

**Strode College**

**Governors' report and financial statements**

For the year ended 31 July 2023

## **Key Management Personnel, Board of Governors and Professional advisers**

### **Key management personnel**

Key management personnel are defined as members of the Executive Management Team which, in 2022/23 comprised the following:

John Revill - Principal, CEO and Accounting Officer  
Alison Leaverland – Deputy Principal Curriculum and Quality  
Paul Davies – Vice Principal Finance and Resources up to 19.05.2023  
Scott Cryer – Interim Finance Director – from 21.03.2023

### **Board of Governors**

A full list of Governors is given on pages 21 and 22 of this Governors' report and financial statements.

### **Clerk to the Corporation**

Linda Burlison, until 31/3/2024. Alison Layton-Hill, appointed 21/05/2024

### **Professional advisers**

#### **Financial statements auditors and reporting accountants:**

KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

#### **Internal auditors:**

RSM  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6AD

#### **Banker:**

Lloyds Bank plc  
High Street  
Street  
Somerset  
BA16 0EJ

#### **Solicitor:**

Clarke Willmott LLP  
1 Georges Square  
Bath Street  
Bristol  
BS1 6BA

## **Governors' report and financial statements**

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## Report of the Board of Governors

### Nature, Objectives and Strategies

The Governors present their report and the audited financial statements for the year ended 31 July 2023.

### Legal status

Strode College ("the College") is a corporation established under the Further and Higher Education Act 1992.

Strode College corporation is a distinct legal entity that has members appointed in accordance with the College's instrument of governance.

The members' principal role, other than to act as members of the corporation, is to provide governance over the College and they are referred to as Governors and collectively the Board of Governors in this Governors' report and financial statements.

The College is also an exempt charity for the purposes of the Charities Act 2011 and members / Governors are also trustees for the purposes of that act.

### Vision and mission

The College's vision and mission, during the year, as approved by the Board of Governors were as follows:

Strode College's vision:

*"Inspiring all to maximise their potential."*

Strode College's mission is to be:

*"The region's first choice for high quality education and training."*

### Public benefit

The College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as principal regulator for all further education corporations in England.

In setting and reviewing the College's strategic objectives, the Board of Governors 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 benefit of the public.

As a rural Further Education College with a focus on provision for 16-18 year-olds, the College provides high quality learning opportunities suitable for a wide range of abilities and interests, in an environment where students can develop as individuals. The College contributes to the development of a dynamic local, regional and national economy by enhancing the employability of our students and preparing them for higher education or employment. The College aims to promote the economic, social and cultural life of the local community through work with business, the professions, community groups and local government and by encouraging the local community to make use of the College's facilities.

In delivering our 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



- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

### **Implementation of strategic plan**

In June 2023, the Board of Governors approved the College's strategic plan for the financial years 2023 to 2025. This strategic plan builds on our achievements, providing an interim set of priorities for the year ahead, as we adjust from the aftermath of the COVID-19 pandemic, perform a financial review, and take stock of employment opportunities within our community.

#### **Our Pledge to Our Community**

1. We will be dynamic, resilient, inclusive and connected to our community, to ensure that we meet local needs and opportunities.
2. We are committed to a 'year of conversation' with our community, to review our education offer, and actively listen, to revise as required, to meet local needs... followed by ongoing iteration, to meet our community's education requirements and opportunities.

The College's strategic objectives are:

#### **1. Create context for growth: a financial reset**

Financial Health A clear recognition of growth is a pre-requisite of financial strength and political necessity, with funding uncoordinated with increasing inflation. However, growth is a potential threat to excellence. Strode College needs to now develop an expansion strategy specifying both the target groups and the means of maintaining excellence. Diversification can be a challenge to excellence, but the reputation of the college locally will in part depend on being seen to serve the whole community – less advantaged and less learning ready, as well as the most learning enabled, adults in work, as well as young students. Being very good at supporting an increasingly diverse population of learners is critical to Strode College's future and the community we serve. Creating the context for growth requires a 2-step approach:

- Building financial resilience, as we are, right now.
- Ensure absolute focus of funding into frontline services.

#### **2. Student outcomes: ensure high performance is a norm**

Strode College needs to ensure consistency and relentless focus on excellence in all we do. We will maintain a programme of staff training and continue to set high expectations for our staff and our students. Working with our community, we will specify benchmarks (beyond qualifications) by asking and specifying what learners and employers could expect a Strode College graduate to look like – attainments, transferable skills and characteristics. We also must focus in on technologically enriched learning – in the first instance as a transferable skill issue – life-long learning in employment is very strongly technologically dependent now, so students need to be confident and skilled learners in this environment if they are to prosper throughout their working life.

#### **3. Accomplish 2023/24 Goals**

Whilst our midterm goals require ongoing improvements to our estate, and investment, we have a short term (1 year) Operational Plan (priority actions) related to our service for 2023/24, including our quality improvement actions.

#### **4. Demand/Opportunity Led Community Check**

For us, community engagement is not just formal partnerships. It is about ongoing dialogue with employers, and other local stakeholders, including local authorities, charities, professional institutions (rivals and partners) and community organisations. We need to understand the emerging demands and opportunities and be the 'go to' for local education and training needs for our community. Community engagement, and our 'year of conversation' is an opportunity to review, and reset, as required, a clear way forward in terms of the College's service offer and promote this effectively locally. Better serve communities across the region through a network of partnerships and greater responsiveness.

## Financial objectives

The College's financial objectives are:

Objective	Outcome in 2023
1. Progress towards a Good financial health grade with the EFSA by 2020.	<b>Not Achieved</b> Financial health grade of 'Inadequate' achieved in 2022/23
2. Generate a minimum cash operating surplus or Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of 5%, with a long term target of achieving 7%.	<b>Not Achieved – EBTIDA 1.6%</b> EBITDA - £204k
3. Deliver and maintain an adjusted current ratio above 1.0 (excluding FRS102 adjustments).	<b>Not achieved – 0.33</b>
4. Maintain Borrowing to Income ratio below 40%	<b>Achieved – 19.97%</b>
5. Generate sufficient additional income to ensure adequate funding is available to: 5.1. Recruit and retain staff 5.2. Fund premises maintenance and repairs at a sustainable level 5.3. Fund IT support and maintenance at a sustainable level 5.4. Replace / renew capital assets on a reasonable timescale	<b>The college maintains a focus on preserving cash reserves to enable it to achieve its ongoing operational activities and capital commitments.</b>
6. Comply with banking covenants	<b>Not Achieved</b> Not complied with Total Gross Debt to EBIDTA

## Financial position

### Financial results

The table below shows the results for the College presented in the format used internally by all levels of management and governance. The College's key financial metric is cash operating surplus which is defined as surplus /deficit on continuing operations before depreciation, interest and other finance costs, capital grants received and FRS102 adjustments for defined benefit pensions and accrued holiday pay.

	For the year ended 31 July 2023	For the year ended 31 July 2022
Income	£13,112k	£15,578k
Expenditure	£12,908k	£16,033k
<b>Cash operating surplus/deficit</b>	<b>£204k</b>	<b>£455</b>
<b>Cash operating surplus/deficit %</b>	<b>1.6%</b>	<b>-2.92%</b>
<b>Pay to income ratio</b>	<b>71%</b>	<b>57.64%</b>
<b>Capital Expenditure</b>	<b>£582k</b>	<b>£865k</b>
<b>Cash at bank and in hand as at 31 July</b>	<b>£3,073k</b>	<b>£1.747k</b>
<b>Adjusted current Ratio</b>	<b>0.33</b>	<b>0.25</b>
<b>Borrowing as a percentage of income</b>	<b>19.97%</b>	<b>18.74%</b>
<b>Education and Skills Funding Agency Financial Health Rating</b>	<b>Inadequate</b>	<b>Inadequate</b>



The tables below reconcile the cash operating surplus above to the total comprehensive income including depreciation, interest and other finance costs, capital grants received and FRS102 adjustments for defined benefit pensions and accrued holiday pay.

Year to 31 July 2023	Income	Expenditure	Total comprehensive income
	£'000	£'000	£'000
<b>Cash operating surplus</b>	<b>13,112</b>	<b>12,908</b>	<b>204</b>
Capital grants received	107		107
Bank interest received	8		8
Depreciation		809	(809)
Interest charges (including FRS102 – net interest cost on defined benefit pension liabilities of £229k)		240	(240)
FRS102 - Defined benefit pension scheme adjustment		286	(286)
<b>(Deficit) on continuing operations</b>	<b>13.227</b>	<b>14,243</b>	<b>(1,016)</b>
Gain on disposal of fixed assets			0
Actuarial gain in respect of pensions schemes			0
<b>Total comprehensive Income for the year</b>			<b>-1,009</b>

Year to 31 July 2022	Income	Expenditure	Total comprehensive income
	£'000	£'000	£'000
<b>Cash operating surplus</b>	<b>15,578</b>	<b>16,033</b>	<b>-455</b>
Capital grants received	778		778
Bank interest received	0		0
Depreciation		784	(784)
Interest charges (including FRS102 – net interest cost on defined benefit pension liabilities of £189k)		313	(313)
FRS102 - Defined benefit pension scheme adjustment		940	(940)
<b>Surplus/(Deficit) on continuing operations</b>	<b>16,356</b>	<b>18,072</b>	<b>(1,716)</b>
Gain on disposal of fixed assets			1
Actuarial loss in respect of pensions schemes			12,310
<b>Total comprehensive Income for the year</b>			<b>10,595</b>

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2023 these funding bodies provided 76% (2022 - 83%) of the College's total income.

The board approved a set of revised financial objectives for the 2022/23 budget as set out below:

- A financial health grade of Requires Improvement – minimum of 160 points.
- Cash operating surplus of 5%.
- Deliver and maintain a current ratio above 1.0 (excluding FRS102 adjustments).
- Generate sufficient additional income to ensure adequate funding is available to:
  - Recruit and retain staff
  - Fund premises maintenance and repairs at a sustainable level
  - Fund IT support and maintenance at a sustainable level

- Replace / renew capital assets on a reasonable timescale.
- Comply with banking covenants.

Performance against these objectives can be seen elsewhere in this report.

### **Treasury policies and objectives**

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

The College has a treasury management policy in place.

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Board of Governors and shall comply with the requirements of the Education and Skills Funding Agency (ESFA) conditions of funding.

### **Cash flows and liquidity**

Operating cash flow was £1,336,000 (2022 - £78,000). There was a net cash inflow for the year after loan repayments and fixed asset investments of £1,326,000, (2022 – net cash outflow of £-434,000).

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

### **Reserves policy**

The College has adopted a policy of targeting a minimum of 5% EBITDA surplus each year. Achievement of this target will contribute to a satisfactory financial health rating with the ESFA and satisfies the College's loan covenants.

In respect of accumulated reserves, the College is required to retain the greater of £3,000,000 or 25% of gross income of general reserves, excluding any defined benefit pension scheme liabilities, to satisfy our loan covenants. The College will seek to utilise additional reserves, as cash levels permit, for the benefit of students.

### **Current and future development and performance**

#### **Strategic overview**

The College was inspected in October of 2022 and was judged to be Good overall, with behaviours and attitudes being assessed as outstanding, key elements of the feedback received are:

- Leaders are passionate, ambitious and have a clear intent
- Ambitious and well sequenced curriculum
- Highly skilled professionals who inspire and model outstanding behaviour
- Teachers are also passionate and there is expert teaching practice
- Students embrace diversity and the College is a very safe place to learn
- Quality of education is close to outstanding
- Employers say 'we have their backs'
- Personal Development extends beyond the curriculum
- Expert technical knowledge helps apprentices to build on what they know now and can do.



The Board agreed a new College Property Strategy in January 2021 and the College is now working closely with the DfE. It is one of sixteen colleges that has been approved to benefit from the multibillion-pound FE Capital Transformation Fund. This will address the remaining Category C and D aspects of the Estate and include the College's longer-term vision of relocating its Hair and Beauty Salons to the ground floor and creating a new Training Kitchen and Restaurant. A new central heart to the campus is planned which will co-locate all student study and social spaces, main reception, refectory and student support functions.

Recruitment to study programmes in September 2022 fell below our target of 1,463 this has resulted in reduced allocation of 1,378 for 23/23. Out capacity to expand and develop cross college work experience, placements and employability development is progressing with the implementation of a new system, Grofar, to support this work. The college continues to enjoy expanding and improving relationships with local employers and there is a positive appetite from local businesses to be involved with the College.

Apprenticeships have been impacted by Covid and as a result the College fell short of its targets in this area. Recruitment for 23-24 is looking more positive, but this remains a difficult area to develop.

Our Higher Education offer and recruitment remains stable. The College has been successful in achieving in £1m grant from Office for Students to develop digital resources which will result in increase in HE students in coming years.

The College has developed strong relationships with the local Job Centre Plus centres and has delivered employability and sector-based work academy programmes during 2022-2023. This work is expected to continue and grow throughout 2023-2024.

### Student numbers

	2022/23	2021/22
	Number	Number
16-19 learners	1,350	1,470
Adult Learners	2,246	1,724
HE learners	153	86
Apprentices	359	520
Traineeships	273	1,334
Adult Leisure Learners	151	102
	4,532	5,236

### Student achievements

The College has outstanding pass rates for advanced level study programmes (16-18) (A level and Professional and Technical). The pass rate A\* to C for A levels is 3% above the JCQ National Average and the 20/21 National Average. The pass rate for Professional and Technical is above the 20/21 National Average. The achievement rate for professional and technical and A levels is under the 20/21 National Average, due to a lower retention rate. However, the retention rate for study programmes (all levels) has improved by 2.7% this year.

The College uses ALPS for tracking A level student value added – distance travelled from entry points. It was anticipated that we would see a drop as the ALPS targets were based on flawed entry grades. The ALPS value added grade for A Level programme is consistently very good, however in 21-22 we dropped to a 5, which is still good but lower than previous years. This year we achieved ALPS 4, which is an improvement and should be an indicator that our grade will improve further next year.

This year our T level results were again very strong. Our retention rate was significantly over the National Average (+12.3%). We also achieved 100% pass rate for all elements of the Health and Science T Levels. Finding industrial placements is a national challenge, however we were above the national average for securing placements.



GCSE English and maths pass rates (9-4) are consistently outstanding, 11%+ above the JCQ National Average (22.23).

	A Levels		Level 3 Vocational		GCSE 9-4 All ages	
	2022	2023	2022	2023	2022	2023
Pass Rate	99%	98%	96%	95%	83%	97%
Grades at A*- B (JCQ England average 2020: 65.4%)	62%	66%				
Grades at A*- C (JCQ England average 2020 87.5%)	85%	89%				
BTEC Extended Diplomas DDM			67%	60%		
GCSE English Grades at 9-4 (JCQ NA 22-23 23%)					44%	34%
GCSE Maths Grades at 9-4 (JCQ NA 22-23 13.3%)					29%	24.5%

### Access and Participation

Strode College is required by the Office for Students (OfS), as a condition of its inclusion on the 'Register of UK Higher Education Providers', to evidence expenditure in relation to the Access and Participation Plan (APP) applicable to each academic year. Income comes from two distinct sources: the amount charged to students in fees above the basic level of £6,165 and the monies received from the OfS in the form of student premium funding. There is an expectation that a specific proportion of this combined resource is allocated to support activities designed to assist the College in meeting the access, participation and progression targets set out in the APP and agreed by the Director of Fair Access. The following tables itemise the breakdown of this expenditure for 2022/23.

#### Access investment      **£15,759**

a. outreach work with partner schools	<ul style="list-style-type: none"> <li>• promoting positive progression in partner schools, including onward to HE study</li> <li>• regular contacts and events organised by Admissions team</li> <li>• advanced learning scheme for Crispin School to support progression</li> <li>• HE-specific events in local school Sixth Forms</li> <li>• engaging with NSSW outreach activity across Somerset</li> <li>• Open Evenings (live and virtual)</li> </ul>	£6,858
b. outreach work with adults	<ul style="list-style-type: none"> <li>• employer engagement with diverse sectors</li> <li>• HE events with academic and business representatives</li> <li>• targeted publicity in local community</li> <li>• Higher Apprenticeship delivery and recruitment with Historic England</li> <li>• Click-through digital marketing campaign focused on HE provision</li> </ul>	£6,303
c. additional staffing and administration costs		£2,597
<b>Total access expenditure</b>		<b>£15,759</b>

#### Disability                      **£11,142**

a. ongoing work to support disabled students (DSA application; interventions and mentoring; etc.) – investment concentrated on success of current students ( <i>recruitment and progression activity focused more widely on target groups with consistent approach to inclusivity at all times</i> )	£5,858
b. developmental work in support of disabled students (expansion of disability services + assistive technologies; improvement of teaching and learning; creation of learning support posts; etc.)	£5,284
<b>Total expenditure on supporting disabled students</b>	<b>£11,142</b>

**Financial support**                    **£6,450** (including Covid-related additional funding from OfS)

a. support for students in financial hardship – 31 bursary payments of £250 made to students awarded the full maintenance loan in recognition of their financial difficulties	£
b. support for students from low participation neighbourhoods – 10 bursary payments of £200 to students living in areas of statistically lower involvement in HE (Polar4 Q1-2)	£0
<b>Total bursary expenditure</b>	<b>£6,450</b>
c. disbursement of additional student hardship funding awarded by OfS in light of problems facing students during the pandemic and the closure of educational establishments: students awarded support funding of £100 - £350 against specific criteria; purchase of items to assist study off-site, including kitchen equipment, printing facilities + laptops;	£0
<b>Total hardship expenditure (including additional funding)</b>	<b>£6,450</b>
Total number of bursary and/or hardship support allocations to students	26

**Research + evaluation**            **£17,132**

a. support into employment or higher study	<ul style="list-style-type: none"> <li>• University of Plymouth progression day + investigating degree top-up opportunities for Foundation Degree and HND graduates</li> <li>• employer engagement – visits and guest speakers on programmes HE End-of-Year Showcase (completed virtually under Covid-19 closure)</li> <li>• HE Employability Day with National Careers Service</li> <li>• regular contacts with SW business organisations</li> <li>• interaction with universities and employers at a national level</li> </ul>	£11,096
b. additional staffing and administration costs		£6,036
<b>Total research and evaluation expenditure</b>		<b>£17,132</b>

**Teacher qualifications**

Teaching staff are required to hold, or to be working towards, a teaching qualification relevant to their role e.g., PGCE or Cert Ed or equivalent.

As of August 2023, teaching qualification status is as follows:

Qualification Status	Number of Full Time Teachers	Part Time Number of Part Time Teachers
Fully Qualified.	46	39
Part Qualified and working towards.	1	6
Unqualified and not yet commenced training.	1	7

**Sustainability Statement**

**Purpose**

The College is committed to the principles of maintaining a healthy environment for staff, students, visitors and the general public.

- Human activities put a strain on the environment with potentially devastating effects worldwide on economies, societies, and the environment.
- Economic growth and development of our communities is a necessity for survival, but we have to reconcile our needs with those of the environment to make this happen.



- Sustainable development can have a positive impact on local economies, communities and the environment.
- The College has a significant role to play in incorporating sustainable development into our operations and the lives of the individuals, communities and business that we serve.

### **Objectives**

The College aims to be regarded as a leader of the sustainability agenda in Further Education. Sustainability has been defined as **'meeting the needs of the present without compromising the ability of the future generations to meet their own needs'**.

Through its focus on sustainability, The College will:

- Achieve enthusiasm and commitment from staff, students and partners
- Encourage students to explore sustainable aspirations across their studies
- Use sustainable energy to achieve measurable reductions to its carbon footprint.

### **Aims**

Through the Sustainability Statement, the College commits to:

- Adopting, as far as possible, recognised good practice across all of its operations.
- Complying with all applicable legal requirements.
- Making progress against the Climate Action Roadmap for FE Colleges, moving from Emerging to Established.
- Regularly reviewing Sustainability targets against appropriate benchmarks.
- Providing all learners with the opportunity to raise awareness of sustainability issues through sustainability related curriculum and enrichment activities.
- Encouraging sustainable travel by staff, learners and partners.
- Promoting the conservation of material resources to reduce environmental impact.
- Purchasing from local, or near local, suppliers wherever possible
- Implementing an effective waste management procedure that will reduce the use of landfill by recycling opportunities.
- Monitoring energy consumption against past performance.
- Following sustainable construction principles in all new building developments and refurbishments of existing buildings.
- Communicating the Sustainability Statement to all learners, staff and organisations we work with.
- Raising awareness about sustainability with learners, staff, visitors and others.
- Ensuring that information on the College's progress in Sustainability is made available to learners and staff.
- Maintaining a Sustainability Group that promotes, monitors and implements these commitments.
- Working with external partners and the community to support these objectives.

### **Going concern**

Notwithstanding net current liabilities of £8,939,000 as at 31 July 2023 the financial statements have been prepared on a going concern basis which the governors consider to be appropriate for the following reasons.

The activities of the College, together with the factors likely to affect our future development and performance are set out in the Report of the Board of Governors. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements and the accompanying notes.

The governors have prepared cash flow forecasts for a period of at least 12 months from the date of the approval of these financial statements which indicate that, taking account of reasonable possible downsides, the College will have sufficient funds to meet its liabilities as they fall due for that period.



As of August 2024 the college has £2,321,150 of loans outstanding with bankers on terms negotiated in 2022. The terms of the existing agreement run until 2027.

However, beginning in 2022 the College has been in breach of one or more of its bank covenants. Subsequently the bank has designated the loan as a short-term loan that is subject to immediate recall. The governors are confident that new covenants will be agreed with the bank upon the resolution of discussions with the ESFA regarding a financial clawback (described below).

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility for a period exceeding 12 months. The core of the Colleges' activity is delivering study programmes to 16-19 year olds. The College has now received its 16-19 allocation for the financial year 2024/25 which contains a notable increase in funds compared to 2023/24. Furthermore, other significant income streams have increased and are forecast to continue increasing (Apprenticeship and Higher Education (HE)) or remain at current levels (Adult Education Budget (AEB) and tuition fees). Both pay and non-pay costs are increasing at slower rates than income and the College is forecasting a materially improved EBITDA for the financial year 2024/25.

Variable income or costs would need to exceed forecasts by approximately 7% before cash reserves were depleted to nil. The governors do not think that this is a plausible scenario.

The College has been the subject of an Education and Skills Funding Agency (ESFA) investigation. This investigation identified approximately £5.75m of funding at risk of recovery by the ESFA, which was reported to the College in May 2023. The College has been in discussions with the ESFA regarding the scale and timing of any clawback of these funds. These discussions are ongoing and the period and terms of repayment are yet to be finalised. This funding clawback has been recognised as a short-term liability within the financial statements.

The College's bankers have been kept fully informed of the details of this process and continue to offer their support to the College while this process continues. The ESFA has stated that its intention is to resolve this issue without destabilising the College and will give appropriate support to the College for a period exceeding 12 months to achieve this aim.

Accordingly, the governors believe that it remains appropriate to prepare the financial statements on a going concern basis.

However, these circumstances represent a material uncertainty which may cast significant doubt on the College's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### **FE Commissioner intervention (FEC) and Structure and Prospects Appraisal (SPA)**

The College entered formal FE Commissioner intervention in October 2023. This was triggered by the College not being able to immediately pay back the funds identified as 'at risk' in the ESFA funding investigation, with the consequence that the College was judged to have Inadequate financial health by the ESFA.

This intervention resulted in an FE Commissioner led Structure and Prospects Appraisal (SPA) which commenced in April 2024. The SPA is expected to conclude by the end of 2024. It will make recommendations to the College governors regarding the future structure of the College. The SPA will consider a range of options including a continued 'stand alone' option and merger with another college.

## Resources

The College has various resources that we can deploy in pursuit of our strategic objectives.

Tangible resources include:

### Financial

The College has net assets of £7,400,000 (2022 – net assets of £4,647,000 (after deducting £3,372,000 defined benefit pension scheme liabilities)) and debt of £2,921,000 (2021 - £3,125,000).

### Estates

The College has a well-managed campus and we have renewed a significant portion of our building stock since 2001. In September 2014, we opened a new Higher Education and Skills Building, which provides a very high standard of accommodation for delivering employer-facing provision, including apprenticeships, traineeships, functional skills and full cost work. Since opening the building, both apprenticeship numbers and the number of students studying higher level qualifications have grown. Students and employers report that it is a valuable resource for the area.

During 2020 the college invested £1.2m in refurbishing C block for delivery of the Digital T Level and 650k in 2021 in refurbishing E block for delivery of Health and Science T Level.

The college is one of 16 colleges in earmarked by the DfE for direct investment via the Capital Transformation Fund to replace category C and D property. This will see a complete refurbishment or replacement of the original A block tower and catering facilities.

### People

The College employs 314 people (215 Full Time Equivalents (FTE)), (2022 – 313(202 FTE)), of whom 193 (130 FTE) (2021– 191 (138 FTE)) are teaching staff or student support staff. The ESFA College accounts direction has applied a new methodology for how the number of people employed is calculated.

### Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success in attracting students and external relationships.

In September 2022, the College was subject to a full Ofsted inspection. The grades awarded by Ofsted were as follows:

Outcomes for students	Good, Grade 2
Quality of teaching, learning and assessment	Good, Grade 2
Effectiveness of leadership and management	Good, Grade 2
Overall effectiveness	Good, Grade 2

### Principal Risks and Uncertainties

The senior management have identified 7 key areas of strategic risk:

- Maintaining financial health and maximising on funding opportunities
- Recruiting, developing, engaging and retaining of staff.
- Delivering an effective and flexible curriculum that supports all learners, employers, staff and stakeholders.
- Failure to maintain a safe environment for students, staff, visitors and all stakeholders. (safeguarding)



- Failure to maintain a safe estate / campus for students, staff, visitors and all stakeholders. (health & safety)
- IT infrastructure is secure, resilient and flexible enough to meet future demand.
- Ineffective governance, leadership and oversight

These risks are reviewed biannually by the senior team and reported to the audit committee.

The operational risks that inform the strategic risks are reviewed on rotation by the senior management team.

### **Government funding**

The College has considerable reliance on continued government funding through the education sector funding bodies. In 2022, 76% of the College's revenue was funded by these bodies and this level of requirement is expected to continue. There is no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

This specific risk is mitigated by the following:

- Optimising funding contracts for in year growth;
- ensuring the College is rigorous in delivering high quality education and training;
- focusing on maintaining and managing key relationships with the various employers, local authorities and funding bodies; and
- continually reviewing costs and seeking alternative sources of income.

### **Maintain adequate funding of pension cost and liabilities**

The College is legally obliged to enrol any teaching staff in the Teachers' Pension Scheme (TPS). The TPS has recently increased employer contributions to the scheme with effect from September 2019 from 16% to 23%. This increase in cost may be covered by additional grants from government until July 2024, however after that it is unclear if additional funding will be available. If funding is not made available, the College will need to cover the additional cost of around £200,000 from its own resources.

The College has a significant deficit on its Local Government Pension Scheme (LGPS). The LGPS currently treats the College as a government backed organisation and as a consequence accepts a long-term deficit reduction plan from the College and does not require any security.

There is a risk that changes being implemented by the government to the insolvency regime for colleges or the levels of funding the government directs towards colleges could result in a change to the LGPS's approach to college pension scheme deficits. If this happens the College may struggle to either afford increased deficit reduction contributions or provide any security.

To mitigate this risk the College will continue to lobby key stakeholders and support the efforts of other groups lobbying to ensure college funding is prioritised and any changes to the insolvency regime or college funding generally do not have an adverse impact on current LGPS deficit funding plans.

### **Student numbers**

The local demography over the next few years is unlikely to result in any growth in the number of 16- and 17-year-olds moving into further education. There is a risk that demographic changes at individual schools over the period and increased competition for students from other providers will result in the College recruiting fewer students and suffering a loss of income as a result.

To mitigate this risk, the College continues to invest in its School Liaison activities and places significance importance on this work. The College has commissioned external market research to strengthen its brand with key stakeholders and continue to differentiate effectively from local competitors. We will also continue to develop our curriculum to strengthen the competitive advantage of the quality and variety of curriculum that we offer.



### **Building Repairs**

Two of the College's seven main buildings were built in the 1960s and 1970s. These buildings are in a reasonable state of repair; however, given their age, there is a risk that substantial repairs or refurbishment will be required. If this risk materialises in the short term the College may not have sufficient funds to undertake the works. Following a full condition survey carried out by the DfE in 2019 the college has developed a property strategy referred to earlier to address the category D1 and C2 parts of the college estate. The remedial works will be costed to inform future capital requirements for the estate. This document is being used to inform the redevelopment of the estate as part of the DfE Capital Transformation Fund.

### **Stakeholder Relationships**

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

- Students
- Education sector funding bodies
- Staff
- Local employers
- Local schools, particularly partner schools
- Local authorities
- Government offices/ Local Enterprise Partnerships
- Local community
- Other colleges and universities
- Trade unions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them.

### **Equal opportunities**

The College is committed to ensuring equality of opportunity for all who learn and work with us. The College respects and values differences and strives to remove barriers which place people at a disadvantage. The College will challenge discrimination on any grounds, bullying, harassment and victimisation.

The College has an equality scheme which is reviewed on a planned cycle and actions are implemented as appropriate. This scheme is published on the College's intranet and website.

The College has recently renewed its Disability Confident registration and remains committed to the principles of the scheme.

The College considers all employment applications based on ability to meet the criteria for the role in question. All applicants declaring a disability, and who meet the essential criteria for the role will be guaranteed an interview and the College will make reasonable adjustments to facilitate attendance at interview.

Where an existing employee declares a disability, every effort is made to explore all possible reasonable adjustments to support continued employment. The College has made several adjustments to support staff who require these to enable them to continue to attend work. This includes additional equipment in line with Occupational Health or specialist guidance, remote working where possible appropriate and funding in line with Access to Work guidance.

The College's policy is to provide training, career development and opportunities for promotion for all staff and to make all reasonable adjustments, where possible, to ensure colleagues with a disability are not disadvantaged from these processes.

The College has a cycle of training to update staff on equality and diversity related issues and has recently subscribed to an online training platform that will increase accessibility of training for all staff. All staff as part of



their probation period must attend equality and diversity training to complete their probation. To support this, equality and diversity is also part of the staff review and development process.

### Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010, Children and Families Act 2014 and the SEND Code of Practice.

As part of our property strategy the College has ensured that our buildings are accessible.

The College has a Director of Student Services who performs the role of access co-ordinator providing information, advice and arranging support for students with learning difficulties and/or physical disabilities. Support is provided prior to coming to the College, during their time at the College and when making the transition to the next stage of education, training or employment.

There is a list of specialist equipment, such as radio aids, AV1 Robots and personal care equipment, which the College can make available for use by students. Other adaptive equipment can be provided depending on each individual student's needs. A range of assistive technology is available in the college's Learning Zone and through the Additional Learning Support Team.

The Admissions Policy for all students is described in the Accessibility Statement. Appeals against a decision not to offer a place are dealt with under the Compliments and Complaints Policy.

The College has made a significant investment in the appointment of specialist lecturers and training of existing lecturers to support students with learning difficulties and/or disabilities. There are a number of Learning Support Assistants who can provide support for learning that meets the needs of our students. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.

Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.

Counselling and welfare services are outlined to students during Induction and through the tutorial programme. All study programme students have a Personal Tutor who is responsible for ensuring that students are signposted to appropriate support services. Students are also made aware of the College's expectations regarding behaviour and conduct and their responsibilities to themselves and others. The College does not tolerate any form of bullying or harassment and takes its duties under the Equality Act 2020 seriously; to eliminate unlawful discrimination, foster good relations and advance equality of opportunity.

### Trade union facility time

The College provides staff members who are union representatives paid time off from work to fulfil their union duties. This time off is called 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.

	<b>For the year ended 31 July 2023</b>	<b>For the year ended 31 July 2022</b>
Numbers of employees who were relevant union officials during the period.	5	9
Full-time equivalent employee number	4.86 FTE	8 FTE
Percentage of time spent on facility time:	1 = 0% 4 = 1-52%	2%

1-50%		
Percentage of pay bill spent on facility time	0.07%	0.15%
Total cost of facility time	£6,021	£12,488
Total pay bill	£8,988,000	£8,252,216
Time spent on paid trade union activities as a percentage of total paid time.	20.66%	8%

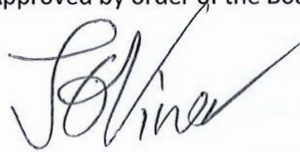
**Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations. During the accounting period 1 August 2022 to 31 July 2023, the College paid 62% per cent of its invoices within 30 days of receipt by the finance department. The College incurred no interest charges in respect of late payment for this period.

**Disclosure of Information to Auditors**

The Governors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditor is unaware; and each governor 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 Board of Governors on 29 August 2024 and signed on its behalf by:



Jane Viner  
Chair of Governors



## **Statement of Corporate Governance and Internal Control**

The following statement is provided to give readers of this Governors' report and financial statements for the College a better understanding of the College's governance and legal structure. This statement covers the period from 1st August 2022 to 31st July 2023 and up to the date of approval of the Governor's report and financial statements.

The College endeavours to conduct its business:

in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);  
in partial accordance with the guidance to colleges from the Association of Colleges Code of Good Governance for English Colleges;  
having due regard to the Charity Governance Code; and  
having due regard to the UK Corporate Governance Code insofar as it is applicable to the further education sector.

The Board of Governors recognises that, as a body entrusted with both public and private funds, it has a particular duty to always observe the highest standards of corporate governance. In carrying out its responsibilities, it has adopted the Association of Colleges Code of Good Governance for English Colleges. In the opinion of the Board of Governors, the College is working towards full compliance with all the provisions of this code for the year ended 31st July 2023, except to where Governors have been in post for more than eight years, the Board of Governors has decided that that it is in the best interests of the College not to follow the recommendation of the code that the maximum term for Governors should be eight years.

The Board of Governors, whilst not having adopted the UK Corporate Governance Code, has due regard to its principles and guidance.

### **Board of Governors**

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

The Board of Governors 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 Board of Governors conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board of Governors. These committees are Audit, Finance & Personnel, Academic Standards & Quality, Search & Governance, and Remuneration.

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

Full approved minutes of all meetings, except those deemed to be confidential by the Board of Governors, are available on the governance area of the College website at [www.strode-college.ac.uk](http://www.strode-college.ac.uk) and from the Clerk to the Corporation at:

Strode College, Church Road, Street, Somerset BA16 0AB.

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



The Clerk to the Corporation maintains a register of financial and personal interests of the Governors, which is updated annually. The register is available for inspection at the above address.

There is a clear division of responsibility in that the roles of the Chair of the Board of Governors and the Accounting Officer of the College are separate. The roles and responsibilities of the Accounting Officer, the Board of Governors, and the committee structures, are clearly laid out in the College's scheme of delegation, which is reviewed annually by the Board of Governors.

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 Board of Governors as a whole.

### **Appointments to the Board of Governors**

Under the College's Instrument of Governance the Board of Governors can comprise:

- up to sixteen independent governors;
- the Principal;
- at least one and not more than three governors who are College staff; and
- at least two and not more than three governors who are students at the College.

Any new appointments to the Board of Governors are a matter for the consideration of the Board of Governors as a whole. The Board of Governors has a Search & Governance Committee comprising of up to five Governors (including the Chair, Vice Chair(s) and the Principal) which is responsible for the selection and nomination of any new member for the Board of Governor's consideration. The Board of Governors is responsible for ensuring that appropriate training is provided as required.

Governors of the College are appointed for a term of office not exceeding four years and may be re-appointed for successive four-year terms. Where Governors have been in post for more the eight years, the Board of Governors has decided that that it is in the best interests of the College not to follow the recommendation in the Association of Colleges Code of Good Governance for English Colleges that the maximum term for Governors should be eight years.

### **Board of Governors performance**

At its annual self-assessment on 18th June 2023, the Board of Governors considered that it was working effectively through the current board and committee structure to set the College's strategic targets and to monitor and scrutinise progress against financial and quality targets in accordance with its responsibilities. The College's financial health and management is very effectively monitored through the key committees of Finance and Personnel and Audit; suitably qualified Governors and external members are appointed to ensure that appropriate scrutiny takes place.

### **External Governance Review**

In 2022/23 the Board of Governors commissioned an external review of governance. This review was carried out between March and June 2023 by a team from the AoC. In addition to a review of board and committee agendas, minutes and papers included:

- One to one interviews with the Chair, Vice Chairs, Committee Chairs, Staff Governors, Student Governors, Principal and the Clerk;
- One to one interviews with new Governors;
- Attendance at the Board and Academic Standards & Quality Committee meetings; and
- A survey to collect the views and perceptions from all Board members.

The report stated that the overall conclusion on Board effectiveness is that:



'There is evidence the Board is proficient and has some impact on College strategy, effectiveness, and outcomes.

The review identified the following strengths:

- Strong community commitment and engagement;
- Good range of skills and experience to ensure an effective audit and risk function;
- Good involvement and contribution from student and staff members;
- Well structured governance arrangements, reflected in the quality of planning, minutes and support for members;
- The development of a task and finish group to scrutinise College finances and budget has supported targets to be achieved;
- The Audit Committee has become more proficient in ensuring greater impact of internal audit and the management of the risk register;
- Some good examples of impactful governor involvement through learning walks or link roles;
- Inclusive approach to meetings, where all voices and opinions are heard;
- Governors are confident to question papers and senior leaders; and
- The new Principal is involving the Board in the development of the new strategic plan.

The review made seven recommendations. The Board has created an Action Plan to address these and will be focusing on implementing them in the 2023/ 24 academic year. The recommendations were:

- More structured succession planning within the work of the Search & Governance Committee including the adoption of a succession policy/ strategy;

Continue to actively seek current employer involvement on the Board;

- To provide a more strategic focus, through the new strategic plan and greater time for Governors to contribute to strategic development;
- Review agenda planning and Board / Committee papers to provide more concise summaries of performance and emphasis on proposed actions;
- Strengthen self-assessment by including Governor appraisals;
- Reduce the presentation of lengthy papers thus allowing more time for discussion and challenge; and
- Strengthen Board and Committee papers by increasing focus on strategy and KPIs. Avoid complicated and lengthy papers thus allowing Governors to scrutinise and challenge performance.

## **Remuneration Committee**

In 2022/23, the College's Remuneration Committee comprised of five Governors including the Chair and Vice Chairs but excluding the Principal. The Committee's responsibilities are to determine the remuneration and benefits of the Principal (Accounting Officer), the Deputy Principal, the Vice Principal and the Clerk and to report their decisions to the Board.

Details of remuneration for 2022/23 are set out in note 7.3 to the financial statements.

## **Audit Committee**

The Audit Committee comprises of four Governors (excluding the Accounting Officer and Chair of the Board). The committee operates in accordance with written terms of reference approved by the Board of Governors. Its purpose is to advise the Board of Governors on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement auditors, who have access to the committee for independent discussion, without the presence of the College's management. The committee also receives and considers reports from the Education and Skills Funding Agency, 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 and report their findings to management and the audit committee.

Management is responsible for the implementation of agreed recommendations.

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

### **Governors**

The Governors who served the Corporation during the year and up to the date of signature of this report were as follows:

<b>Name</b>	<b>Date of appointment</b>	<b>End of Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>
Melissa Barber	17 April 2024	16 April 2028	n/a	Independent	Finance and Personnel Search and Governance
Rob Bennett (Vice Chair)	11 December 2002 Re-appointed 1 April 2022	30 March 2026	31 July 2023	Independent	Audit (Chair) Remuneration Search and Governance (Chair)
Rowan Bird	28 September 2023	31 <sup>st</sup> July 2024	n/a	Student	Academic Standards and Quality
Lynda Bevan	1 September 2021	31 August 2025	10 January 2022	Independent	Academic Standards and Quality
Jacqueline Blackmore	26 January 2022	25 January 2026	n/a	Independent	Finance and Personnel (Chair) Search and Governance
Simon Bruce	1 September 2021	31 August 2025	5 November 2021	Independent	Audit (Chair)
Reg Capon	15 June 2022	31 July 2023	n/a	Student	Finance and Personnel
David Carruthers	24 March 2020 Reappointed for further year	23 March 2025	n/a	Staff	Finance and Personnel
Richard Clark	8 December 1999 Re-appointed 1 April 2022	31 March 2026	n/a	Independent	Finance and Personnel Remuneration
Dale Edwards (Vice Chair from 01 September 2021)	28 November 2018 Re-appointed 1 April 2022	31 March 2026	27 September 2023	Independent	Academic Standards and Quality
Oliver Ganfield	28 September 2022	31 July 2023	n/a	Student	
Marcia Hein	24 February 2020	23 February 2024	31 August 2021	Independent	Academic standards and Quality
Abbey Hughes	31 March 2021	31 July 2022	n/a	Student	Academic Standards and Quality
Anthony King	1 October 2014 Re-appointed 1 September 2020	31 August 2024	n/a	Independent	Audit
Shaun Kingdon	1 April 2022	31 March 2026	n/a	Independent	Audit (Chair) Search and Governance
Trish Long	17 April 2024	16 April 2028	n/a	Independent	Finance and Personnel
Kate Lovell (Chair)	8 December 1999 Re-appointed 1 April 2022	31 March 2026	27 September 2023	Independent	Academic Standards and Quality Finance and Personnel (Chair) Remuneration Search and Governance
Alun Maddocks	17 April 2024	16 April 2028	n/a	Independent	Academic Standards and Quality



Name	Date of appointment	End of Term of office	Date of resignation	Status of appointment	Committees served
Jason McArthur	28 September 2023	31 July 2024	n/a	Student	Academic Standards and Quality
Craig Middleton	28 June 2023	27 June 2027	n/a	Independent	Audit Academic Standards and Quality
Tessa Miller (Vice Chair from 29 September 2023)	1 September 2020	31 August 2024	29 July 2024	Independent	Remuneration Search and Governance
Oliver Morris	31 March 2021	31 July 2022	25 April 2022	Student	Academic Standards and Quality
Suzanne Nicol	15 June 2022	14 June 2026	30 May 2023	Independent	Finance and Personnel
John O'Connell	1 September 2020	31 August 2024	21 September 2021	Independent	Audit
Andrew Palmer	1 September 2020	31 August 2024	n/a	Independent	Finance and Personnel (to April 2022) Audit (from May 2022)
Toby Payne	1 September 2021	31 August 2025	n/a	Staff	Academic Standards and Quality
Katy Quinn	5 June 2017	05 June 2022	05 June 2022	Principal	Finance and Personnel Academic Standards and Quality Search and Governance
John Revill	06 June 2022	Ongoing	n/a	Principal	Finance and Personnel Academic Standards and Quality Search and Governance
Lynne Sedgmore (Vice Chair)	28 September 2023	27 September 2027	29 July 2024		Academic Standards and Quality Remuneration Search and Governance
Kevin Sherrard	30 November 2005 Re-appointed 1 January 2020	31 December 2021	31 December 2021	Independent	Finance and Personnel
Kim Unwin	5 November 2022 Reappointed 01 September 2021	31 August 2022	31 March 2022	Student	Academic Standards and Quality
Kim Unwin	1 April 2022	31 March 2026	30 November 2023	Independent	Academic Standards and Quality
Malcolm Walsh	1 September 2020	31 August 2024	01 May 2023	Independent	Academic Standards and Quality
Fiona Wheeler (Chair 28 September 2023)	15 June 2022	14 June 2026	02 August 2024	Independent	Finance and Personnel Search and Governance Remuneration
Lynda Williams	15 May 2024	14 May 2028	n/a	Independent	Academic Standards and Quality

Linda Burlison acted as the Clerk to the Corporation until 31 March 2024. Alison Layton-Hill was appointed Head of Governance (HoG) 21 May 2024. The Clerk/HoG is a member of the FE Clerk's network and the AoC SW Governance Professional network as part of CPD.

#### **Attendance at board and committee meetings**

Overall attendance at full board meetings in 2022/23 was 89% (2021/22 - 80%, 2020/21 - 84%). Overall attendance at board and committee meetings taken together was 92% (2021/22-84%, 2020/21-87%). A report detailing the attendance of individual Governors is presented to the Board of Governors annually at the last meeting of the academic year. A hybrid of virtual and face-to-face meetings were held during the year.

In addition to this high level of attendance, several Governors also regularly attend key committee meetings and presentations as non-member observers. All Governors participated in training and other events throughout the year.

The table below details the attendance by Governors at full board meetings and committee

Name	Board of Governors		Finance and Personnel Committee		Academic Standards and Quality Committee		Search and Governance Committee		Remuneration Committee		Audit Committee	
	Max	Actual	Max	Actual	Max	Actual	Max	Actual	Max	Actual	Max	Actual
<b>Number of Meetings in 2022/23</b>	<b>5</b>		<b>4</b>		<b>3</b>		<b>3</b>		<b>1</b>		<b>3</b>	
Rob Bennett	5	5		3*		1*	3	2	2	2	3	3
Jacqueline Blackmore	5	5	4	4								1*
Reg Capon	5	5			3	2						
David Carruthers	5	4	4	3								
Richard Clark	5	4	4	4					2	2		
Dale Edwards	5	4	4	3			3	3	2	2		
Oliver Ganfield	5	5			3	3						
Anthony King	5	5									3	3
Shaun Kingdon	5	4									3	3
Kate Lovell	5	5	4	4	3	3	3	3	2	2		
Craig Middleton	1	1										
Tessa Miller	5	5		2*			3	3	2	2		1*
Andrew Palmer	5	3									3	3
Toby Payne	5	4			3	3						
John Revill	5	5	4	4	3	3	3	3				3*
Kim Unwin	5	4			3	3						
Malcolm Walsh	4	3			2	1						
Fiona Wheeler	5	5	4	4	2	2						

*\*in attendance*

*Only governors that were in post when meetings occurred in 2021-22 are included in the table above*

## Internal control

### Scope of responsibility

The Board of Governors 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 Board of Governors has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control. The system supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which the Principal is personally responsible. All of this is undertaken in accordance with the responsibilities assigned to the Principal in the grant



funding agreements and contracts between the College and the funding bodies. The Principal is also responsible for reporting to the Board of Governors any material weaknesses or breakdowns in internal control.

#### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives. It evaluates the likelihood of those risks being realised, the impact should they be realised, and endeavours 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 2023 and up to the date of approval of the annual report and financial statements.

#### **Capacity to handle risk**

The Board of Governors 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 Board of Governors is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Governors.

#### **The risk and control framework**

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

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

The College uses 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 Board of Governors on the recommendation of the audit committee.

#### **Review of effectiveness**

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Accounting Officer'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; and
- comments made by the College's financial statements and regularity auditors, and the appointed funding auditors in their management letters and other reports.

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

The College senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded

within the college and reinforced by risk awareness training. The senior management team and 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 Board of Governor's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The College formally reviews the risk register twice a year with risks reviewed routinely as part of regular meetings.

This is in line with the need to continuously evaluate the controls and mitigations used to manage risks and the need to regularly gain assurance that the controls and mitigations are effective.

Based on the advice of the Audit Committee and the Accounting Officer, the Board of Governors is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for

"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

The College has been the subject of a funding audit, the results of this audit have been finalized and agreed in July 2023. The amount of funding at risk is £5.75m. The terms of repayment have not yet been agreed with the ESFA. These findings related to the subcontracted traineeship provision. This activity was discontinued in June 2022.

Approved by order of the Board of Governors on ~~27~~ 29 August 2024 and signed on its behalf by:



**Jane Viner**  
Chair of Governors



**John Revill**  
Accounting Officer



### Statement of Regularity, Propriety and Compliance

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

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

We confirm that, other than the funding non-compliances identified during the ESFA funding audit, as reported on page 11/12, the recovery of which has been fully provided for at 31 July 2023, 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.



Jane Viner  
Chair of Governors



John Revill  
Accounting Officer

27 August 2024

27 August 2024

## Statement of the Responsibilities of the Board of Governors

The Board of Governors, as charity trustees, are required to present audited financial statements for each financial year.

Within the terms and conditions of the grant funding agreements and contracts with the Education and Skills Funding Agency (ESFA) the Board of Governors, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction for 2021 to 2022, and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus / deficit of income over expenditure for that period.

In preparing the financial statements, the Board of Governors is required to:


- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

Approved by order of the Board of Governors on  August 2024 and signed on its behalf by:



**Jane Viner**  
Chair of Governors



## INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF STRODE COLLEGE

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Strode College ("the College") for the year ended 31 July 2023 which comprise the Statement of Comprehensive Income and Expenditure, Balance Sheet, Statement of Changes in Reserves and Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2023, and of the College's income and expenditure, gains and losses and changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the College in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to the Going Concern disclosures in note 1 to the financial statements which indicate that the College is dependent on the support of its bankers for the continued provision of loan facilities despite covenant breaches in relation to the 2021/22 and 2022/23 financial years, and the continued support of the ESFA for a period exceeding 12 months. These events and conditions, along with other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the College's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

#### Going concern basis of preparation

The Corporation has prepared the financial statements on the going concern basis. As stated above, it has concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

#### Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Corporation, the audit committee, internal audit [and inspection of policy documentation] as to the College's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the College's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from tuition fees is recorded in the wrong period and the risk that College's management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as pension assumptions.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the College-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Corporation and other management (as required by auditing standards), and discussed with the Corporation and other management the policies and procedures regarding compliance with laws and regulations.

As the College is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

- The College is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, taxation legislation, pensions legislation and specific disclosures required by higher education legislation and regulation / post-16 education and skills legislation and regulation, charities legislation and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- Whilst the College is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.



## **Other information**

The Corporation is responsible for the other information, which comprises the Report of the Board of Governors and the Corporation's Statement of Corporate Governance and Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in Report of the Board of Governors and the Corporation's Statement of Corporate Governance and Internal Control is consistent with the financial statements.

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

Under the Post-16 Audit Code of Practice 2022 to 2023 (April 2023) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

## **Corporation's responsibilities**

As explained more fully in their statement set out on page 27, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the articles of government;

- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students

**THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

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



**Mark Dawson**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
22 October 2024



## **REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF STRODE COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY (ESFA)**

In accordance with the terms of our engagement letter dated 25 January 2021 and further to the requirements and conditions of funding in ESFA 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 that in all material respects the expenditure disbursed and income received by Strode College during the period 1st August 2022 to 31st July 2023 as recorded in these financial statements 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 in conducting our work is set out in the Post-16 Audit Code of Practice 2022 to 2023 (April 2023) issued by the ESFA ("the Code").

This report is made solely to the corporation of Strode College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Strode College and the ESFA those matters we have been engaged 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 Strode College and the ESFA for our work, for this report, or for the qualified conclusion we have formed.

### **Respective responsibilities of Strode College and the reporting accountant**

The corporation of Strode 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 by the College are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities 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, the expenditure disbursed and income received by the College during the period 1 August 2022 to 31 July 2023, as recorded in the annual financial statements of Strode College for the same period, have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

We comply with the Institute of Chartered Accountants in England and Wales ("ICAEW") Code of Ethics, which includes independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the IESBA Code of Ethics.

## **Approach**

We conducted our engagement in accordance with the Code. 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.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a positive opinion.

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

The work undertaken to draw our conclusion included:

- Inspecting the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Assessing whether any evidence of impropriety resulting from our work was significant enough to be referred to in our regularity report.

This 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 and propriety consistent with the requirements of the Code.


This engagement to report on regularity and propriety is separate from the audit of the annual financial statements of Strode College and the report here relates only to the matters specified and does not extend to Strode College's annual financial statements taken as a whole.

As set out in our audit report on those financial statements, that audit report is made solely to the Corporation of Strode College in accordance with Article 22 of the Articles of Government of Strode College. The audit work has been undertaken so that we might state to the Corporation of Strode College those matters we are required to state to the Corporation 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 Strode College and the Corporation of Strode College for that audit work, for the audit report, or for the opinions we have formed in respect of that audit.



## 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 by the College during the period 1st August 2022 to 31st July 2023, as recorded in these financial statements, have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**Mark Dawson**  
**For and on behalf of KPMG LLP, Reporting Accountant**  
Chartered Accountants  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GH  
22 October 2024

**Statement of Comprehensive Income**  
*for the year ended 31 July 2023*

	Notes	2023 £'000	2022 £'000
<b>INCOME</b>			
Funding body grants	2	9,706	6,843
Tuition fees and education contracts	3	1,714	1,761
Other grants and contracts	4	300	255
Other income	5	1,498	1,741
Endowment and investment income	6	8	-
<b>Total income</b>		<b>13,227</b>	<b>10,600</b>
<b>EXPENDITURE</b>			
Staff costs	7	9,589	9,979
Other operating expenses	8	3,605	6,996
Depreciation	11	809	784
Interest and other finance costs	9	240	313
<b>Total expenditure</b>		<b>14,243</b>	<b>18,072</b>
<b>Surplus /(Deficit) before other gains and losses</b>		<b>(1,016)</b>	<b>(7,472)</b>
Gain on disposal of assets		6	1
<b>Surplus /(Deficit) before tax</b>		<b>(1,009)</b>	<b>(7,471)</b>
Taxation	10	-	-
<b>Surplus /(Deficit) for the year</b>		<b>(1,009)</b>	<b>(7,471)</b>
Unrealised surplus on revaluation of assets		-	-
Actuarial gain in respect of pensions schemes		-	12,310
<b>Total Comprehensive Income for the year</b>		<b>(1,009)</b>	<b>4,839</b>

The notes to the financial statements form an integral part of these financial statements



## Statement of Changes in Reserves

	Income and Expenditure account  £'000	Net pension scheme liabilities reserve  £'000	Revaluation reserve  £'000	Total  £'000
<b>Balance at 1st August 2021</b>	13,531	(14,514)	791	(192)
Surplus/(deficit) from the income and expenditure account	(6,303)	(1,168)	-	(7,471)
Other comprehensive income	-	12,310	-	12,310
Transfers between revaluation and income and expenditure reserves	17	-	(17)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(6,286)	11,142	(17)	4,839
<b>Balance at 31st July 2022</b>	7,245	(3,372)	774	4,647
Surplus/(deficit) from the income and expenditure account	(619)	(390)	-	(1,009)
Other comprehensive income	-	3,762	-	3,762
Transfers between revaluation and income and expenditure reserves	17	-	(17)	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	(603)	3,372	(17)	2,753
<b>Balance at 31st July 2023</b>	<hr/>	<hr/>	<hr/>	<hr/>
	6,642	-	757	7,400


## Balance Sheet as at 31 July 2023

	Notes	2023 £'000	2022 £'000
<b>Fixed assets</b>			
Tangible fixed assets	11	16,339	16,566
		<u>16,339</u>	<u>16,566</u>
<b>Current assets</b>			
Stocks		12	14
Trade and other receivables	12	696	962
Cash and cash equivalents	13	3,073	1,747
		<u>3,781</u>	<u>2,723</u>
<b>Less: Creditors – amounts falling due within one year</b>	14	(12,720)	(11,270)
<b>Net current assets / (liabilities)</b>		<u>(8,939)</u>	<u>(8,547)</u>
<b>Total assets less current liabilities</b>		<b>7,400</b>	<b>8,019</b>
Less: Creditors – amounts falling due after more than one year	15	-	-
<b>Provisions</b>			
Defined benefit obligations	20	-	(3,372)
Other provisions	20	-	-
<b>Total net assets</b>		<u><u>7,400</u></u>	<u><u>4,647</u></u>
<b>Unrestricted reserves</b>			
Income and expenditure account		6,642	7,245
Revaluation reserve		757	774
Defined benefit obligations		-	(3,372)
<b>Total reserves</b>		<u><u>7,400</u></u>	<u><u>4,647</u></u>

The financial statements on pages 35 to 59 were approved by the Board of Governors on 27 August 2024 and were signed on its behalf by:



**Jane Viner**  
Chair



**John Revill**  
Accounting Officer



## Statement of Cash Flows

	Notes	2023 £'000	2022 £'000
<b>Cash inflow from operating activities</b>			
Surplus/(deficit) for the year		(1,009)	(7,471)
<b>Adjustment for non cash items</b>			
Depreciation		809	784
(Increase)/decrease in stocks		2	1
(Increase)/decrease in debtors		266	631
Increase/(decrease) in creditors due within one year		862	5,503
Release of deferred capital grants		(107)	(778)
Pensions costs less contributions payable		286	940
Taxation			
<b>Adjustment for investing or financing activities</b>			
Investment income		(8)	-
Interest payable		241	313
Proceeds from sale of fixed assets		(6)	(1)
		<u>1,336</u>	<u>(78)</u>
<b>Net cash flow from operating activities</b>		<b>1,336</b>	<b>(78)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		6	1
Disposal of non-current asset investments		-	-
Government Capital Grants received		993	797
Non-Government Capital Grants received		-	-
Investment income		8	-
Payments made to acquire fixed assets		(582)	(865)
		<u>426</u>	<u>(67)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(136)	(85)
Repayments of amounts borrowed		(300)	(204)
		<u>(436)</u>	<u>(289)</u>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>		<b>1,326</b>	<b>(434)</b>
Cash and cash equivalents at beginning of the year	19	1,747	2,181
Cash and cash equivalents at end of the year	19	3,073	1,747

## Notes to the Financial Statements

### 1. Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these 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 2022 to 2023 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 except for the revaluation of certain non-current assets.

#### Going concern

Notwithstanding net current liabilities of £8,939,000 as at 31 July 2023 the financial statements have been prepared on a going concern basis which the governors consider to be appropriate for the following reasons.

The activities of the College, together with the factors likely to affect our future development and performance are set out in the Report of the Board of Governors. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements and the accompanying notes.

The governors have prepared cash flow forecasts for a period of at least 12 months from the date of the approval of these financial statements which indicate that, taking account of reasonable possible downsides, the College will have sufficient funds to meet its liabilities as they fall due for that period.

As of August 2024 the college has £2.321,150m of loans outstanding with bankers on terms negotiated in 2022. The terms of the existing agreement run until 2027.

However, beginning in 2022 the College has been in breach of one or more of its bank covenants. Subsequently the bank has designated the loan as a short-term loan that is subject to immediate recall. The governors are confident that new covenants will be agreed with the bank upon the resolution of discussions with the ESFA regarding a financial clawback (described below).

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility for a period exceeding 12 months. The core of the Colleges' activity is delivering study programmes to 16-19 year olds. The College has now received its 16-19 allocation for the financial year 2024/25 which contains a notable increase in funds compared to 2023/24. Furthermore, other significant income streams have increased and are forecast to continue increasing (Apprenticeship and Higher Education (HE)) or remain at current levels (Adult Education Budget (AEB) and tuition fees). Both pay and non-pay costs are increasing at slower rates than income and the College is forecasting a materially improved EBITDA for the financial year 2024/25.

Variable income or costs would need to exceed forecasts by approximately 7% before cash reserves were depleted to nil. The governors do not think that this is a plausible scenario.



The College has been the subject of an Education and Skills Funding Agency (ESFA) investigation. This investigation identified approximately £5.75m of funding at risk of recovery by the ESFA, which was reported to the College in May 2023. The College has been in discussions with the ESFA regarding the scale and timing of any clawback of these funds. These discussions are ongoing and the period and terms of repayment are yet to be finalised. This funding clawback has been recognised as a short-term liability within the financial statements.

The College's bankers have been kept fully informed of the details of this process and continue to offer their support to the College while this process continues. The ESFA has stated that its intention is to resolve this issue without destabilising the College and will give appropriate support to the College for a period exceeding 12 months to achieve this aim.

Accordingly, the governors believe that it remains appropriate to prepare the financial statements on a going concern basis.

However, these circumstances represent a material uncertainty which may cast significant doubt on the College's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

## **Recognition of income**

### *Funding body grants*

Funding body grants are accounted for under the accrual model as permitted by FRS 102. Education and Skills Funding Agency (ESFA) grants in respect of adult education and apprenticeships are recognised in the statement of comprehensive income in line with best estimates of what is receivable for the period. The final grant income is normally determined with the conclusion of a year end reconciliation process with the ESFA following the year end, and the results of any funding audits.

The grants from the ESFA for 16-18 education and the Office for Students represent the funding allocations attributable to the current financial year and are credited directly to the statement of comprehensive income.

Grants (including research grants and capital grants) from government sources are recognised in income when the College is entitled to the income and any 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.

### *Tuition fees and education contracts*

Income from tuition fees, grants, contracts and other services rendered is recognised to the extent the conditions of the funding have been met or to the extent of the completion of the contract or service concerned.

### *Capital grants*

Capital grants from non-government sources are recognised as income when the College is entitled to the funds subject to any performance related conditions being met.

### *Other income*

Other income is recognised to the extent the conditions of the funding have been met or to the extent of the completion of the contract or service concerned.

### *Investment income*

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

### *Agency arrangements*

Where the College receives and disburses funds in which we have no direct beneficial interest, such funds are excluded from the statement of comprehensive income account on the grounds that the College does not have

direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the ESFA (see note 22).

### **Accounting for pension benefits**

Pension benefits for employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit pension schemes, which are externally funded and until 1 April 2016 were contracted out of the State Second Pension.

#### *Teachers' Pension Scheme (TPS)*

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

The TPS is a multi-employer pension 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 pension scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### *Somerset and Devon Local Government Pension Scheme (LGPS)*

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. Actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to statement of comprehensive income 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.

The interest cost on the net pension scheme liabilities is also recognised in the statement of comprehensive income and comprises the interest cost on the pension scheme liability and interest income on the pension 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 scheme liabilities.

Actuarial gains and losses are recognised immediately in statement of comprehensive income.

### **Holiday pay**

Holiday pay is recognised as an expense in the year in which the employees render service to the College. Any unused holiday is accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

### **Non-current assets**

Tangible fixed assets are stated at cost or, where the assets were revalued to fair value prior to the date of transition to the 2019 FE HE SORP, the revalued amount less accumulated depreciation and accumulated impairment losses.

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.

#### *Land and buildings*

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1994, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

The College applies the following depreciation policy to land and buildings:



- Freehold land is not depreciated.
- Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.
- The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

#### *Finance costs*

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

#### *Subsequent expenditure on existing fixed assets*

Where significant expenditure is incurred on tangible fixed assets it is charged to the statement of comprehensive income account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

#### *Buildings owned by third parties*

Where land and buildings are used, but the legal rights are held by a third party, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.

#### *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.

#### *Equipment*

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

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

Motor vehicles and general equipment	-	5 years
Computer equipment	-	3-7 years
Furniture and fittings	-	5 years
Longer life fixtures and fittings	-	10-15 years

#### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the statement of comprehensive income.

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.

## **Inventory**

Inventory is stated at the lower of cost or net realisable value, where net realisable value equals selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow moving and defective inventory.

## **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**

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

The loan held by the College is classified as a basic financial instrument in accordance with FRS 102. This instrument is 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 year with all resulting exchange differences being taken to the statement of comprehensive income account in the period in which they arise.

## **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore 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 Chapter 3 Part 11 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 (VAT), meaning we can only recover a small proportion of VAT charged on goods and services we purchase. Irrecoverable VAT is included in expenditure or added to the cost of tangible fixed assets as appropriate.

## **Provisions**

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.

## **Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds, bursary funds, and grants for free school meals. Related payments received from the ESFA and subsequent disbursements to students are excluded from the statement of comprehensive income and are shown separately in note 22 except for 5 per



cent of the grants received which is available to the College to cover administration costs. The College employs one member of staff dedicated to the administration of bursary funds applications and payments.

### **Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the Accounting Officer has made the following judgements:

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

#### Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit pension 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 18, 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 2022 has been used by the actuary in valuing the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 2. Funding body grants

	2023 £'000	2022 £'000
<b>Recurrent grants</b>		
ESFA Adult Education	1,098	1,143
Devolved Area Adult Education	0	0
19 - 24 Traineeships	116	528
ESFA 16-18 Education	7,866	7,269
ESFA Apprenticeships	38	170
Office for Students grant	48	61
Somerset County Council grant	477	341
	<hr/>	<hr/>
<b>Total</b>	<b>9,642</b>	<b>9,512</b>

	2023 £'000	2022 £'000
<b>Specific grants - Coronavirus additional funding</b>		
Education and Skills Funding Agency - Traineeships	0	- 2,728
Education and Skills Funding Agency - National Skills Fund	64	48
Education and Skills Funding Agency - COVID 19 mass testing funding	0	11
	<hr/>	<hr/>
<b>Total</b>	<b>64</b>	<b>-2,669</b>
	<hr/>	<hr/>
	<b>9,706</b>	<b>6,843</b>

## 3. Tuition fees and education contracts

	2023 £'000	2022 £'000
Enrichment course fees	36	29
Apprenticeship fees	641	909
Further Education fees	234	224
Higher Education fees	777	565
	<hr/>	<hr/>
<b>Total tuition fees</b>	<b>1,687</b>	<b>1,727</b>
Education contracts	<b>28</b>	<b>34</b>
	<hr/>	<hr/>
<b>Total</b>	<b>1,714</b>	<b>1,761</b>

## 4. Other grants and contracts

	2023 £'000	2022 £'000
Teachers Pension Scheme grant	300	255
Coronavirus Job Retention Scheme	0	0
	<hr/>	<hr/>
<b>Total</b>	<b>300</b>	<b>255</b>



## 5. Other income

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Catering	502	414
Other income generating activities	531	356
Other grant income	0	10
Government Capital Grants received	107	778
Non - government capital grants	23	84
Other income	336	99
	<hr/>	<hr/>
<b>Total</b>	<b><u>1,498</u></b>	<b><u>1,741</u></b>

## 6. Investment income

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	8	0
	<hr/>	<hr/>
	<b><u>8</u></b>	<b><u>0</u></b>

## 7. Staff numbers and costs

### 7.1. Staff numbers

The average number and the full time equivalent of persons employed by the College (including key management personnel) during the year, was as follows:

	<b>2023</b>	<b>2022</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	94	87
Teaching support staff	36	38
Non teaching staff	85	77
	<hr/>	<hr/>
	<b><u>215</u></b>	<b><u>202</u></b>

7.2 Staff costs for the above persons

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Wages and Salaries	6,801	6,902
Social Security costs	567	579
Pension costs	<u>1,695</u>	<u>2,280</u>
<b>Payroll sub total</b>	<b>9,064</b>	<b>9,761</b>
 Freelance assessors and tutors	 525	 201
	<hr/>	<hr/>
<b>Total Staff Costs</b>	<b>9,589</b>	<b>9,962</b>
Fundamental restructuring costs -		
contractual	0	17
non contractual	0	0
	<hr/>	<hr/>
	<b><u>9,589</u></b>	<b><u>9,979</u></b>

7.3 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. At the College this comprises the Executive Management Team which includes the Principal and CEO (who also holds the role of Accounting Officer), the Deputy Principal Curriculum & Quality, and the Vice Principal Finance and Resources.

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

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	3	3
	<hr/>	<hr/>

The College typically operates with 3 key managers and in both 2023 and 2022 only 3 key managers were in post at any time.

The table below indicates the ranges of the annual rate of emoluments of key management personnel. The annual rate of emoluments includes annual salary and benefits in kind but excludes pension contributions.

The annual rate of emoluments is the salary that would be paid and any benefits in kind that would be provided to key management personnel if they were in post throughout the whole financial year. This does not equate to the salary paid and any benefits in kind provided to key management personnel that left or joined the College during the year.



	Senior post-holders		Other staff	
	2023 No.	2022 No.	2023 No.	2021 No.
£0 to £5,000 p.a.	-	-	-	-
£5,001 to £10,000 p.a.	-	-	-	-
£10,001 to £15,000 p.a.	-	-	-	-
£15,001 to £20,000 p.a.	-	-	-	-
£20,001 to £25,000 p.a.	-	-	-	-
£25,001 to £30,000 p.a.	-	-	-	-
£30,001 to £35,000 p.a.	-	-	-	-
£35,001 to £40,000 p.a.	-	-	-	-
£40,001 to £45,000 p.a.	-	-	-	-
£45,001 to £50,000 p.a.	-	-	-	-
£50,001 to £55,000 p.a.	-	-	-	-
£55,001 to £60,000 p.a.	-	-	-	-
£60,001 to £65,000 p.a.	-	-	-	-
£65,001 to £70,000 p.a.	-	-	-	-
£70,001 to £75,000 p.a.	-	-	-	-
£75,001 to £80,000 p.a.	1	-	1	-
£80,001 to £85,000 p.a.	-	2	-	2
£85,001 to £90,000 p.a.	1	-	1	-
£90,001 to £95,000 p.a.	-	-	-	-
£95,001 to £100,000 p.a.	-	-	-	-
£100,001 to £105,000 p.a.	-	-	-	-
£105,001 to £110,000 p.a.	-	-	-	-
£110,001 to £115,000 p.a.	-	1	-	1
£115,001 to £120,000 p.a.	1	-	1	-
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

### 7.3 Key management personnel continued

	2023 £'000	2022 £'000
Salaries - gross of salary sacrifice and waived emoluments	341	354
Employers National Insurance	43	37
Benefits in kind	-	-
	<b>384</b>	<b>391</b>
Pension contributions	75	65
	<b>459</b>	<b>456</b>

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

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2023 £'000	2022 £'000
<b>Katy Quinn</b>		
Salaries	0	106
Benefits in kind	-	-
	0	106
Pension contributions	0	25
	0	25

	2023 £'000	2022 £'000
<b>John Revill</b>		
Salaries	120	17
Benefits in kind	-	-
	120	17
Pension contributions	28	4
	28	4

John Revill was the highest paid officer in 2023.

The basic salary of the accounting officer is 5.65 times the median pay for all other staff and total emoluments are 5.95 times the median total emoluments for all other staff.

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.

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

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

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

## 8. Other operating expenses

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Premises costs	610	597
Subcontracted Provision	650	4,157
Direct and other costs	1,691	1,466
Other staff related costs	144	144
Overheads	<u>510</u>	<u>632</u>
<b>Total</b>	<b><u>3,605</u></b>	<b><u>6,996</u></b>

### Other operating expenses include:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit	54	43
Internal audit	20	20
Hire of assets under operating leases	<u>0</u>	<u>0</u>
	<u>74</u>	<u>63</u>

## 9. Interest and other finance costs

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	<u>136</u>	<u>85</u>
	136	85
Net interest on defined pension liability (note 22)	<u>104</u>	<u>228</u>
<b>Total</b>	<b><u>240</u></b>	<b><u>313</u></b>

## 10. Taxation

The Governors do not believe the College was liable for any corporation tax arising out of its activities during either period.

## 11. Tangible fixed assets

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice. Work in progress relates to the refurbishment of a 1960's building to facilitate the provision of T Level Digital Technologies.



	Land and buildings	Equipment	Assets in the Course of Construction	Total
	Freehold £'000	£'000		£'000
<b>Cost or valuation</b>				
At 1 August 2022	27,276	3,657	55	30,988
Additions	355	227		582
Transfer	(335)		335	-
Disposals	-		-	-
<b>At 31 July 2023</b>	<b>27,296</b>	<b>3,884</b>	<b>390</b>	<b>31,570</b>
<b>Depreciation</b>				
At 1 August 2022	12,184	2,237	-	14,422
Charge for the year	510	300	-	810
Elimination in respect of disposals	-	-	-	-
<b>At 31 July 2023</b>	<b>12,694</b>	<b>2,537</b>	<b>-</b>	<b>15,232</b>
<b>Net book value at 31 July 2023</b>	<b>14,602</b>	<b>1,347</b>	<b>390</b>	<b>16,339</b>
Net book value at 31 July 2022	15,092	1,420	55	16,566

## 12. Trade and other receivables

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade receivables	547	118
Prepayments and accrued income	149	138
Amounts owed by the ESFA	-	706
<b>Total</b>	<b>696</b>	<b>962</b>

## 13. Cash

The college held no cash equivalents during 2023 (2022 £nil).

	At 1 August 2022 £'000	Cash flows £'000	Other changes £'000	At 31 July 2023 £'000
Cash and cash equivalents	1,747	1,326	-	3,073
<b>Total</b>	<b>1,747</b>	<b>1,326</b>	<b>-</b>	<b>3,073</b>

**14. Creditors: amounts falling due within one year**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts	2,621	2,920
DoE Clawback	5,755	5,755
Trade payables	198	181
Other taxation and social security	145	231
Accruals and deferred income	1,353	1,590
Staff holiday pay accrual (FRS102 adjustment)	250	250
Government Capital Grants	1,088	201
Other creditors	162	142
Amounts owed by the ESFA	1,149	
<b>Total</b>	<b><u>12,720</u></b>	<b><u>11,270</u></b>

**15. Creditors: amounts falling due after more than one year**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	-	-
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>

**16. Analysis of borrowings**

**Bank loans**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	2,621	2,921
Between one and two years	-	-
Between two and five years	-	-
In five years or more	-	-
<b>Total</b>	<b><u>2,621</u></b>	<b><u>2,921</u></b>

The borrowings of the College have been used to fund previous capital investment programmes. The borrowings comprise a term loan of £2,995,032 repayable in quarterly instalments. The final repayment is 30 April 2027.

**17. Capital commitments**

	2023 £'000	2022 £'000
Commitments contracted for at 31 July	0	0

**18. Provisions**

	Defined benefit Obligations £'000	Other £'000	Total £'000
At 1 August 2022	(3,372)	-	(3,372)
Expenditure in the period	(390)	-	(390)
Transferred from income and expenditure account	3,762	-	3,762
<b>At 31 July 2023</b>	-	-	-

**19. Lease Obligations**

	2023 £'000	2022 £'000
<b>Future minimum lease payments due</b>		
Equipment		
Not later than one year	36	36
Later than one year and not later than five years	34	70
later than five years	-	-
	<b>70</b>	<b>106</b>

**20. Defined benefit pension scheme**

The College's employees belong to two principal pension plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Devon and Somerset Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit pension schemes.

**20.1. Total pension cost for the year**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2022.

Contributions amounting to £153,909 (2022 - £145,006) were payable to the two schemes at 31<sup>st</sup> July and are included within creditors.

**20.2. Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit pension scheme, governed by the Teachers' Pensions Regulations 2010 and Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments. Membership is automatic for teachers and lecturers. Teachers and lecturers are able to opt out of the TPS.



## **The Teachers' Pension budgeting and valuation account**

Although members of the TPS may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and 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.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension budgeting and valuation account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the account is 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 2016. The valuation report was published by the Department for Education on (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards compared to 16.48% during 2018/19. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2022/23 academic year.

The pension costs paid to TPS in the year amounted to £775,000

### **FRS 102 (28)**

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

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 pension scheme. The College has set out above the information available on the pension scheme and the implications for the College in terms of the anticipated contribution rates.

The College's contributions payable to the TPS in 2023 amounted to £775,000 (2022 - £771,000).

## **20.3. Local Government Pension Scheme**

The LGPS is a funded, defined-benefit pension plan, with the assets held in separate funds administered by Peninsula Pensions Local Authority (part of Devon and Somerset County Councils). The total contributions made for the year ended 31 July 2023 was £812,000 (2022 - £697,000) of which employers' contributions totalled £640,000 (2021 - £531,000) and employees' contributions totalled £172,000 (2022 - £166,000). The agreed contribution rate for future years are 22.1% for employers and range from 5.5% to 12.5% for employees, depending on salary.

### **20.3.1. Principal actuarial assumptions**

Details of the actuarial methods and derivation used can be found in 31 July 2023 briefing note, we have allowed for actual pension increases un to and including the 2023 Pension Increase Order. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results. We have allowed for the actual CPI inflation experiences from September 2022 to July 2023.

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2022, except for an update on the CMI projection model.

The Key assumption used are set out below:

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	3.85%	3.75%
Rate of increase in pensions	2.85%	2.75%
Discount rate for scheme liabilities	5.15%	3.40%

These base tables are then projected using the CMI\_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI\_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements look less positive as a result of the pandemic. Therefore we have updated to use the CMI\_2020 Model with a 2020 weight parameter of 25%

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 2023	At 31 July 2022
	years	years
<i>Retiring today</i>		
Males	21.10	21.40
Females	22.90	23.20
<i>Retiring in 20 years</i>		
Males	22.30	22.60
Females	24.30	24.60

### 20.3.2. LGPS assets and liabilities

The assets and liabilities in the pension scheme were:

	2023 £'000	2022 £'000
Equities	16,688	15,469
Debt instruments	2,229	1,973
Property	1,714	1,933
Cash	668	879
Gilts	697	941
<b>Total market value of assets</b>	<b><u>21,996</u></b>	<b><u>21,195</u></b>
<b>Actual return on pension scheme assets</b>	<b><u>617</u></b>	<b><u>(182)</u></b>
	<b>2022</b>	<b>2021</b>
Expected rate of return	<u>2.90%</u>	<u>-0.86%</u>



The amount included in the balance sheet in respect of the pension scheme is as follows:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	21,996	21,195
Present value of plan liabilities	(20,285)	(24,567)
Closing impact of asset ceiling	<u>(1,711)</u>	<u>-</u>
<b>Net pensions scheme (liability)</b>	<b><u>-</u></b>	<b><u>(3,372)</u></b>

**20.3.3. Amounts included in staff costs**

Amounts recognised in the statement of comprehensive income in respect of the pension scheme are as follows:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts included in staff costs</b>		
Current service cost	910	1,512
Past service cost	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>910</u></b>	<b><u>1,512</u></b>

**20.3.4. Amounts included in interest and other finance costs**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Interest cost on pension scheme net liabilities	(104)	(228)
	<u>(104)</u>	<u>(228)</u>

**20.3.5. Amounts recognised in other comprehensive income**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Return on pension plan assets	(108)	(523)
Other actuarial gains/(losses) on assets	(33)	-
Experience losses arising on defined benefit obligations	(1,740)	(2,084)
Changes in assumptions underlying the present value of plan	6,683	12,138
Changes in demographic assumptions	671	2,779
Changes in effect of asset ceiling	<u>(1,711)</u>	<u>-</u>
<b>Amount recognised in Other Comprehensive Income</b>	<b><u>3,762</u></b>	<b><u>12,310</u></b>



**20.3.6. Movement in net pension scheme liability during the year**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) in scheme at 1 August	(3,372)	(14,514)
Movement in year:		
Current service cost	(910)	(1,512)
Employer contributions	640	592
Net interest on the defined (liability)/asset	(104)	(228)
Administration expenses	(16)	(20)
Actuarial gain or loss	3,762	12,310
<b>Net defined benefit (liability)/asset at 31 July</b>	<b><u>-</u></b>	<b><u>(3,372)</u></b>

**20.3.7. Asset and liability reconciliation**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	24,567	35,743
Current Service cost	905	1,512
Interest cost	829	569
Contributions by Scheme participants	172	166
Experience gains and losses on defined benefit obligations	1,740	2,084
Changes in financial assumptions	(6,683)	(12,138)
Past Service cost	5	-
Changes in demographic assumptions	(671)	(2,779)
Estimated benefits paid	(579)	(590)
<b>Defined benefit obligations at end of period</b>	<b><u>20,285</u></b>	<b><u>24,567</u></b>

**Reconciliation of Assets**

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fair value of plan assets at start of period</b>	21,195	21,229
Interest on plan assets	725	341
Return on plan assets	(108)	(523)
Other actuarial gains/(losses)	(33)	-
Employer contributions	640	592
Contributions by Scheme participants	172	166
Estimated benefits paid	(579)	(590)
Administration expenses	(16)	(20)
<b>Fair value of plan assets at end of period</b>	<b><u>21,996</u></b>	<b><u>21,195</u></b>

### 20.3.8. Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions. Contributions started at £76,000 per annum in 2017. 2022 contributions were £77,000. This is in addition to regular contributions. At the latest full valuation, the deficit contributions were reviewed and no contributions were paid since April 2023.

### 20.3.9. Guaranteed minimum pension benefits

On 26 October 2017, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, (GMP).

On 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

The valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the actuaries do not believe any adjustment is needed to the value placed on the liabilities as a result of the above outcome.

## 21. 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 organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

No expenses were claimed by or paid to or on behalf of the Governors during the year (2022- £nil).

No Governor has received any remuneration or waived payments from the College during the year (2022- None).

## 22. Amounts disbursed as agent

### Learner support funds

	2023 £'000	2022 £'000
Funding body grants – bursary support	563	386
Disbursed to students	(311)	(153)
Administration costs	(14)	(12)
	<u>238</u>	<u>221</u>
Balance unspent as at 31 July, included in creditors falling due within one year	<u>238</u>	<u>221</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. The grants and related disbursements have therefore been excluded from the statement of comprehensive income

## 23. Access and Participation

### 23 Access and Participation

	2023 £'000	2022 £'000
Access investment	16	9
Financial support	11	7
Disability support	6	6
Research and Evaluation	17	10
	50	32

Strode College's [published Access and Participation plan can be accessed using the following link  
<https://www.strode-college.ac.uk/college-docs/higher-education-documents/access-and-participation-plan/>

## 24. Post balance sheet event

### FE Commissioner intervention and Structure and Prospects Appraisal (SPA)

The College entered formal FE Commissioner (FEC) intervention in October 2024. This was triggered by the College not being able to immediately pay back the funds identified as 'at risk' in the ESFA investigation into funding, with the consequence that the College was judged to have Inadequate financial health by the ESFA.

This intervention resulted in an FE Commissioner led SPA which commenced in April 2024. The SPA is expected to conclude by the end of 2024. It will make recommendations to the College governors regarding the future structure of the College. The SPA will consider a range of options including a continued 'stand alone' option and merger with another college.