring in 20 years</i>		
Males	24.10	24.30
Females	26.70	26.70

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

22 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:

	Percentage of fund assets at 31 July 2022	Fair Value at 31 July 2022 £'000	Percentage of fund assets at 31 July 2021	Fair Value at 31 July 2021 £'000
Equity instruments	47.2%	24,810	50.9%	26,599
Bonds	19.3%	10,144	19.7%	10,295
Property	4.3%	2,260	3.5%	1,829
Cash	2.0%	1,051	1.7%	888
Other	27.2%	14,297	24.2%	12,646
Total market value of assets		52,562		52,257
Weighted average expected long term rate of return		1.5%		12.9%
Actual return on plan assets		799		6,720

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

	2022 £'000	2021 £'000
Fair value of plan assets	52,562	52,257
Present value of plan liabilities	(61,324)	(79,096)
Present value of unfunded liabilities	(8)	(10)
Net pensions liability (Note 17)	(8,770)	(26,849)

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	2,109	1,951
Total	2,109	1,951
Amounts included in investment income		
Net interest income	(423)	(447)
Total	(423)	(447)
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	24,859	5,987
Experience losses arising on defined benefit obligations	5,026	2,840
Amount recognised in Other Comprehensive Income	19,833	3,147

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

22 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	(26,819)	(28,315)
Movement in year:		
Current service cost	(2,109)	(1,951)
Employer contributions	777	776
Past service cost	—	—
Administration Expenses	(29)	(29)
Net interest on the defined liability	(423)	(447)
Actuarial gain or loss	19,833	3,147
Net defined benefit liability at 31 July	(8,770)	(26,819)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	79,076	74,219
Current Service cost	2,109	1,951
Interest cost	1,255	1,179
Contributions by Scheme participants	305	301
Experience gains and losses on defined benefit obligations	(19,866)	2,840
Estimated benefits paid	(1,547)	(1,414)
Past Service cost	—	—
Defined benefit obligations at end of period	61,332	79,076

Reconciliation of Assets

Fair value of plan assets at start of period	52,257	45,904
Interest on plan assets	832	732
Return on plan assets	(33)	5,987
Employer contributions	777	776
Administration Expenses	(29)	(29)
Contributions by Scheme participants	305	301
Estimated benefits paid	(1,547)	(1,414)
Fair value of plan assets at end of period	62,562	62,257

These accounts show the College's share of a past service cost of £230 million in respect of the Court of Appeal judgment which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination. This provision is just over 2% of the total scheme liability as at 31 July 2022. The calculation of adjustment to past service costs, £7 billion, arising from the outcome of the Court of Appeal judgment is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions
- the withdrawal assumption

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% pa increase would increase the estimated cost by 65%.

TELFORD COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

23 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.

Transactions with the funding bodies are detailed in note 2.

The total expenses paid to or on behalf of the Governors during the year was £0 (2020: £0). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Principal and Accounting Officer G Guest is also a Governor of TCAT Multi Academy Trust trading as Kickstart Academy. Kickstart Academy operates from premises used by Telford College. During the year Kickstart Academy paid £66,880 (2021: £66,880) to Telford College in relation to rent and management charges.

Governor Mr G Layer resigned on 27/09/2021 was Vice Chancellor of the University of Wolverhampton. During the year, the College received £241k (2021: £316k) from the university in respect of a franchise agreement to deliver foundation degrees and £37k (2021: £60k) in respect of the Aspire to HE initiative; funded through the government's National Collaborative Outreach Programme. The College also paid the University £18k for services (2021: £18k).

Mr P Hinkins, who resigned as Chair of Governors on 31/12/2021 is Managing Director of Business Watch Guarding Ltd which provides security services to the College and were paid £234k for the year (2021: £215k).

24 Amounts disbursed as agent

Learner support funds

	2022 £'000	2021 £'000
16 to 18 Bursary grants	468	461
Other Funding body grants	51	96
	519	557
Disbursed to students	(453)	(409)
Administration costs	(17)	(7)
Balance unspent as at 31 July, included in creditors	49	141

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

