CITY OF WOLVERHAMPTON COLLEGE

Report and Financial Statements

Year Ended 31 July 2021

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2020/21:

Malcolm Cowgill –Principal and CEO; Accounting Officer
Ian Browne – Vice Principal Student Success
Louise Fall – Vice Principal Student Engagement
Peter Merry - Vice Principal Business Success

Board of Governors

A full list of Governors is given on pages 21 to 23 of these financial statements.

Mrs E Ball is Clerk to the Board of Governors.

Professional advisers

Financial statements auditors and reporting accountants:

RSM UK Audit LLP
St Philip's Point, Temple Row
Birmingham
B2 5AF

Internal auditors:

TIAA Limited
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

Bankers:

Barclays Bank Plc
Queens Square
Wolverhampton
WV1 1DS

Solicitors:

FBC Manby Bowdler LLP, George House, St. John's Square, Wolverhampton, WV2 4BZ
Eversheds Sutherland, 115 Colmore Row, Birmingham, B3 3AL
DAC Beachcroft, Tricorn House, 51-53 Hagley Rd, Birmingham, B16 8TP

Contents

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2021.

Legal status

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

The Corporation was established as Wulfrun College on 1 April 1993, under the Further and Higher Education Act 1992 for the purpose of conducting Wulfrun College. By order of the Secretary of State for Education, the Corporation changed its name to Wolverhampton College on 1 October 1999, which was subsequently changed to City of Wolverhampton College on 1 June 2001.

On 3 June 2019, City of Wolverhampton College Enterprises Limited was incorporated with City of Wolverhampton College owning 100% of the Share Capital. Accordingly, the financial results for the College and Enterprises have been consolidated to form group financial statements.

Mission, vision and values

The Corporation maintains responsibility for the overall college mission, vision and values which are reviewed at least every three years and underpinned by detailed policies and an overall strategic framework.

Purpose

"Defining Futures"

Values

The review of the strategic plan identified four key areas each with four distinct areas of focus:

- **Student Engagement:** We Value Students
- **Student Success:** We Value Success & Progression
- **Business Success:** We Value our Sustainable Business
- **People Engagement:** We Value Role Models

Student Engagement encompasses Marketing, Student Recruitment, Student Support Services including Safeguarding, Quality Assurance and Improvement, Information Technology and Business Learning Technologies.

Student Success includes Curriculum Development, Right Student -Right Course, Teaching, Learning & Assessment and Progress & Destinations.

Business Success covers Financial Management, Campus Transformation, Funding and Compliance and Commercial Projects.

People Engagement incorporates Culture, Change and Wellbeing, People Development, Health, Safety and Environment, Reward & Recognition.

Report of the Governing Body *(Continued)*

Public Benefit

City of Wolverhampton 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 FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 21 to 23.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce

Financial Notices to Improve

In June 2012, the College received Financial Notices to Improve (FNTI) from the SFA. The only remaining FNTI concerns Financial Health and results from the SFA Financial Health Grade of Inadequate for 2010/11 based upon three Key Performance Indicators as applied to all FE colleges. The College continues to meet with the Education and Skills Funding Agency (ESFA) on a regular basis to review progress against the targets and proposals to address the long-term financing and estates issues in collaboration with Barclays Bank, Wolverhampton City Council, the Local Enterprise Partnership (Black Country LEP) the West Midlands Pension Fund (WMPF), West Midlands Combined Authority and the FE Commissioner. The College's financial plan approved by the Corporation in July 2021 further reflects efforts to improve financial health with the ultimate objective being for the FNTI to be lifted.

Central the College's plans are the proposal to divest of the Paget Road site and move to new facilities in the City Centre and at Wellington Road. This envisages a combination of increased operating revenues and operating efficiencies that will finance the College's debt which is expected to be restructured.

Financial objectives

The College's financial objectives are:

- to maintain long term financial stability
- to successfully resolve all the issues covered by the outstanding Financial Notice to Improve
- to continue to invest in teaching and learning resources, and the College estate to secure that stability

A series of performance indicators have been agreed to monitor the successful implementation of the policies

Performance indicators

The College measures key performance indicators that cover its key strategic objectives. Progress against each of the indicators is provided at the Board of Governors.

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the ESFA. The Finance Record produces a financial health grading. The Governing Body continues to self-assess as inadequate until such time as there is a greater clarity as to the College's property strategy plans and financing.

Report of the Governing Body *(Continued)*

Student, apprentice and employer satisfaction levels remain very high. 95% of students would recommend the College to a friend. 86% of Apprentices would also recommend the College – in light of the ongoing pandemic, this remains positive.

The College, historically, has taken part in a national survey – Fe Choices - for employers who have apprentices. This survey measured employers' satisfaction with training funded by the Department for Education (DfE). The survey applied to most general further education colleges, tertiary colleges, specialist colleges, local authorities and most independent learning providers that deliver publicly-funded training.

The 2020/21 FE Choices survey was suspended again due to the pandemic, therefore the College hosted an internal survey to gather feedback from our employers. Finding were overall positive, with 85% of employers recommending the College.

- **Learner numbers and achievement of funding body targets**

  Performance against the funding bodies' key classroom-based contracts was as follows:

	2020/21		2019/20	
	Contract £'000	**Actual £'000**	**Contract £'000**	**Actual £'000**
16-18 (and 19-24 High Needs)^	10,297*	10,950	8,973*	9,501
Adult Education Budget – ESFA	807*	923	928*	1,213
Adult Education Budget – WMCA	5,782	6,099	5,413*	4,717

**Original contract values*
^Programme funding; contract per budget versus final claim

  The unprecedented circumstances around the Covid-19 pandemic resulted in exceptional trading conditions and consequently exceptional concessions regarding funding contracts. For the Adult Education Budget these concessions were such that the actual Adult Education Budget funding contract value in place at the end of the year for the West Midland Combined Authority was earned in full.

- **Learner Success Rates**

  Most students achieve their qualifications and more do so than those in similar Colleges nationally. The proportion of students who achieve their qualifications at the College continues to be high (overall achievement 87%). This outcome demonstrates a sustained position of high achievement rates over the last four years.

- **Develop a Highly Engaged and Skilled Workforce**

  In 2020/21 staff turnover was 11.5%, above the College's benchmark of 10% (a 1.05% increase on the previous year) and annualised sickness absence was 3.1% against an annual target of 3.0%.

- **Employer Engagement**

  The College continues to lead in the engagement of employers in training and has been commended in its drive to shape the curriculum to reflect the changing requirements of employers. This is reflected in the very high employer satisfaction survey results quoted above.

Report of the Governing Body *(Continued)*

FINANCIAL PERFORMANCE

Financial Position

The College generated a consolidated deficit on continuing operations before other gains and losses in the year of £2,479,000 *(2020: £2,271,000 deficit)* before Revaluation Reserve release of £187,000, with total comprehensive income of £4,151,000 surplus *(2020: (£25,179,000) (deficit))*.

	2021	2020
	£'000	£'000
Deficit on continuing operations after depreciation of assets at valuation and tax	(2,479)	(2,271)
Revaluation reserve release	187	187
FRS 102 (28) pension adjustments	2,597	1,555
Profit on disposal	(2)	-
Restructuring Costs	17	132
Historical cost surplus / (deficit) before FRS 102 pension adjustments and restructuring costs	**320**	(397)

As shown above, the College returned a historic cost surplus of £320,000 *(2020: £397,000 deficit)*.

Within 2020/21, the College incurred staffing restructuring costs of £17k *(2020: £132k*) relating to a total of 3 leavers *(2020: 10 leavers)*. With regard to the FRS 102 valuation of the Local Government Pension Scheme (LGPS), the annual report was received from the Scheme Actuary in September 2021. This resulted in an additional charge to the Statement of Comprehensive Income of £2,597k *(2020: £1,555)* and actuarial gains of £6,522 *(2020: losses of £22,568k)*, whilst the Balance Sheet net liability reduced by £3.925m to £43.177m. This movement is largely a result of changes in assumptions around inflation and demographic assumptions.

The Black Country Area Review report was published in January 2017 which has significantly influenced the College's strategy in the period since. In respect of City of Wolverhampton College, the report included the following recommendation:

City of Wolverhampton College to undertake further work to explore, identify and commit to a solution that will deliver greater financial resilience and the potential for significant improvement in the College estate, by December 2016, ready to move quickly to implementation after that date.

- ***in terms of meeting current and future needs, working collaboratively with the other Black Country colleges will provide opportunities to deliver savings for the College, support the expansion of apprenticeships taking into account apprenticeship reform and develop progression routes to higher education to meet local skill needs***
- ***with regard to financial sustainability, while the College has made significant strides to improve its financial position, it still faces challenges around this and, in particular, the affordability of improvements needed to the college estate***
- ***in respect of quality of provision, the College is rated good by Ofsted and achievement rates have increased significantly over the past 3 years***
- ***the College offers provision in 14 subject areas including all 5 of the LEP's priority 'transformational sectors' of advanced manufacturing, building technologies, transport technologies, business services and environmental technology.***

Report of the Governing Body *(Continued)*

Following the recommendations outlined above the College worked in collaboration with numerous stakeholders to submit an application to the Transaction Unit in order to access the Restructuring Facility. The resultant agreement, completed in March 2018, aimed to:

- Reduce the College's outstanding liabilities in respect of both commercial and government debt, thus improving the College's net assets, reducing the costs of debt service and improving financial health through the Borrowing as a Percentage of Income measure
- Provide security to the West Midlands Pension Fund to maximise the period over which the existing pension deficit will be repaid
- Establish a commitment to the project to create a City Learning Quarter to provide outstanding facilities for learners in a central accessible location

The College has retained the Restructuring Fund Loan on the balance sheet at the same level as in 2019/20 at £6.25m in accordance with the agreed repayment schedule. The first scheduled repayment of £200k is due in 2022 and therefore in these financial statements an element of the Restructuring Fund Loan appears in creditors due within one year for the first time. This debt accrues interest at the 1 year fixed Public Loan Works Board rate which is currently 0.99%, adding further pressure to the College in comparison to the predecessor BIS Loan that was interest free. The debt was initially consolidated through the Transaction Unit agreement in 2018 with the repayment profile intended to align to the College's Campus Transformation. Owing to delays in securing the funding to realise this vision, there is presently a mismatch between the repayment profile and expected future revenues. Accordingly, it is expected that this debt will be restructured within the next 12 months to redress this imbalance.

At the balance sheet date, the College has accumulated reserves of (£35.620m), *(2020: (£39.771m))* which includes the recognition of pension liabilities in respect of Local Government Pension Scheme of £43,177k *(2020: £47,102k),* and group cash and short term investment balances of £1,460k *(2020: £841k)*. The College wishes to accumulate reserves and cash balances in order to create a contingency fund. The current ratio of 0.29 *(2020: 0.22)* is significantly distorted by the re-categorisation of debt due to the technical breach of loan covenants. Without this adjustment the current ratio would be 0.84 *(2020: 0.78)*.

Tangible fixed asset additions during the year amounted to £1,297k *(2020: £454k)*. This was split between land and buildings acquired of £545k *(2020: £34k),* equipment purchased of £752k *(2020: £202k*) and assets under construction of £nil *(2020: £217k)*. This related to a wide range of small projects as well as the progression of the overall Campus Transformation ambitions, with the College benefitting substantially from £977k of Capital Grant Funding from the ESFA in year.

The College continues to work closely in partnership with colleagues at Wolverhampton City Council to deliver the vision for the City Learning Quarter and, at the time of writing, the substantial majority of funding required has been secured. Efforts continue to confirm the full funding in order to commence the full build in the City Centre whilst in the meantime a new building at the Wellington Road Campus will be commencing in Summer 2022 ready to accommodate Motor Vehicle and Engineering provision as a part of the overall masterplan.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21 FE funding bodies provided 87.8% of the College's total income *(2020: 85.9%)*.

Report of the Governing Body *(Continued)*

Pension Obligations

A key element of the overall financial position of the College is the long-term affordability of its pension obligations to its employees. Successive significant increases in the College's Local Government Pension Scheme deficit have resulted in significant pressure on the College's Balance Sheet giving rise to the overall level of net liabilities. Following the 2019 revaluation the College's contribution rate increased to some 19.2% from April 2019 and rose further from April 2020 to 20.2%, the College made additional fixed payments during the year of £142k (2020: £434k, 2019: £151k).

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate 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 Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

At £1,920k *(2020: £957k)*, net cash inflow from operating activities has further improved since 2019/20 despite very challenging market conditions which is reflective of the ongoing efforts to drive long term sustainability. Nonetheless, the size of the College's total borrowing including the Restructuring Fund loan continues to place significant pressure on the College's cash flows which are managed closely to ensure all liabilities are met. The commercial loans in place are on fixed interest rates with forward plans incorporating repayments of capital and interest to the agreed loan repayment profiles. Overall levels of cash increased from some £841k to £1,460k.

During the year the College maintained the payments on its outstanding loans in accordance with all terms, though at the Balance Sheet date the College incurred a technical breach of loan covenants based on the total cash balance. The bank, in its discussions with the college, has confirmed its ongoing support to work with the college to resolve this position going forward.

Reserves Policy

The College recognises that it is significantly dependent on government funding which is not guaranteed. It is crucial therefore to ensure there are sufficient reserves to support the College while other sources of income are secured, and fundraising is considered to allow the College to wind up while meeting its obligation to staff and service users, if existing sources of income are lost.

Report of the Governing Body *(Continued)*

To assure ongoing sustainability, if funding difficulties were to occur, the Board of Governors has targeted to keep a certain level of income and expenditure reserves before pension liability to ensure that main operations can continue for a minimum period of 12 months to ensure:

- that staff can continue working
- that there is time to secure new funding
- that students are supported to move on to other providers
- it has sufficient resources to meet its liabilities

The reserves will be built up from the unrestricted (earned) income.

The greatest challenge to the College's short-term financial stability is the annual cash cycle which typically sees high levels of cash in the first quarter of the financial year and a cash-minima in April. The College continues to have close dialogue with the ESFA, as principal regulators, and key stakeholders and funders including Wolverhampton City Council and the West Midlands Combined Authority which provide options for payment flexibility on key contracts should there be a risk that the College is unable to operate within its agreed facilities.

Report of the Governing Body *(Continued)*

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Curriculum developments

The College continues to plan for ongoing curriculum and funding changes. Investment in the learning environment information technology infrastructure and a whole College system have taken place through significant amounts invested in such items.

The College has a national reputation for curriculum innovation and change and has shared best practice with numerous other Colleges. It has introduced new courses in many areas of the curriculum in order to meet student needs better with a particular strength in making students ready for the next stage in their lives.

Many of our students have low levels of prior educational achievement. The range of courses offered has been designed to ensure students are able to move securely into the labour market or other positive destinations including progression onto higher levels of education.

A new curriculum planning process was implemented in December 2019 offering a broader and richer curriculum offer to set our local and national curriculum intent within the 2020/21 curriculum plan. As it was extremely successful the College decided to follow a similar model but with still further enhancements for the 2021/22 curriculum plan.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The College's policy is to pay suppliers on the next purchase ledger run after the debt became due. On the rare occasion where this is not possible the College aims to communicate this with suppliers to arrange a mutually agreeable payment date.

Future prospects

The College continues to work closely with its stakeholders in order to assure its long term future prospects. Against a backdrop of the Transaction Unit agreement completed in 2018, the College’s relationship with City of Wolverhampton Council continues to be strong in working to achieve both Campus Transformation and long-term sustainability. With both strong success in the classroom and growing learner numbers, it is envisaged that enhanced facilities available for learners will enable the College to meet the demands of forthcoming demographic growth. Political support for Further Education is now intensifying and locally the demand for skills is high.

At the time of writing, some two-thirds of the funding for the College’s Estates vision have been secured, which includes the full funding for New Engineering and Motor Vehicle facilities at Wellington Road whereby construction is due to commence in 2022. Discussions regarding the remainder of the funding mix are positive and therefore the outlook for confirming the full proposal in the very near future is encouraging.

The College considers it is appropriate to use the “going concern” assumption having due regard to best practice developments in the UK Corporate Governance Code 2014 in respect of going concern and risk management reporting. With the collective ongoing support of stakeholders, including Wolverhampton City Council, West Midlands Pension Fund, the ESFA and the Bank, the College believes it will be able to continue in operation and meet its liabilities, taking account of the current position and principal risks.

Report of the Governing Body *(Continued)*

Covid-19

The 2020/21 year and has been dominated again by the impact of the Covid-19 pandemic. Operationally further lockdowns, interspersed with other restrictions, has severely impacted the College. In late March 2020, the College closed physical operations to all but the most vulnerable of students with teaching and support services being delivered almost entirely remotely. Students were supported to achieve their qualifications where appropriate to do so, with a combination of calculated grades and additional scheduled assessments depending on the technical area of curriculum. Areas of commercial interest suffered significantly, including the use of sports facilities, hair and beauty, catering and full cost training, most notably courses scheduled at the Telford Campus.

Where possible, the College accessed support funding, including the Coronavirus Job Retention Scheme (CJRS) and the Provider Relief Scheme which topped up funding for non-levy apprentices. The ESFA and West Midlands Combined Authority also introduced concessions regarding Adult Education Budget Funding. Through a combination of these measures, and maintaining the close vigilance on the cash position and expenditure, the impact on both the College's operating position and cash balances was significantly reduced.

Given the experience of the last two academic years, planning for 2021/22 was cautiously optimistic. Since 31 July 2021, the College has continued to trade and forecasts indicate that the College will still be able to operate within its agreed overdraft limit for at least the next 12 months.

RESOURCES

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

The modernisation of the estate has proven to be a key factor in the development of the College. There is a proven link between the investment and participation levels, evidenced at Wellington Road and Metro One.

Financial

The College has £35.620 million of net liabilities (including £43.177 million pension liability) and long term liabilities of £13.867 million (including £7.7m of Government capital grants). Without the re-categorisation of £6.602 million of long term commercial debt due to the technical covenant breach, long term debt would be £20.104 million.

People

The College employs 452 *(2020: 465)* people (expressed as full-time equivalents), of whom 213 *(2020: 215)* are teaching staff.

Reputation

The College has continued to make improvements in recent years and has sustained performance levels. During this time the College has been nationally recognised as a leading provider, collecting numerous prestigious awards and achieving high levels of student and employer satisfaction.

No actions were required following the 2020 College Matrix assessment which was undertaken during the national lockdown, and the impressive speed to the implementation of improvements was commented upon. 91% of learners agreed they were told about the choice of courses and 95% of learners stated that they feel that they are on the right course.

These results are also reflected in the feedback from parents/carers during Progress Evenings and triangulate with the high levels of feedback from students and employers

Report of the Governing Body *(Continued)*

PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to develop and embed the system of internal control, including financial, operational, and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Executive Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Executive Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at College level which is reviewed at each scheduled meeting of the Audit Committee which is scheduled termly. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the College. In the exceptional conditions arising from the ongoing pandemic, a separate dedicated Covid-19 risk register was created to support managers and governors in understanding the key risks and taking appropriate action.

Outlined below is a description of the principal risk factors that featured in the main risk register presented to the Audit Committee in July 2021. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

1 Going Concern and Financial Sustainability

The challenges of the early 2010s have had a significant detrimental impact on the College's balance sheet strength. Successive rounds of restructuring which were necessary to re-balance the operating financial position depleted cash reserves markedly. Low interest rates, a diminished overall workforce and the pressure of affordability have resulted in exponential increases in the Local Government Pension Scheme liability, whilst pension administrators seek enhanced contributions to reduce overall deficits.

The Area Review report concluded that action was needed to improve the College's financial resilience in order to assure its status as a going concern.

During 2017/18 the College worked with partners including the ESFA, the Transaction Unit, Barclays, the West Midlands Pension Fund and Wolverhampton City Council to agree a solution which would establish a financial footing aimed to provide a platform to support the College in achieving its medium to long term strategic objectives. This encompassed a combination of short term support through to longer term campus re-development which underpins future plans to grow. Despite ambitions to grow apprenticeships which proved to be over-ambitious, additional 16-19 growth has assured that the College's profitability and pay as a percentage of income metrics are not out of kilter with other comparable colleges.

Critically, however, the significant impact of pension and loan finance payments on the College's financial position continue to challenge the College's solvency and at the heart of this is the resulting overall low level of cash and cash-generation. Despite recent 16-19 rate increases, long-term stagnation in national funding rates have also compounded pressure on the College and the wider sector. There still is a considerable shortfall in real terms to the funding levels of ten years ago.

The College has breached bank covenants for the year and is forecast to do so in the 2021/22 year. This translates into a risk that existing funding could be withdrawn. The College continues to work very closely with key stakeholders, including the Bank, to maintain the College's overall status as a going concern.

Report of the Governing Body *(Continued)*

2 Recruitment of Learners and Increasing Local Competition

The College has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2020/21, 88% of the College's revenue was ultimately publicly funded. This was higher than recent years as the impact of the Pandemic on commercial activities was profound. High levels of reliance on government funding is expected to continue. Competition for learners is fierce not only amongst local FE Colleges but also School Sixth Forms. Maintaining levels of 16-18-year-old and adult learners in the classroom, as well as maximising opportunities for apprenticeships, are critical to the financial outturn of the College.

The 2019/20 year presented additional challenges with the separation of the Adult Education Budget (AEB) into devolved and non-devolved budgets as the West Midlands Combined Authority picked up responsibility for funding within its region. Given the College's proximity to the South Staffordshire border and delivery location in Shropshire this presented additional complexity in terms of understanding recruitment patterns, assuring meeting contract targets and managing external stakeholders.

This risk is mitigated in a number of ways:

- Building and maintaining strong working relationships with key local employers who are investing in growth sectors, most notably engineering and construction. The College is prioritising investment in industry standard facilities that these businesses require to ensure the training delivers the correct level of employment skills. In turn this has resulted in continued strength in the relationship with the Combined Authority which is providing a platform for future growth.
- Funding derived through a number of direct and indirect contractual arrangements.
- By ensuring the College is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with all funding bodies.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Maintaining regular dialogue with key stakeholders that is underpinned by timely and accurate management information.

As a result of these actions, the College has continued to grow contracts in respect of both 16-19 and adult learners.

3 Accuracy of Financial Planning and Financial Health

Given the ongoing fragility of the College's financial position, it is essential that financial planning is accurate and timely in order to facilitate management action.

This risk is mitigated through:

- Routine consideration of financial matters at meetings of the Governing Body
- Financial health measures being calculated on a monthly basis as a part of the routine financial reporting cycle
- The forecast financial results are updated in each set of monthly management accounts
- An internal meeting framework supports the ongoing appraisal of performance for key contracts including 16-18 and adult classroom provision and apprenticeships

Report of the Governing Body *(Continued)*

4 Ensuring Sufficient Funding and Provision for High Needs Students

The College maintains a significant volume of High Needs provision. Supporting learners with, in some cases, complex needs there is a natural requirement for high levels of resources to maintain a high quality of provision. The ongoing security of this activity is dependent on sufficient places being agreed with the local authorities for both Element 2 funding and Element 3 top-up funding which must be agreed on a learner by learner basis.

Council budgets for High Needs provision are in most cases spread thinly which translates into a pressure to minimise costs. The College's provision has also been reviewed in order to balance the efficiency of curriculum design with the needs and expectations of stakeholders.

In order to mitigate this risk, the College continues to work closely with local authorities to ensure that EHCPs (Education, Health and Care Plans) are in place which are supported by dialogue to ensure that any issues are resolved and plans are in place for future requirements.

5 Securing Campus Transformation

The College has ambitious plans to secure Campus Transformation, with new and sector leading facilities in the heart of the City being supplemented by first class vocational facilities at the City of Wolverhampton Technology Centre (CowTechC), the College's current site at Wellington Road, Bilston. Securing the funding to deliver the project is challenging given the complex nature of the project and longevity of the programme which does not always align to funding in discrete years for projects.

Whilst funding has been secured for the CoWTechC initiative and the overwhelming majority of funding for the full project has been confirmed, there remains a funding gap. This is under active discussion with current and potential funders with expectations of a positive announcement in the first half of 2022.

The project is overseen by a detailed oversight structure both with stakeholders and through the Governing Body.

Covid-19

Given the unprecedented circumstances of the global pandemic, it was deemed appropriate to produce a dedicated risk register which remains in place at the time of writing. The most significant entries reported to the July Audit Committee included:

- Potential significant changes to learner numbers which may impact on staffing and / or viability.
- The impact of Covid-19 on day-to-day operations, reducing operating efficiencies through increased distancing.
- The risk of reduced appetite for employers to take on apprentices.
- September enrolment being reduced due to issues relating to the Pandemic.
- Whether the key funding bodies would be able to adapt quickly enough to a rapidly changing environment, continuing to provide support where needed.
- The potential for support schemes to cease whilst operational issues could continue.

Report of the Governing Body *(Continued)*

STAKEHOLDER RELATIONSHIPS

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

- Students and apprentices
- Education sector funding bodies
- Staff and Governors
- Local employers (with specific links)
- Local authorities and the West Midlands Combined Authority
- Local Enterprise Partnerships (LEPs)
- The local community
- Other FE institutions, including the Colleges West Midlands group
- Trade unions
- Professional bodies
- Local schools

The College recognises the importance of these relationships and engages in regular communication with them through the social media platforms, sharing of College briefings, an enhanced web site and by meetings.

Equal opportunities

The College is committed to ensuring that all employees, students, apprentices and visitors are treated equally regardless of the following protected characteristics of age, gender, disability, gender reassignment, pregnancy or maternity, race (including ethnic or national origins, colour or nationality), religion or belief, sex and sexual orientation, marriage and civil partnership (employment only). The policy also applies to any franchised or subcontracted provision run by the College and to contractors working at the College. This policy is resourced, implemented and monitored on a planned basis.

In line with Chapter 15 of the Equality Act 2010, the Governing Body of the College has a specific responsibility to ensure there is no discrimination, harassment or victimisation against any person in respect of the admissions procedure, enrolment and terms of enrolment, the provision of training, and access to College services, facilities and support and exclusion from a course. Consideration will also be given to the prevention of discrimination against a disabled person in respect of the award of their qualification (subsection 3).

An annual Equality, Diversity and Inclusion Report that covers students, apprentices and staff is published.

The College is a Disability Confident Employer and has committed to the principles and objectives of the standard. The College offers a guaranteed interview scheme for disabled applicants who meet the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the ‘Mindful Employer’ initiative to assist the mental health wellbeing of staff.

Report of the Governing Body *(Continued)*

Disability statement

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

a) As part of its accommodation strategy the College engaged with experts to conduct a full access audit, and the results of this formed the basis of funding capital projects aimed at improving access.
b) The College has appointed an Additional Learning Support and Safeguarding Manager, who provides information, advice and arranges support, where necessary, for students with disabilities.
c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the Study Hub.
d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support workers who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
g) Counselling and welfare services are described in the Prospectus and Information leaflets which are issued to students, together with the Complaints and Disciplinary Procedure leaflets at induction.

Report of the Governing Body *(Continued)*

Trade union facility time

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, where a public authority (including FE colleges) has more than 49 full time equivalent employees throughout any 7 months within the reporting period, it must include information included in Schedule 2 of the Regulations.

Relevant union officials

Numbers of employees who were employed in the relevant period	FTE employee number
2	2

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time	
Total pay bill	£19,938,000
Total cost of facility time	£7,421
Percentage of total bill spent on facility time	0.037%

Paid trade union activities

Hours spent on facility time	282.5
Hours spent on paid trade union activities	127
Time spent on paid trade union activities as a percentage of total paid facility time	44.96%

Report of the Governing Body *(Continued)*

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 31 January 2022 and signed on its behalf on 31 January 2022 by:

M. Taylor

Mark Taylor

Chair of Governors

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2020 to 31 July 2021 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"), and
iii. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

The Corporation is committed to exhibiting best practice in all aspects of corporate governance and in particular the Corporation has adopted and complied with the Code of Good Governance for English Colleges. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the Corporation complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015 (as amended), which it formally adopted on 20 July 2015.

Statement of Corporate Governance and Internal Control *(Continued)*

The Corporation

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

The Corporation	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees served	Attendance 2020/21
Ms I Axinte	29/03/21	31/03/25	-	Governor	-	4/5
Mr J Bradford Chair of Audit Committee from 29 March 2021	01/09/20	31/07/24	-	Governor	Audit Campus Transformation Oversight Group	17/19
Ms E Bull Chair of Remuneration	01/08/19	31/07/23	-	Governor	Search and Governance Remuneration	19/21
Mr M Cowgill	05/03/18	Tenure	-	Principal	Search and Governance Campus Transformation Oversight Group	21/21
Mr C Crosdale Vice Chair from 01/09/20	23/05/11	31/07/22	-	Governor	Search and Governance Remuneration	20/21
Mr S Duru	29/03/21	31/03/25	-	Governor	-	5/5
Mr T Dutton	01/08/19	31/07/23	-	Governor	Audit Campus Transformation Oversight Group	19/21
Mr I Evans	01/09/20	31/07/22	20/01/21	Associate Member of the Audit Committee	Audit	0
Mr I Fegan	01/08/19	31/07/23	29/03/21	Governor	-	6/7
Ms L Flynn	29/03/21	31/03/25	-	Governor	Apprenticeship Task and Finish Group	4/6

Statement of Corporate Governance and Internal Control *(Continued)*

The Corporation	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees served	Attendance 2020/21
Mr I Gardner	29/03/21	31/03/25	-	Governor	Apprenticeship Task and Finish Group Campus Transformation Oversight Group	8/8
Mr J Gough	20/05/19	31/07/23	-	Associate member of the Campus Transformation Oversight Group	Campus Transformation Oversight Group	2/2
Ms A Luis	24/09/21	31/07/22	-	Student Governor	-	N/A
Mr M Hastings Vice Chair Chair of the Campus Transformation Oversight Group	23/07/18	31/07/22	-	Governor	Audit Search & Governance Remuneration Campus Transformation Oversight Group	24/28
Mr C Horwath	18/04/18	31/03/22	14/10/20	Associate member of the Audit Committee	Audit	1/1
Mrs H Knight	29/03/21	31/03/25	-	Governor	-	3/5
Mr P Leivers	01/09/20	31/7/24	29/03/21	Governor	-	5/7
Ms N Rai Chair of the Apprenticeship Task and Finish Group	01/09/20	31/07/24	-	Governor	Apprenticeship Task and Finish Group	11/15

Statement of Corporate Governance and Internal Control *(Continued)*

The Corporation	Date of appointment	Term of Office	Date of resignation	Status of appointment	Committees served	Attendance 2020/21
Ms A Shannon Chair of Audit Committee to 29/03/21 Associate Member of the Audit Committee	23/07/18 29/03/21	31/07/22	29/03/21 -	Governor Associate Member of the Audit Committee	Audit Audit	11/11
Mr A Singh	29/03/21	31/03/25	-	Governor	Apprenticeship Task and Finish Group	3/6
Ms S Slater	28/01/19	27/01/23	-	Staff Governor	Campus Transformation Oversight Group	17/17
Mr Y Songwe	25/11/19	31/07/21	31/07/21	Student Governor	-	10/14
Mr M Taylor Chair and Chair of Search and Governance	25/02/19	31/07/23	-	Governor	Remuneration Search and Governance	**19/21**
Mr S Thompson	29/03/21	31/03/25	-	Governor	-	2/5
Mrs A Tomlinson	14/12/20	31/07/24	-	Governor	Audit	9/11

Mrs E Ball acted as Clerk to the Board of Governors.

Statement of Corporate Governance and Internal Control *(Continued)*

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

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

The Corporation operates an approved schedule of regular meetings and conducts its business through a number of committees and task and finish groups. Each committee and task and finish group has terms of reference, which have been approved by the Corporation. During 2020/21 these were Audit, Remuneration, and Search and Governance, the Campus Transformation Oversight Group and the Apprenticeship Task and Finish Group. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website www.wolvcoll.ac.uk or from the Clerk to the Head of Governance at:

City of Wolverhampton College
Paget Road
Wolverhampton
WV6 0DU

The Corporation adopted the Carver model of Governance with effect from August 2015 and the Audit, Remuneration and Search and Governance Committees have remained in place from that date. The Campus Transformation Oversight Group was established in 2018 and the Apprenticeship Task and Finish Group was established in 2020.

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

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Corporation is the appointing authority for all its non-executive members and Governors who are nominated by an organisation are not subject to any mandate and act independently declaring conflicts of interest as appropriate.

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

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee which is comprised of the Chair, Vice Chairs, Accounting Officer and two Independent members of the Corporation. The Committee is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Statement of Corporate Governance and Internal Control *(Continued)*

Corporation performance

The Board of Governors reviewed its performance for 2020/21 at the Board meeting on 31 January 2022 taking into consideration the annual self-assessment of Governance, the role of the Committees and a review of performance against the Code of Good Governance for English Colleges. The College's Key Performance Indicators are reported to the Board at least on a quarterly basis with financial performance indicators also being reported in the monthly management accounts. These indicators are derived from the College's Strategic Objectives and cover all aspects of the College's performance including teaching and learning, learner outcomes, learner satisfaction, employer engagement, partnerships, enrolments and financial indicators. The KPIs form a sound basis from which managers and Governors can monitor and judge performance and progress. The annual and three year targets are based on comparative data (where appropriate) and targets are set to be stretching, but achievable.

The Board was able to take considerable assurance that governance arrangements are robust and appropriately structured to support delivery of the strategic plan and continued improvements to the College.

Remuneration Committee

The City of Wolverhampton College has established a Remuneration Committee with responsibility to undertake an annual review of, and advise the Corporation on, the level of remuneration including basic salary, benefits in kind, annual bonus/performance related elements and pension provisions. Details of remuneration for the year ended 31 July 2021 are set out in note 8 to the financial statements.

The Remuneration Committee recommended the adoption of the College's Senior Staff Remuneration Code to the Corporation for approval at its meeting held on 25 November 2019.

The membership of the Remuneration Committee for the 2020/21 academic year was:

Emma Bull	Chair
Mark Taylor	(Chair of the Board of Governors)
Mike Hastings	(Vice Chair of the Board of Governors)
Clarence Crosdale	(Vice Chair of the Board of Governors)

Senior Post Holders

The roles designated as Senior Post Holders and within the Remit of the Remuneration Committee are the Principal and the Vice Principal Business Success. The Remuneration Committee also advises on the terms and conditions of service and the level of remuneration of the Head of Governance but this post is not formally designated as a Senior Post.

Remuneration Committee

In 2020/21 the Remuneration Committee met on three occasions on 15 October 2020, 7 December 2020 and 22 July 2021 and reviewed the remuneration of those staff within its remit. The Committee met in private without staff members in attendance.

The Head of Governance acted as Clerk to the Committee.

There were four members of the Remuneration Committee including the Chair of the Board of Governors and the two Vice Chairs. The Chair of the Board of Governors is not the Chair of the Remuneration Committee.

The Principal is not a member of the Remuneration Committee.

Statement of Corporate Governance and Internal Control *(Continued)*

Senior Post Holder Remuneration

There has not been an increase in the salary of the Principal during the 2020/21 academic year.

The Vice Principal Business Success (who is a Senior Post holder) received an increase in salary in October 2020.

The City of Wolverhampton College does not operate a bonus scheme for Senior Post Holders nor does it offer any additional benefits e.g. lease cars.

Senior Post Holders are entitled to participate in the Local Government or Teachers Pension Scheme.

Senior Post Holders expenses are paid in accordance with the College's expenses policy.

Choice of comparator college(s)/organisation(s)

In considering salary increases, the Remuneration Committee has regard to the latest benchmarking information available in the Association of Colleges Senior Pay Survey which is published on an annual basis.

The Committee also has regard to market conditions and the skills and experience required to fulfil the role, particularly in the context of the current difficulties being faced by the College and the significant developments in relation to the Campus Transformation.

As appropriate the Remuneration Committee also has regard to benchmarking data provided by other organisations e.g. CIPFA

Pay Multiple of the Chief Executive/Principal and the median earnings of the institution's whole workforce

Details of the pay multiple of the Chief Executive/Principal are set out in note 8 to the financial statements. In 2020/21 the Chief Executive/Principal pay was 6.4 times (2020: 6.4) the pay of the median employee.

Significant changes

The changes during the year have mainly been to consider the appraisals of the Principal, the Vice Principal Business Success and the Head of Governance and to consider and recommend the Remuneration Committee annual report.

Severance arrangements

During the period covered by the report the Remuneration Committee was not asked to consider any such arrangement.

Statement of Corporate Governance and Internal Control *(Continued)*

Audit Committee

The Audit Committee comprises a Chair and three other members of the Corporation (excluding the Accounting Officer and Chair) and an associate member. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place within City of Wolverhampton College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

Statement of Corporate Governance and Internal Control *(Continued)*

The risk and control framework

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

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

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

Review of effectiveness

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

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

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

The Executive Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Management Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes an annual item for consideration of risk and control and receives reports thereon from the Executive Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its January 2022 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the Executive Management Team and internal audit, and taking account of events since 31 July 2021.

Statement of Corporate Governance and Internal Control *(Continued)*

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

Going concern

In determining whether the College's annual financial statements can be prepared on a going concern basis, the Governors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position, including the impact of the Covid-19 pandemic. The review also includes the financial position of the College and the wider Group, their short term and long-term cash flows, liquidity position and borrowing facilities.

The key factors considered by the Governors in making the assessment of going concern included:

- The implications of changes to the social and economic environment on the College's revenues and surpluses. In particular, the impact the College's ability to deliver activity in line with its forecast for the year.
- Breaches in the College's bank covenants for 2019, 2020 and 2021 and the forecast position for the current financial year, especially in relation to the requirement to hold at least a £2.5million cash balance at 31 July 2022. A breach in the covenants would, under the terms of the agreement, mean the loan becomes repayable on demand and in that event the college would be unable to fully repay the loan.
- Expected capital repayments on the College's £6.601 million loan facility provided by Barclays Bank plc and the £6.25 million loan facility provided by the Secretary of State for Education.
- Downside scenario models including the impact on the delivery of activity in the current financial year as well as the mitigating factors available such as delaying non-essential capital and maintenance expenditure.

Having assessed the above factors, the Governors acknowledge that there is the possibility that the targeted cash balance at 31 July 2022 will not be achieved and a resultant risk of non-compliance with banking covenants, and that this constitutes a material uncertainty which may cast doubt on the Group's ability to continue as a Going Concern. Having assessed the mitigating actions available, and after making inquiries, the Governors are confident that the Group and College can continue in operational existence for at least the next twelve months from the date of signing the financial statements and will retain the support of its bankers although this has not been formally communicated. For these reasons, the Governors continue to adopt the going concern basis for the preparation of these financial statements and in preparing the financial statements they do not include any adjustments that would be required to be made if they were prepared on a basis other than going concern.

Approved by order of the members of the Corporation on 31 January 2022 and signed on its behalf by:

M. Taylor

Mark Taylor	**Malcolm Cowgill**
Chair of Governors	**Accounting Officer**

Governing Body's Statement on the College's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding

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

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

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

M. Taylor

Mark Taylor

Chair of Governors

31 January 2022

Malcolm Cowgill

Accounting Officer

31 January 2022

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation (who act as trustees for the charitable activities of the College) are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the Funding Agreement between the Education and Skills Funding Agency and the Corporation of the College, requires the corporation of the college to prepare financial statements and the Report of the governing body for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions the annual Accounts Direction issued by the Education and Skills Funding Agency, Accounts Direction issued by the Office for Students and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and which give a true and fair view of the state of affairs of the College and of the College's surplus/deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is responsible for adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy, at any time, the financial position of the College, and enable it to ensure that the financial statements are prepared in accordance with the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. They are also responsible for ensuring funds from Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them.

Approved by order of the members of the corporation on 31 January 2022 and signed on its behalf on 31 January 2022 by:

M. Taylor

Mark Taylor
Chair of Governors

Independent Auditor’s Report to the Corporation of City of Wolverhampton College

Opinion

We have audited the financial statements of City of Wolverhampton College (the “College”) and its subsidiary (the “Group”) for the year ended 31 July 2021 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group’s and of the College’s affairs as at 31 July 2021 and of the Group’s and the College’s deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Material uncertainty related to going concern

We draw your attention to the Accounting policies on page 42 which indicates that due to the current risks associated with the delivery of the College's activities a risk exists that the forecasted financial position for the current academic year may not achieve the level of cash balance at 31 July 2022 required under the College's banking agreement and therefore a risk of non-compliance with banking covenants exists. As stated in the Accounting Policies, these events or conditions indicate a material uncertainty exists that may cast significant doubt on the Group and College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor’s report thereon. The governors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent Auditor's Report to the Corporation of City of Wolverhampton College *(Continued)*

Opinion on other matters prescribed by the Office for Students' 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;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2020 to 2021 issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

We have nothing to report in respect of the following matters where the Office for Students' accounts direction requires us to report to you if:

- the College's grant and fee income, as disclosed in note 9 to the accounts, has been materially misstated.
- The College's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Corporation of City of Wolverhampton College

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

In preparing the financial statements, the Corporation is responsible for assessing the Group's and 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 the Corporation either intend to liquidate the Group or the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

RSM

Independent Auditor's Report to the Corporation of City of Wolverhampton College *(Continued)*

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the group and College operates in and how the group and college are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency, Regulatory Advice 9: Accounts Direction published by the Office for Students' and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

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

Independent Auditor's Report to the Corporation of City of Wolverhampton College *(Continued)*

Use of Our Report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged 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 Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date:

Independent Reporting Accountant's Report on Regularity to the Corporation of City of Wolverhampton College and the Secretary of State for Education Acting through the Education and Skills Funding Agency

Conclusion

We have carried out an engagement, in accordance with the terms of our engagement letter and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by City of Wolverhampton College during the period 1 August 2020 to 31 July 2021 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 to 31 July 2021 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Basis for conclusion

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

We are independent of the City of Wolverhampton College in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

Responsibilities of Corporation of City of Wolverhampton College for regularity

The Corporation of City of Wolverhampton College is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of City of Wolverhampton College is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

Reporting accountant's responsibilities for reporting on regularity

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

RSM

Independent Reporting Accountant's Report on Regularity to the Corporation of City of Wolverhampton College and the Secretary of State for Education Acting through the Department for Education *(Continued)*

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and high level financial control areas where we identified a material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

This work was integrated with our audit of the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to the Corporation of City of Wolverhampton College and the Secretary of State for Education acting through 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 City of Wolverhampton College and the Secretary of State for Education acting through the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of City of Wolverhampton College and the Secretary of State for Education acting through the ESFA for our work, for this report, or for the conclusion we have formed.

RSM UK AUDIT LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date:

Consolidated Statement of Comprehensive Income and Expenditure Statement of Comprehensive Income

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	24,273	24,273	23,078	23,078
Tuition fees and education contracts	3	2,042	2,042	2,294	2,294
Other grants and contracts	4	239	210	179	179
Other income	5	1,078	1,092	1,325	1,332
Investment income	6	-	-	5	5
Donations	7	-	-	-	-
Total income		**27,632**	**27,617**	**26,881**	**26,867**
EXPENDITURE					
Staff costs	8	19,963	19,587	19,368	19,167
Other operating expenses	9	7,325	7,686	7,087	7,274
Depreciation	12	1,527	1,527	1,539	1,539
Interest and other finance costs	10	1,296	1,296	1,159	1,159
Total expenditure		**30,111**	**30,096**	**29,153**	**29,139**
(Loss) / surplus before other gains and losses		**(2,479)**	**(2,479)**	**(2,271)**	**(2,271)**
Profit on disposal of assets	9	2	2	-	-
(Loss) / surplus before tax		**(2,477)**	**(2,477)**	**(2,271)**	**(2,271)**
Taxation	11	-	-	-	-
(Loss) / surplus for the year		**(2,477)**	**(2,477)**	**(2,271)**	**(2,271)**
Actuarial gain/(loss) in respect of pension	18 25	6,628	6,628	(22,908)	(22,908)
Total Comprehensive Income for the year		**4,151**	**4,151**	**(25,179)**	**(25,179)**
Represented by:					
Restricted comprehensive income		**-**	**-**	**-**	**-**
Unrestricted comprehensive income		**4,151**	**4,151**	**(25,179)**	**(25,179)**
Total Comprehensive Income for the year		**4,151**	**4,151**	**(25,179)**	**(25,179)**
Surplus for the year attributable to:					
Non-controlling interest		**-**	**-**	**-**	**-**
Group		**(2,477)**	**(2,477)**	**(2,271)**	**(2,271)**
Total Comprehensive Income for the year:					
Non-controlling interest		**-**	**-**	**-**	**-**
Group		**4,151**	**4,151**	**(25,179)**	**(25,179)**

The income and expenditure account is in respect of continuing activities.

Consolidated and College Statement of Changes in Reserves

Group

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2019	**(20,187)**	**5,595**	**(14,592)**
Loss for the year	(2,271)	-	(2,271)
Other comprehensive income	(22,908)	-	(22,908)
Transfers between revaluation and income and expenditure reserves	187	(187)	-
Total comprehensive Income for the year	**(24,992)**	**(187)**	**(25,179)**
Balance at 31 July 2020	**(45,179)**	**5,408**	**(39,771)**
Loss for the year	(2,477)	-	(2,477)
Other comprehensive income	6,628	-	6,628
Transfers between revaluation and income and expenditure reserves	187	(187)	-
Total comprehensive income for the year	**4,338**	**(187)**	**4,151**
Balance at 31 July 2021	**(40,841)**	**5,221**	**(35,620)**

College

	Income and expenditure account	Revaluation reserve	Total
Balance at 1 August 2019	**(20,187)**	**5,595**	**(14,592)**
Loss for the year	(2,271)	-	(2,271)
Other comprehensive income	(22,908)	-	(22,908)
Transfers between revaluation and income and expenditure reserves	187	(187)	-
Total comprehensive Income for the year	**(24,992)**	**(187)**	**(25,179)**
Balance at 31 July 2020	**(45,179)**	**5,408**	**(39,771)**
Loss for the year	(2,477)	-	(2,477)
Other comprehensive income	6,628	-	6,628
Transfers between revaluation and income and expenditure reserves	187	(187)	-
Total comprehensive income for the year	**4,338**	**(187)**	**4,151**
Balance at 31 July 2021	**(40,841)**	**5,221**	**(35,620)**

Balance sheets as at 31 July

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Non-current assets					
Tangible fixed assets	12	32,124	32,124	32,354	32,354
Investments	13	-	-	-	-
		32,124	**32,124**	**32,354**	**32,354**
Current assets					
Stocks		17	17	10	10
Debtors	14	1,260	1,306	1,249	1,249
Cash at bank and in hand	19	1,460	1,405	841	811
		2,737	**2,728**	**2,100**	**2,070**
Less: Creditors – amounts falling due within one year	15	(9,513)	(9,504)	(9,276)	(9,246)
Net current liabilities		**(6,776)**	**(6,776)**	**(7,176)**	**(7,176)**
Total assets less current liabilities		**25,348**	**25,348**	**25,178**	**25,178**
Creditors – amounts falling due after more than one year	16	(13,867)	(13,867)	(13,611)	(13,611)
Provisions					
Defined benefit pension schemes	18	(43,177)	(43,177)	(47,102)	(47,102)
Other provisions	18	(3,924)	(3,924)	(4,236)	(4,236)
Total net liabilities		**(35,620)**	**(35,620)**	**(39,771)**	**(39,771)**
Reserves					
Income and expenditure account (including pension scheme deficit of (£43,177k) *(2020: (£47,102k)*		(40,841)	(40,841)	(45,180)	(45,180)
Revaluation reserve		5,221	5,221	5,409	5,409
Total reserves		**(35,620)**	**(35,620)**	**(39,771)**	**(39,771)**

The financial statements on pages 38 to 66 were approved and authorised for issue by the Corporation on 31 January 2021 and were signed on its behalf on 31 January 2022 by:

M. Taylor

Mark Taylor

Chair of Governors

31 January 2022

Malcolm Cowgill

Accounting Officer

31 January 2022

Consolidated Statement of Cash Flows

	Notes	2021	2020
		£'000	£'000
Cash flow from operating activities			
Deficit for the year		(2,477)	(2,271)
Adjustment for non-cash items			
Depreciation		1,527	1,539
Deferred capital grants released to income		(351)	(387)
Increase in stocks		(7)	(4)
(Increase) / Decrease in debtors		(5)	273
Increase / (Decrease) in payments on account		401	(38)
Decrease in creditors due in one year		(83)	(185)
Increase in creditors due after one year		-	-
Decrease in accruals		(88)	(86)
Decrease in provisions		(261)	(263)
Pensions adjustments		1,970	1,087
Write off of ESFA loan		-	-
Adjustment for investing or financing			
Investment income		-	(5)
Interest payable		1,296	1,159
New finance lease		-	138
Profit on sale of fixed assets		(2)	-
Net cash flow from operating activities		**1,920**	**957**
Cash flows from investing activities			
Proceeds from sale of fixed assets		2	-
Investment income		-	5
Deferred capital grants received		977	-
Payments made to acquire fixed assets		(1,262)	(380)
		(283)	**(375)**
Cash flows from financing activities			
Interest paid		(614)	(609)
New loans		-	52
Repayments of amounts borrowed		(365)	(333)
Repayments of finance leases		(39)	0
		(1,018)	**(890)**
Increase/ (Decrease) in cash and cash equivalents in the year		**619**	**(308)**
Cash and cash equivalents at beginning of the year	19	841	1,150
Cash and cash equivalents at end of the year	19	**1,460**	**841**

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FEHE SORP), the College Accounts Direction for 2020 to 2021, and Regulatory Advice 9: Accounts Direction issues by the Office for Students, and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

The consolidated financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified to include the revaluation of freehold properties.

Reduced Disclosures

In accordance with the F&HE SORP 2019 and FRS 102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement and financial instruments.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, City of Wolverhampton College Enterprises Limited, controlled by the Group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2021.

In accordance with FRS 102, the activities of the student union have not been consolidated because the college does not control those activities.

Going concern

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

Notes to the Accounts *(Continued)*

In determining whether the Group's annual financial statements can be prepared on a going concern basis, the Governors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position, including the impact of the Covid-19 pandemic. The review also includes the financial position of the College and the wider Group, their short term and long-term cash flows, liquidity position and borrowing facilities.

The key factors considered by the Governors in making the assessment of going concern were as follows:

The implications of changes to the social and economic environment on the College's revenues and surpluses. In particular, the impact the College's ability to deliver activity in line with its forecast for the year.

Breaches in the College's bank covenants for 2019, 2020 and 2021 and the forecast position for the current financial year, especially in relation to the requirement to hold at least a £2.5million cash balance at 31 July 2022. A breach in the covenants would, under the terms of the agreement, mean:

- The loan becomes repayable on demand
- In that event the college would be unable to fully repay the loan.

Expected capital repayments on the College's £6.601 million loan facility provided by Barclays Bank plc and the £6.25 million loan facility provided by the Secretary of State for Education.

Downside scenario models including the impact on the delivery of activity in the current financial year as well as the mitigating factors available such as delaying non-essential capital and maintenance expenditure.

Having assessed the above factors, the Governors acknowledge that there is the possibility that the targeted cash balance at 31 July 2022 will not be achieved and a resultant risk of non-compliance with banking covenants, and that this constitutes a material uncertainty which may cast doubt on the Group's ability to continue as a Going Concern. Having assessed the mitigating actions available, and after making inquiries, the Governors are confident that the Group and College can continue in operational existence for at least the next twelve months from the date of signing the financial statements and will retain the support of its bankers although this has not been formally communicated. For these reasons, the Governors continue to adopt the going concern basis for the preparation of these financial statements and in preparing the financial statements they do not include any adjustments that would be required to be made if they were prepared on a basis other than going concern.

Recognition of income

Revenue grant funding

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

Long funded and ESFA funding for co-investment model apprenticeships income is measured in line with best estimates of the provision delivered in year.

The recurrent grant from Office for Students (HEFCE prior to 1 April 2018) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

Notes to the Accounts *(Continued)*

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

Capital grant funding

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

Fee income

Income from tuition fees including employer funding for co-investment funded apprenticeships is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

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

West Midlands 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. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

Notes to the Accounts *(Continued)*

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

Enhanced pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to comprehensive income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

Properties under construction

Properties in the course of construction are accounted for at cost less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to operating condition. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £1,000 per individual item or set of items acquired together is recognised as expenditure in the period of acquisition. All other equipment is capitalised and recognised at cost less accumulated depreciation and accumulated impairment losses.

Depreciation and residual values

Freehold land is not depreciated. Depreciation on other assets is calculated, using the straight line basis, to write off the cost of each asset to its estimated residual value over its expected useful lives, as follows:

- Freehold buildings - 50 years
- Plant and machinery - 20 years
- Football pitches - 15 years
- Major adaptations to buildings - 10 to 15 years
- Other equipment - 5 years
- Computer equipment - 4 years
- Motor vehicles - 3 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Notes to the Accounts *(Continued)*

Subsequent costs, including replacement parts, are only capitalised when it is probable that such costs will generate future economic benefits. Any replaced parts are then derecognised. All other costs of repairs and maintenance are expenses as incurred.

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Borrowing costs

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

Leased assets

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

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

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 an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Investments

Investments in subsidiaries

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

Inventories

Inventories are stated at the lower of their cost (using the first in first out method) and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Notes to the Accounts *(Continued)*

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 instruments

The College has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the College becomes a party to the contractual provisions of the instrument.

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets measured at fair value through the profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

De-recognition of financial assets and liabilities

A financial asset is de-recognised only when the contractual rights to cash flows expire or are settled, substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

Foreign currency translation

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

Notes to the Accounts *(Continued)*

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 5% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and the amount of the obligation can be reliably measured.

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

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

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

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical areas of judgement

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

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

Notes to the Accounts *(Continued)*

Critical accounting estimates and assumptions

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, maintenance programmes, economic utilisation and physical condition of the assets are taken into account. Residual value assessments consider issues such as future market conditions and the remaining life of the asset.

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Impairment of fixed assets

The College considers whether tangible fixed assets are impaired. Where an indication of impairment is identified the estimation of the recoverable amount of the asset or the recoverable amount of the cash-generating unit is required. These will require an estimation of the future cash flows and selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

Notes to the Accounts *(Continued)*

2 Funding body grants

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Recurrent grants				
Education and Skills Funding Agency - Adult	6,648	6,648	6,422	6,422
Education and Skills Funding Agency - Apprenticeships	2,249	2,249	2,917	2,917
Education and Skills Funding Agency - 16-18	13,477	13,477	11,837	11,837
Office for Students	207	207	224	224
Specific grants				
Education and Skills Funding Agency – Provider Relief	16	16	122	122
Education and Skills Funding Agency - Other	1,422	1,422	1,265	1,265
Releases of government capital grants	254	254	290	290
Total	**24,273**	**24,273**	**23,078**	**23,078**

Under the Provider Relief Scheme, the Corporation received funding of £18,471 (2020: £122,069) from the ESFA. This amount was fully spent in the year.

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Grant income from the Office for Students	207	207	224	224
Grant income from other bodies	24,066	24,066	22,854	22,854
Total Grants	**24,273**	**24,273**	**23,078**	**23,078**
Fee income for taught awards (exclusive of VAT)	2,042	2,042	2,294	2,294
Fee income for research awards (inclusive of	-	-	-	-
Fee income for non-qualifying course	-	-	-	-
Total Tuition Fees and Education Contracts	**2,042**	**2,042**	**2,294**	**2,294**
Total Grant and Fee Income	**26,315**	**26,315**	**25,372**	**25,372**

Notes to the Accounts *(Continued)*

3 Tuition fees and education contracts

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Adult education fees	409	409	558	558
Apprenticeship fees and contracts	31	31	49	49
Fees for FE loan supported courses	851	851	875	875
Fees for HE loan supported courses	435	435	443	443
Total tuition fees	**1,726**	**1,726**	**1,925**	**1,925**
Education contracts	316	316	369	369
Total	**2,042**	**2,042**	**2,294**	**2,294**

4 Other grants and contracts

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Erasmus	-	-	40	40
Coronavirus Job Retention Scheme grant	239	210	139	118
Total	**239**	**210**	**179**	**158**

The Corporation furloughed staff under the government's Coronavirus Job Retention Scheme. This included cleaners, lab technicians and cashiers amongst other employees. The total funding received of £235,937 (*2020: £139,141*) relates to staff costs which are included within the staff costs note below as appropriate. A further £3,000 Coronavirus Support Grant was received in 2020/21 from City of Wolverhampton Council.

5 Other income

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Catering and residences	64	64	88	88
Other income generating activities	917	931	1,139	1,147
Release of non-funding body grants	97	97	98	98
Total	**1,078**	**1,092**	**1,325**	**1,333**

Notes to the Accounts *(Continued)*

6 Investment income

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Other interest receivable	-	-	5	5
Total	**-**	**-**	**5**	**5**

7 Donations – College Only

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Unrestricted donations	-	-	-	-
Total	**-**	**-**	**-**	**-**

8 Staff costs – Group and College

The average number of persons (including key management personnel) employed by the Group & College during the year, described as full-time equivalents was:

	2021 Group No.	2021 College No.	2020 Group No.	2020 College No.
Teaching Staff	213	213	215	215
Non-teaching Staff	239	219	250	235
	452	**432**	**465**	**450**

Group Staff costs for the above persons

	2021 £'000	2020 £'000
Wages and salaries	13,836	13,688
Social security costs	1,248	1,251
Other pension costs	4,862	4,297
Payroll sub total	**19,946**	**19,236**
Restructuring costs – Contractual	17	132
Total Staff costs	**19,963**	**19,368**

Notes to the Accounts *(Continued)*

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and were represented by the College Leadership Team.

In 2020/21 key management personnel comprised the Principal, Vice Principal Business Success, Vice Principal Student Success, and Vice Principal Student Engagement.

Staff costs include compensation paid to key management personnel for loss of office (£nil).

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

	2021	2020
	No.	No.
The number of key management personnel including the Accounting Officer was:*	4	5

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

	Key management personnel*		Other staff	
	2021	2020	2021	2020
	No.	No.	No.	No.
£60,001 to £70,000 p.a.	-	-	6	4
£70,001 to £80,000 p.a.	-	-	1	2
£80,001 to £90,000 p.a.	-	1	-	-
£90,001 to £100,000 p.a.	-	2	-	-
£100,001 to £110,000 p.a.	2	1	-	-
£110,001 to £120,000 p.a.	1	-	-	-
£160,001 to £170,000 p.a.	1	1	-	-
	4	**5**	**7**	**6**

*During the 2021 year there was 1 leaver and nil starters within key management personnel *(2020: 1 leaver, 0 starter).* The bandings above include the annualised emoluments of all starters and leavers.

Key management personnel compensation is made up as follows:

	2021	2020
	£'000	£'000
Basic salary	444	458
Performance related pay and bonus	-	-
Benefits in kind	-	-
	444	**458**
Pension contributions	62	62
Total key management personnel compensation	**506**	**520**

Notes to the Accounts *(Continued)*

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

	2021	2020
	£'000	£'000
Basic salary	168	168
Performance related pay and bonus	-	-
Benefits in kind	-	-
	168	**168**
Pension contributions	-	-
Total	**168**	**168**

The remuneration package of key management staff, including the Principal and Chief Executive Officer, is subject to annual review by the Remuneration Committee of the governing body. The governing body adopted Association of Colleges' Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principles.

Relationship of Principal and Chief Executive Pay and Remuneration expressed as a multiple

	2021	2020
Principal's basic salary as a multiple of the median of all staff	6.4	6.4
Principal and CEO's total remuneration as a multiple of the median of all staff	6.4	6.4

Governors' remuneration

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their role of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the College in respect of their roles as governors.

The total expenses paid to or on behalf of the Governors during the year was £nil 0 governors *(2020: £124; 3 governors)*. This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

Notes to the Accounts *(Continued)*

9 Other operating expenses

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Teaching costs	2,092	2,092	1,668	1,668
Non-teaching costs	4,063	4,063	4,064	4,064
Premises costs	1,170	1,531	1,355	1,541
Total	**7,325**	**7,686**	**7,087**	**7,274**

Other operating expenses include:

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Auditors' remuneration:				
Financial statements audit	36	31	32	28
Internal audit	25	25	18	18
Profit on disposal of fixed assets	2	2	-	-
Hire of assets under operating leases	178	178	186	186

Access and Participation Spending

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Access investment	102	102	94	94
Financial support to students	7	7	6	6
Disability support	1	1	1	1
Research and evaluation (relating to access and participation)	4	4	0	0

10 Interest and other finance costs

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
On bank loans, overdrafts and other loans	609	609	609	609
On finance leases	5	5	-	-
Net interest on defined pension liability (note 18, 25)	682	682	550	550
Total	**1,296**	**1,296**	**1,159**	**1,159**

Notes to the Accounts *(Continued)*

11 Taxation

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
United Kingdom corporation tax	-	-	-	-
Total	**-**	**-**	**-**	**-**

12 Tangible fixed assets (Group and College)

	Land and buildings		Equipment	Assets Under Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or deemed cost					
At 1 August 2020	41,015	7,639	8,773	217	57,644
Additions	545	-	752	-	1,297
Transfer from Assets under Construction	-	-	217	(217)	-
At 31 July 2021	**41,560**	**7,639**	**9,742**	**-**	**58,941**
Depreciation					
At 1 August 2020	14,776	2,622	7,892	-	25,290
Charge for the year	1,020	160	347	-	1,527
At 31 July 2021	**15,796**	**2,782**	**8,239**	**-**	**26,817**
Net book value at 31 July 2021	**25,764**	**4,857**	**1,503**	**-**	**32,124**
Net book value at 31 July 2020	26,239	5,017	881	217	32,354

If inherited land and buildings had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	**Nil**

Notes to the Accounts *(Continued)*

13 Non-current investments

	2021	2020
	£	£
Investments in subsidiary companies	1	1
Total	1	1

The college owns 100 per cent of the issued ordinary £1 shares of City of Wolverhampton College Enterprises Limited, a company incorporated in England and Wales. The principal business activities of City of Wolverhampton College Enterprises Limited is the provision of cleaning and security services.

14 Trade and other receivables

	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	435	435	507	507
Amounts owed by group undertakings:				
Subsidiary undertakings	-	46	-	6
Other debtors	31	31	76	70
Prepayments and accrued income	359	359	355	355
Amounts owed by the ESFA	435	435	311	311
Total	**1,260**	**1,306**	**1,249**	**1,249**

15 Creditors: amounts falling due within one year

	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	6,601	6,601	6,944	6,944
Other loans	219	219	23	23
Trade creditors	394	394	434	434
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	(21)
Other taxation and social security	303	299	340	335
Accruals and deferred income	1,187	1,182	1,116	1,112
Government capital grants	399	399	289	289
Finance lease	27	27	26	26
Amounts owed to the ESFA	383	383	104	104
Total	**9,513**	**9,504**	**9,276**	**9,246**

In 2019/20 the debit balance owed to the College by City of Wolverhampton College Enterprises arose due to a credit note issued to the College in order to refund staff costs that had been recharged which had been claimed under the Coronavirus Job Retention Scheme.

Notes to the Accounts *(Continued)*

16 Creditors: amounts falling due after one year

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Bank loans	-	-	-	-
Other loans	6,091	6,091	6,311	6,311
Government capital grants	7,704	7,704	7,188	7,188
Finance lease	72	72	112	112
Total	**13,867**	**13,867**	**13,611**	**13,611**

17 Maturity of debt

(a) Bank loans and overdrafts

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
In one year or less*	6,601	6,601	6,944	6,944
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	**6,601**	**6,601**	**6,944**	**6,944**

*The College breached its borrowing covenants with Barclays Bank plc both during the year and in 2019/20. As a result, long term loans have been reclassified as short term in the financial statements.

A loan totalling £12.42m from Barclays Bank was obtained from December 2007, repayable by instalments over 25 years and was set at a fixed rate of interest of 5.84% for 75% of the loan. An additional loan totalling £1.2m was added to the original value during 2009/10. During the year 2009/10 the remaining 25% of the original loan and the new loan of £1.2m were fixed for a 10-year period at a rate of 5.05% and 5.30% respectively. During 2010/11, there was an increase in margin from 0.30% to 1.35% on the 75% of the loan resulting in an interest rate of 6.89%, and a margin increase from 1.25% to 1.35% on the 25% of the loan, resulting in an interest rate of 5.15%.

In 2017/18 two components of the College's commercial debt were re-structured, bringing forward termination dates from July 2020 to February 2019. Funding received in the 2019/20 year from the ESFA as a part of the Transaction Unit agreement was provided as a contribution towards the settlement of this debt.

These loans are secured against the Wellington Road, Paget Road and Metro One campuses of the College.

Notes to the Accounts *(Continued)*

(b) Other loans

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
In one year or less	220	220	23	23
Between one and two years	843	843	220	220
Between two and five years	3,448	3,448	3,091	3,091
In five years or more	1,800	1,800	3,000	3,000
Total	**6,311**	**6,311**	**6,334**	**6,334**

There is an inter creditor agreement between Barclays and the Secretary of State for Education relating to loans included above of £6.25m which are also subject to a second charge on Wellington Road. This debt was restructured during 2017/18 to include repayment terms within 10 years from 29 March 2018 and variable interest determined by the Public Works Loan Board Standard 1 Year Fixed Interest Rate each April. The interest rate is currently 0.99%.

(c) Finance Leases

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
In one year or less	27	27	26	26
Between one and two years	28	28	26	26
Between two and five years	44	44	86	86
In five years or more	-	-	-	-
Total	**99**	**99**	**138**	**138**

Finance lease obligations are secured on the assets to which they relate.

18 Provisions

	Group and College		
	Defined benefit obligations £'000	**Enhanced pensions £'000**	**Total £'000**
At 1 August 2020	47,102	4,236	**51,338**
Payments made in the period	(1,387)	(261)	**(1,648)**
Actuarial (gains) / losses	(6,522)	(106)	**(6,628)**
Interest	627	55	**682**
Current service cost	3,349	-	**3,349**
Past Service Cost	-	-	**-**
Administrative charges	8	-	**8**
At 31 July 2021	**43,177**	**3,924**	**47,101**

Notes to the Accounts *(Continued)*

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 25.

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

The principal assumptions for this calculation are:

	2021	2020
Price inflation	2.8%	2.2%
Discount rate	1.6%	1.3%

19 Cash and cash equivalents

	2021 Group £'000	2021 College £'000	2020 Group £'000	2020 College £'000
Cash at bank and in hand	1,460	1,405	841	811
Overdrafts	-	-	-	-
Total cash and cash equivalents	**1,460**	**1,405**	**841**	**811**

20 Consolidated analysis of changes in net funds

	At 1 August 2020 £'000	Cash flow £'000	New finance leases £'000	Other non-cash changes £'000	Changes in market value and exchange rates £'000	At 31 July 2021 £'000
Cash in hand, and at bank	841	619	-	-	-	1,460
Bank overdrafts	-	-	-	-	-	-
Debt factoring	-	-	-	-	-	-
Bank loans	(6,944)	342	-	-	-	(6,602)
Other Loans	(6,334)	23	-	-	-	(6,311)
Finance leases	(138)	39	-	-	-	(99)
Current asset investments	-	-	-	-	-	-
Net debt	**(12,575)**	**1,023**	**0**	**0**	**0**	**(11,552)**

Notes to the Accounts *(Continued)*

21 Capital and other commitments

	2021	2020
	£'000	£'000
Commitments contracted for at 31 July	16	-

22 Lease obligations

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

	Group and College	
	2021	2020
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	82	82
Later than one year and not later than five years	56	148
Later than five years	-	-
	138	**230**
Other		
Not later than one year	76	81
Later than one year and not later than five years	104	51
Later than five years	-	-
	180	**132**
Total lease payments due	**318**	**362**

23 Contingencies

The College has no contingent liabilities as at 31st July 2021 *(2020: £nil)*.

24 Events after the reporting period

There are no events after the reporting period.

25 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was as at 31 March 2019 and of the LGPS 31 March 2019. Contributions amounting to £227,000 (*2020: £226,000*) were payable to the scheme at 31 July and are included within creditors.

Notes to the Accounts *(Continued)*

Total pension cost for the year		**2021**		**2020**
		£'000		**£'000**
National Employment Savings Trust (NEST)		4		1
Teachers' Pension Scheme: contributions paid		1,501		1,444
Local Government Pension Scheme:				
Contributions paid	1,244		1,179	
FRS 102 (28) charge	1,970		1,087	
Pension Arrears	142		585	
Charge to the Statement of Comprehensive Income		3,356		2,851
Total Pension Cost for Year within staff costs		**4,861**		**4,296**

Teachers' Pension Scheme

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

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE paid a teacher pension employer contribution grant to cover the additional costs during the 2020/21 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website. The next valuation result is due to be implemented from 1 April 2023.

The pension costs paid to TPS in the year amounted to £1,501,037 (*2020: £1,443,711*).

Notes to the Accounts *(Continued)*

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by City of Wolverhampton Council. The total contributions made for the year ended 31 July 2021 were £1,622,359 *(2020: £1,555,705)*, of which employer's contributions totalled £1,243,922 *(2020: £1,178,902)* and employees' contributions totalled £378,308 *(2020: £376,803)*. The agreed contribution rates for future years are 20.6% for the College and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.

	At 31 July 2021	**At 31 July 2020**
Rate of increase in salaries	3.80%	3.25%
Future pensions increases	2.80%	2.25%
Discount rate for scheme liabilities	1.60%	1.35%
Inflation assumption (CPI)	2.80%	2.25%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2021	**At 31 July 2020**
	years	**years**
Retiring today		
Males	21.6	21.9
Females	24.0	24.1
Retiring in 20 years		
Males	23.4	23.8
Females	25.8	26.0

	Long-term rate of return expected at 31 July 2021	**Fair Value at 31 July 2021**	**Long-term rate of return expected at 31 July 2020**	**Fair Value at 31 July 2020**
		£'000		**£'000**
Equities	61%	41,334	56%	32,853
Gilts	8%	5,607	11%	6,345
Other bonds	6%	4,154	4%	2,269
Property	7%	4,767	8%	4,408
Cash	4%	2,498	7%	3,879
Other	14%	9,496	15%	8,728
Total fair value of plan assets		**67,856**		**58,482**
Actual return on plan assets		**9,699**		**1,291**

Notes to the Accounts *(Continued)*

The amount included in the Balance Sheet in respect of the defined benefit pension plan is as follows:

	2021	2020
	£'000	£'000
Fair value of plan assets	67,856	58,482
Present value of plan liabilities	(111,033)	(105,584)
Net pensions (liability) (Note 18)	**(43,177)**	**(47,102)**

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

	2021	2020
	£'000	£'000
Amounts included in staff costs		
Current service cost	3,349	2,368
Administration expenses	8	37
Total	**3,357**	**2,405**
Amounts included in investment (expense)		
Net interest on the net defined benefit pension liability	(627)	(468)
	(627)	**(468)**
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	8,912	(34)
Other actuarial losses	-	(5,811)
Changes in assumptions underlying the present value of plan liabilities	(4,472)	(14,720)
Experience gain / (loss) on defined benefit	2,082	(2,003)
Amount recognised in Other Comprehensive	**6,522**	**(22,568)**

Movement in net defined benefit (liability) during year

	2021	2020
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(47,102)	(22,979)
Movement in year:		
Current service cost	(3,349)	(2,368)
Employer contributions	1,387	1,318
Net interest on the defined (liability)/asset	(627)	(468)
Actuarial gain/ (loss)	6,522	(22,568)
Administration expenses	(8)	(37)
Net defined benefit (liability) at 31 July	**(43,177)**	**(47,102)**

Notes to the Accounts *(Continued)*

Asset and Liability Reconciliation

	2021	2020
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	105,584	86,085
Current service cost	3,349	2,368
Interest cost	1,414	1,793
Contributions by Scheme participants	378	377
Changes in financial assumptions	6,047	12,263
Changes in demographic assumptions	(1,575)	2,457
Experience (gain) / loss on defined benefit	(2,082)	2,003
Estimated benefits paid	(2,082)	(1,762)
Defined benefit obligations at end of period	**111,033**	**105,584**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	58,482	63,106
Interest on plan assets	787	1,325
Return on plan assets (excluding net interest on the net defined benefit liability)	8,912	(34)
Other actuarial losses	-	(5,811)
Employer contributions	1,387	1,318
Contributions by Scheme participants	378	377
Estimated benefits paid	(2,082)	(1,762)
Administration Expenses	(8)	(37)
Fair value of plan assets at end of period	**67,856**	**58,482**

These results include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination. This allowance has been incorporated into the accounting results as at 31 July 2019, and have been rolled forward and remeasured to obtain the accounting results as at 31 July 2021.

Notes to the Accounts *(Continued)*

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. A summary sensitivity analysis is shown below:

Sensitivity analysis	**£'000**	**£'000**	**£'000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	108,710	111,033	113,408
Projected service cost	3,481	3,600	3,724
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	111,185	111,033	110,883
Projected service cost	3,602	3,600	3,599
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	113,226	111,033	108,885
Projected service cost	3,722	3,600	3,482
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	116,327	111,033	105,989
Projected service cost	3,767	3,600	3,441

26 Related party transactions

The following employees of City of Wolverhampton Council have acted as governors of the College:

Mr I Fegan	Director of Comms & External Relations	Appointed 01/08/19 (resigned 29/3/21)
Mr P Leivers	Head of School Improvement	Appointed 01/09/20 (resigned 29/3/21)
Ms A Shannon	Chief Accountant	Appointed 23/07/18 (resigned 29/3/21)
Mr M Taylor	Deputy Chief Executive	Appointed 25/02/19 (Chair from 25/02/19)

During the year transactions with City of Wolverhampton Council included purchases totalling £100,011 *(2020: £118,187)* and sales totalling £833,012 *(2020: £610,443)*. At the year-end balances on the sales ledger totalled (£2,614). Balances on the purchase ledger at 31 July 2021 totalled £333.

During the year transactions with City of Wolverhampton College Enterprise Ltd., where Malcolm Cowgill, Peter Merry, and Mark Taylor, are Directors, included purchases totalling £373,572 *(2020: £211,538)*. At the year-end there were no outstanding balances.

During the year transactions with Wolverhampton Homes, where Ian Gardner declared an interest, included purchases totalling £1,500 *(2020: £3,000)* and sales totalling £909 *(2020: £nil)*. At the year-end there were no outstanding balances.

During the year transactions with University of Wolverhampton, where Emma Bull declared an interest, included purchases totalling £36,442 *(2020: £30,510)* and sales totalling £374,588 *(2020: £411,530)*. At the year-end balances on the sales ledger totalled £139,837. Balances on the purchase ledger at 31 July 2021 totalled £2,925.