Nottingham College

Financial statements

For the period ended 31 July 2023

Index to the financial statements

Key management personnel, Board of governors and professional advisors

Key management personnel

Key management personnel were represented by the following in 2022/23:

Janet Smith - CEO and Accounting Officer
Andrew Comyn – Deputy CEO and Chief Finance Officer
Mohammed Ramzan – Deputy Principal Curriculum, Quality and Student Experience (resigned 21 July 2023)
Lisa Wilson – Group Director for Apprenticeships and Employer Services

Board of Governors

A full list of Governors is on page 16-17 of these financial statements.

Rachel Robson acted as Director of Governance throughout the period.

Professional advisers

Bankers:

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

Solicitors:

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

Shakespeare Martineau
1 Colmore Square
Birmingham
B4 6AA

Stone King
Upper Borough Court
3 Upper Borough Walls
Bath
BA1 1RG

Internal auditors:

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

Financial statements auditor:

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

Principal and Registered Office: City Hub, 111 Canal Street, Nottingham, NG1 7HB

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

Objectives and key strategies

The members present their report and the audited financial statements for the period ended 31 July 2023.

Legal status

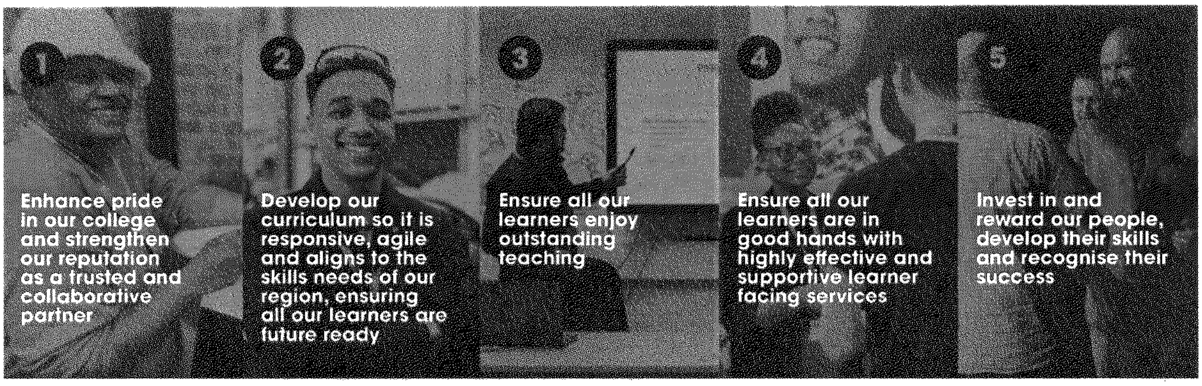
The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Nottingham College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.
The College was created by the merger of New College Nottingham and Central College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

Mission

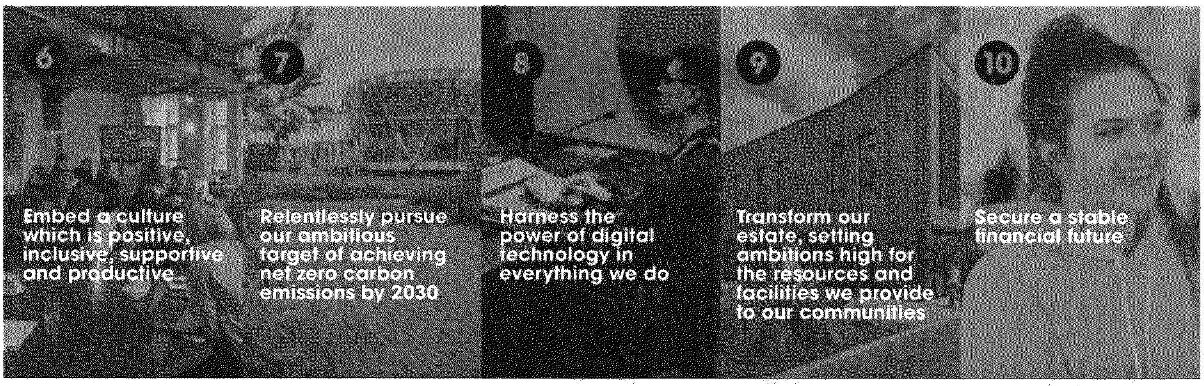
During 22-23 following extensive input from staff, students and stakeholders, Nottingham College produced a strategic plan for the period 2023-2026 entitled "Future Ready". The plan includes the following mission, vision and values;

- The College's Mission is, "we unlock potential through learning".
- The College's Vision is, "we will be recognised as an outstanding provider of choice for education and skills training".
- The College's Values are; Collaborative, Agile, Trusted, Inclusive, Nurturing and Aspirational.

The College's 10 Strategic Priorities are listed and described below;



OUR STRATEGIC PRIORITIES



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

OFSTED Visit and Report

Nottingham College's most recent Ofsted inspection report confirms that the college is now a GOOD college (an improvement on the previous Requires Improvement judgement from January 2020), a result that recognises the pace of change and improvement the college has undergone in the last 2 years.

The inspection took place in early December 2022 when a team of 19 inspectors visited the college and spent four days going into classrooms, observing lessons and meeting with students, teachers, staff, managers, employers and community stakeholders.

The OFSTED grade recognises the college's emphasis on being an outward facing, trusted and collaborative partner locally and regionally and our continued commitment to this role in the future.

The full OFSTED report can be found here – Nottingham College - Open - Find an Inspection Report - Ofsted

Resources

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

Financial

The College has positive net assets of £34.8million and long term debt of £31.35million. There were net current liabilities at July 2023 of £5.3million (2021-22 net current assets of £0.8million). Tangible resources include a number of college sites which are mainly owned, including the new City Hub.

People

The College employs 1,093 people (expressed as full time equivalents), of whom 736 are teaching staff.

Student numbers

In 2022/23 the College has delivered activity that has produced £59,644,000 in funding body main allocation funding (2021/22: £56,246,000). Nottingham College engaged with 18,486 students, including 2,202 apprentices, 6,332 full time 16-18 year olds, 387 higher education students, and 9,565 adult ESFA-or loans-funded enrolments, as well as further students in community, family, commercial, pre-16 or international learning (students may enrol on more than one programme across the year, so the sum of the enrolments is greater than the total number of students).

Reputation

The College is working with key local and regional stakeholders to continue to enhance its reputation, as evidenced in the latest OFSTED inspection grade and report.

Stakeholder relationships

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

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

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

The College's Strategic Plan can be found here;

FUTURE READY: College Strategy 2023-26 | Nottingham College

Public Benefit

Nottingham College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 16-17.

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

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

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

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

Implementation of Financial and Estates Strategy

During 2022-23 the Corporation monitored against the financial and estates strategy provisionally agreed with lenders in mid 2021 and finalised and completed in February 2022.

The College strategic financial objectives are:

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

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

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

Development and Performance

Financial Results

The Group generated a deficit before other gains and losses in the year of £3,891,000 (2021/22: operating deficit of £3,243,000), with total comprehensive income of £35,757,000, (2021/22 £90,494,000) and education specific Earnings before Interest Tax Depreciation and Amortisation (EBITDA) of £5,424,000 (8.02% of income) (2021/22£5,131,000, 7.51% of income), as set out in the reconciliation below.

	2023	2022
	£'000	£'000
Total Comprehensive Income for the year	£35,757	£90,495
Deduct;		
Capital Grant release	(£1,994)	(£1,686)
LGPS Actuarial Gain	(£39,438)	(£93,053)
EPP Actuarial Gain	(£204)	(£188)
Asset revaluation	(£0)	(£2,400)
Interest Receivable	(£188)	£0
Gain on Lease Termination	(£0)	(£493)
Gain on Asset Sale	(£6)	(£4)
Add back;		
LGPS Service Cost	£3,292	£7,162
Loss on Asset revaluation	£2,000	£0
EPP Service Cost	£37	£37
Depreciation	£4,719	£4,085
Interest Payable	£1,449	£1,176
Education specific EBITDA at 31 July	£5,424	£5,131

Developments

During the year, the College launched its Future Ready Strategy 2023-2026. In order to deliver the strategy the College has put in place a Future Ready Transformation Plan which identifies savings that will be reinvested to support staff pay rises, investment into curriculum management, investment into digital infrastructure and use of artificial intelligence, teaching and learning projects, a review into the learner journey and support for students, as well as capital investment into our estate and facilities. Some elements of the Future Ready Transformation Plan were included in the 2023-24 budget approved by Corporation, and the remainder will be actioned throughout the 2023-24 year, with project oversight monitored by a Transformation Project Board comprising members of the Executive Leadership and College Management Teams.

Reserves

The Group has a surplus on unrestricted reserves of £34,680,000 and cash and short term investment balances of £11,642,000. The Group wishes to continue to accumulate reserves and cash balances in order to create a contingency fund and to re-invest in resources.

The College reserves include £71,000 held as restricted reserves. The Group has accumulated Income and Expenditure reserves of £30,300,000 (2022 £30,719,000) and cash and short term investment balances of £11,642,000 (2022 £12,138,000).

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

Sources of income
The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2022-23 the FE funding bodies provided 84% of the Group's total income (2021-22 80%).

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

Future Prospects

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

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

The focus remains on improving outcomes and positive destinations (whether into further education, training, employment or enabling independence) for our students and being an outstanding provider of choice for education and skills training.

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

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

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

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

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

Cash flows and liquidity

During 2022-23 there was a net cash outflow of £496,000. In 2021-22 there was a net cash outflow of £2,962,000.

Going Concern

The College's financial position and going concern status

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

These show that the College achieved a healthy education specific EBITDA of £5.4m in 2022-23, continuing the trend of delivering a strong operating performance with EBITDA and cash generated from operations of over £5m for the third year in succession. This enabled the College to repay £2.7m of borrowings, plus a further £1.4m of interest, to lenders as planned in 2022-23, as well as investing £1.9m into capital projects, net of grant income. The College has also met all the covenants in place with lenders at 31 July 2022 and 31 July 2023.

In February 2022, the College completed a refinancing exercise with its lenders, Barclays Bank, Department for Education (DfE) and Nottingham City Council. The commitment terms agreed with Barclays Bank and DfE were relatively short-term, resulting in the College having to refinance the outstanding balloon repayment balances on or before 1 August 2024.

The Office for National Statistics (ONS) announcement on 29 November 2022 that Further Education colleges were to be immediately reclassified into the public sector, will mean that the College will not be able to use commercial borrowing to refinance the existing Barclays Bank borrowing on or before 1 August 2024 as it does not meet the Managing Public Money (MPM) conditions. The DfE is therefore the only lender that the College can now borrow from if it is to refinance the existing Barclays Bank and DfE borrowing on or before 1 August 2024.

Based on a set of assumptions that have been robustly tested, the College has prepared forecasts for more than 12 months into the future. The forecasts demonstrate that the College cannot afford to repay the outstanding balloon payments due to the DfE and Barclays Bank on or before 1 August 2024, without refinancing from the DfE. The College remains confident that the DfE will refinance this borrowing in full on or before 1 August 2024. This assumption is supported by the following evidence:

- The intention and working assumption between the DfE and the College on completing the February 2022 refinancing agreement was that the DfE would refinance the DfE balloon repayment in full on or before 1 August 2024.
- The guidance issued in the letter to Accounting Officers on 29 November 2022 on the reclassification of Further Education colleges into the public sector, and the need to be compliant with Managing Public Money, sets out the principles to refinance a balloon repayment due to a commercial lender (where a college does not have sufficient cash to meet the repayment itself), with the intention that the DfE, as the sole lender available to colleges, will refinance this borrowing.
- The precedent for similar arrangements has already been set with commercial borrowing being refinanced by the DfE for several colleges since the reclassification announcement.
- Dialogue between the College and the ESFA to refinance existing borrowing has been in progress for many months. The tone from the ESFA has been supportive, including allowing the College to submit a borrowing request early in recognition of the time it took to complete the previous refinancing arrangements in February 2022, and due to the current financial challenges facing the College's other lender, Nottingham City Council. The ESFA recognises that the College and ESFA will need to keep Nottingham City Council's position under review as we progress through the refinancing process, whilst also acknowledging that the DfE are the only lender available to support the College.

The forecasts show that the cash balance will remain strong during the next 12 months, with cash days in hand forecast to be 38 at year ending 31 July 2024, and a minimum of 17, equating to £3.2m, during this 12-month period. Taking account of plausible downsides and mitigations, it is reasonable to consider that College will have sufficient funds to

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

meet its liabilities as they fall due over the period covering at least 12 months from the date of approval of the financial statements.

Accordingly, the College has concluded, that while the above are evidence that a material uncertainty exists, there is a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason continues to adopt the going concern basis in the preparation of its financial statements.

Principal risks and uncertainties

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

During 2022-23, the Board has strengthened its risk framework following an in-year review of its risk approach, specifically to assess the risks in not achieving the College's Future Ready 2023-26 Strategy. The Board identified 13 strategic risk themes, driven by the strategic priorities, against which they have assigned a risk appetite. This has resulted in the Board approving a Risk Appetite Statement and a new Strategic Risk Register in July 2023.

The Executive Leadership Team review the Strategic Risk Register each half term to determine if updates are required. The Strategic Risk Register is reviewed at each Board meeting alongside the progress being made by the College in achieving its strategic priorities.

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

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

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

1. **Risk of income shortfalls or reductions in Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies and through Office for Students. In 2022-23 84% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

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

- Funding is derived through a number of direct and indirect contractual arrangements;
- The College continues to strive for improvements in quality which will improve student recruitment and increase financial benefits for the College;

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

- College apprenticeship provision is made up of a mix of larger employers who are subject to the Employer Levy, and SME employers who are not;
- Robust future planning, horizon scanning and marketing strategy to ensure all opportunities are optimised; and
- Ensuring the College is focused on those priority sectors and identifying opportunities for income diversification.

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

This risk is mitigated in a number of ways:

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

3. **Failure to develop a motivated, high performing workforce resulting in impacts on students and staff**
The transformation process to embed flexible modern employment contracts and effective staff development can create a number of risks due to the scale of change required and the impact on staff.
This risk is mitigated in a number of ways:
- Staff engagement and internal communication strategy
- Continued investment into staff pay
- Collaboration and negotiation with trade unions
- Comprehensive professional and legal advice
- Continuous professional development of teaching and non-teaching staff.

Performance indicators

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Finance Record produces a financial health grading. Based upon the Education and Skills Funding Agency assessment, the financial health of the College is "Requires Improvement" for 2022-23 largely as a result of the ratio of borrowing to income.

The college's key performance indicators, targets and results are set out below.

Key Performance Indicator	Measure/Target	Actual for 2022/3
EBITDA as % of income	8.04%	8.02%
OFSTED Rating	Good	Good
Financial Health Grade	Requires Improvement	Requires Improvement
Staff Costs as % of Income	69.20%	70.97%
16-18 Student Numbers	6,243	6,301
Apprentice New Starts	700	756

Student achievements

For class room based provision, the College achievement rate for 2022-23 was 82.0% compared to 2021-22 at 83.2%, and the overall apprenticeship achievement rates declined to 52.1% for 2022-23 from 60.6% in 2021-22. Retention (for classroom based students) was 90.3% compared to the target of 91.3% in 2021-22.

Equality statement

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage, and we will actively combat bigotry. This policy is

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

resourced, implemented and monitored on a planned basis. The College's Equality, Diversity and Inclusion Policy is published on the College's website.

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

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

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

The College was delighted to win the Association of Colleges Beacon Edge Award in 2022-23 for Mental Health and Wellbeing of our students and Staff. The award acknowledges our response to the pandemic, our enhanced support and resources for students and for our commitment to promoting a range of wellbeing initiatives amongst our staff.

In addition, the College has been recognised for our online provision now on offer to employers and wider communities in our region, which includes a range of Level 2 courses on suicide and self-harm prevention, eating disorders, mental health awareness, and more.

The Beacon Awards recognise best in practice across the sector and this award places Nottingham College at the forefront of proactive wellbeing management.

Disability statement

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

1. The College has a specialist student support team, who can provide information, advice and arrange support where necessary for students with disabilities. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
2. There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
3. The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
4. Specialist programmes are described in College prospectuses.
5. Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

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

Trade union facility time

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

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

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

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

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

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. During the accounting period 1 August 2022 to 31 July 2023, the percentage for the College was 39%.

Streamlined Energy and Carbon Reporting

The college is committed to reducing its carbon footprint and being recognised as an environmentally friendly and sustainable organisation, as highlighted by the inclusion of the strategic objective to relentlessly pursue our ambitious target of achieving net zero carbon emissions by 20230 within the College's Future Ready 2023-26 Strategy. To help achieve this target to reduce carbon emissions, the college has taken the following measures in the year to improve energy efficiency:

- Upgrading to LED lighting
- Installing new Heating Boilers at the High Pavement campus
- Software which automatically shut down PC's across campus
- Use of Grid Edge software in City Hub has identified a number of savings achievable through equipment optimization: Fan Speed reduction across 5 Air Handling Units achieving a saving of 14,893 kgCO2e per year.
- Switching off 32 Air Conditioning Units throughout the weekend, achieving a saving of 8,271 kgCO2e per year.

The college has also focused on reducing the annual amount of waste sent to Landfill and their overall water usage. Throughout 2021 and 2022, we have worked to ensure 100% of water is either recovered or recycled. In April 2022, the reported recycling rate had improved to 55% with general waste falling to 45%. All general waste is fully recovered and sent to incineration where 1 tonne of refuse produces 550 KW of energy. The City Hub is connected to Nottingham's district heating system, which is fuelled by incinerated waste, including that recovered by the College.
To date, the college has made an annual saving of 69,300 litres. This has been achieved through optimising the cleaning staff's equipment, including replacing mops and buckets across all campuses with flat mops which have attached 1 litre

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

water bottles. They have also introduced a spot cleaning methodology, focusing on areas used within the day rather than undertaking a full campus wide clean even if a room has not been occupied.

The college's greenhouse gas emissions and energy use for the period calculated in line with the 2019 HM Government Environmental Reporting Guidelines, the GHG Reporting Protocol – Corporate Standard and the 2021 UK Government's Conversion Factors for Company Reporting are as follows:

Location Based Approach								
Years	Nottingham College 2022-2023		Nottingham College 2021-2022		Nottingham College 2020-2021		Nottingham College 2019-2020	
	tCO2e	tCO2e/M2	tCO2e	tCO2e/M2	tCO2e	tCO2e/M2	tCO2e	tCO2e/M2
Scope 1								
Fuel	1204.05	0.02	970.10	0.01	1,039.70	0.01	1,620.60	0.02
Fgas	62.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	1266.48	0.02	970.10	0.01	1039.70	0.01	1620.60	0.02
Scope 2								
Electricity	905.35	0.01	946.22	0.01	1,144.62	0.01	1,617.96	0.02
Stat Total	2171.83	0.03	1,916.32	0.03	2,184.32	0.02	3,238.56	0.03
Group Metrics								
M2		75,255		75,255		109,428		103,813
Intensity Ratio								
tCO2/M2		0.03		0.03		0.02		0.03

Events after the end of the reporting period

Kia UK Ltd. exercised a break clause on the lease of one of the buildings at our Ruddington campus which had been classified as an investment property. The lease did not formally end until 1 August 2023. Although this was still an investment property at 31 July 2023, the value of the investment property has been reduced to the net book value of the property at 31 July 2023.

In August 2023 the college took the decision to increase the Executive Leadership Team to 7 from the previous 4 members, harmonising roles and better reflecting the grouping of services, to ensure the delivery of the strategic priorities.

At the same time, as part of a £1.2million investment in curriculum management, Heads of Centres became Assistant Principals and new posts of Deputy Head of Centres and Curriculum Managers were created, increasing the FTE in curriculum management from 29 to 55 as part of improving the student experience.

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 13 December 2023 and signed on its behalf by:

Carole E. Thorogood

Carole Thorogood:
Chair of Governors

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the college to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2022 to 31 July 2023 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the period ended 31 July 2023. This opinion is based on an internal review of compliance with the Code reported to the Governance & Search Committee on 21st June 2023. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 11th July 2022.

Statement of Corporate Governance and Internal Control

The Corporation

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

Name	Date of appoinment	Term of office expiry date	Date of retirement/ resignation	Status of appointment	Committees served in 22/23	Corporation Attendance 22/23
Carole Thorogood (Chair)	8 June 2017 1 Aug 2021	31 July 2021 31 July 2025		External	Governance & Search, Remuneration, Finance & Assets, Workforce & Development	5 out of 5
Sarah Akhtar	6 Sep 2022	31 July 2026		External	Workforce & Development	3 out of 5
Kirsty Bailey	1 Aug 2022	31 Jul 2024		Staff Governor	Workforce & Development	5 out of 5
Simon Bedford	1 Aug 2021	31 July 2025		External	Audit	5 out of 5
Anja Beriro	16 April 2018 1 Aug 2021	31 July 2021 31 July 2025		External	Governance & Search, Workforce & Development	3 out of 5
Mary Carswell	8 June 2017 1 Aug 2020 1 Aug 2022	31 July 2020 31 July 2022 31 July 2023	31 July 2023	External	Remuneration, Learning & Quality	5 out of 5
Caitlin Duffield	17 Oct 2022	31 July 2023	31 July 2023	Student Governor	Learning & Quality	2 out of 5
Andy Griffin	25 Jan 2021	24 Jan 2025		External	Finance & Assets	3 out of 5
Patricia Harman	30 March 2020 1 Aug 2023	31 July 2023 31 July 2027		External	Governance & Search, Learning & Quality, Workforce & Development	4 out of 5
Jonathan Hawley	4 March 2019 1 Aug 2022	31 July 2022 31 Jul 2024	12 Jun 2023	External	Audit	1 out of 4
Henry Icke	14 Sep 2020 4 Oct 2021 17 Oct 2022	31 July 2021 31 July 2022 31 July 2023	31 July 2021 31 July 2022 31 July 2023	Student Governor	Learning & Quality	2 out of 5
Angela Kandola	13 Dec 2021 1 Aug 2022	31 July 2022 31 July 2023	31 July 2023	External	Learning & Quality	2 out of 5
Liz Mossop	1 Aug 2022	31 July 2026		External	Learning & Quality	3 out of 5
Liam Sewell	12 Oct 2020 1 Aug 2023	31 July 2022 31 Jul 2024	31 Jul 2023	Staff Governor	Learning & Quality	5 out of 5
Andrew Simpson	25 Jan 2021	24 Jan 2025		External	Finance & Assets	4 out of 5

Statement of Corporate Governance and Internal Control

Janet Smith	1 July 2022	N/A		CEO/Principal	Learning & Quality, Governance & Search, Finance & Assets, Workforce & Development	5 out of 5
Helen Smurthwaite	28 Mar 2022	27 Mar 2026		External	Audit	5 out of 5
Sharon Townes	25 Jan 2021	24 Jan 2025		External	Learning & Quality, Audit, Governance & Search, Remuneration	5 out of 5
Andrew Unitt	16 Apr 2018 1 Aug 2021	31 July 2021 31 July 2025		External	Governance & Search, Finance & Assets, Workforce & Development, Remuneration	3 out of 5
Steve Wooler	1 Aug 2022	31 July 2026		External	Finance & Assets	5 out of 5
David Marlow	1 Aug 2023	31 July 2027		External	N/A	N/A
Sultana Begum	16 Oct 2023	31 July 2025		Staff Governor	N/A	N/A
Vanessa Yeung	16 Oct 2023	31 July 2024		Student Governor	N/A	N/A
Kyle Thompson-Young	16 Oct 2023	31 July 2024		Student Governor	N/A	N/A

Rachel Robson served as Director of Governance; this role has replaced the traditional 'Clerk to the Corporation' role.

Corporation Framework

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

The Corporation is provided with regular and timely information on the overall financial performance of the college together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation met 5 times in 2022/23.

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

Nottingham College
City Hub
111 Canal Street
Nottingham
NG1 7HB

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

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

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

Statement of Corporate Governance and Internal Control

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

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

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding four years. The Corporation monitors terms of office and succession planning through the Governance and Search Committee. In accordance with the Code independent governors are appointed for a term of office of 4 years with the potential for appointment for a further term of 4 years. Any additional term of office is only considered in exceptional circumstances. A recruitment process was undertaken during 22/23 which was supported by Peridot Partners.

Corporation Performance

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

The annual self-assessment process was not undertaken in full for the 22/23 year as an external review of governance was commissioned during the year with the work being undertaken in the autumn term of 2023. This review was undertaken by Governance4FE. *The outcome of the review confirmed that "This board effectiveness review indicates that Nottingham College has worked hard to strengthen governance and its impact, as demonstrated by many identified areas of strength when assessed against the Governance4FE appraisal framework. Our comments around further enhancing current levels of effectiveness must be understood against the background of a good foundation. The focus of our efforts has been on how to optimise what the organisation has already achieved, and to support it on its journey to deliver an Outstanding performance".*

Training is provided for governors on areas identified as requiring development and an induction programme is in place for newly appointed governors. Training and development undertaken by governors in 22/23 included safeguarding, Ofsted EIF, the role of link governors, audit committee training, strategic risk workshop, ONS reclassification. The Board has identified mandatory online training for all governors that is undertaken on appointment and at regular intervals during membership, these sessions are on safeguarding, Prevent, EDI and GDPR. The Board ensures that the Director of Governance undertakes appropriate training and development, during 22/23 this included regular attendance at AoC regional clerks' meetings, attending the AoC governance professionals conference and the ETF/IoD Governance Professionals Leadership Programme.

Remuneration Committee

Throughout the period ended 31 July 2023 the college's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel. The College adopted the AoC's Senior Staff Remuneration Code. Details of remuneration for the period ended 31 July 2023 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee comprises up to five eligible members of the Corporation (excluding the Accounting Officer and Chair) and up to two co-opted members (if appointed). Throughout 22/23 the Audit Committee was comprised

Statement of Corporate Governance and Internal Control

of four eligible members of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

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

The Audit Committee met four times in the year to 31 July 2023. The members of the committee and their attendance records are shown below;

Committee Member	Meetings Attended
Sharon Townes	4/4
Simon Bedford	3/4
Jon Hawley	4/4
Helen Smurthwaite	4/4

All Audit Committee meetings during the year were quorate and attendance was 94%.

The internal audit service for 22/23 was provided by RSM, who undertook eight reviews in the following areas;

- Learner Journey 16-18 conversion
- Cyber Essentials Review
- Processes for Office for Students
- Key Financial Controls: Income and Debtors
- ESFA Funding Rule Compliance
- Integrated Reporting
- Provider Data Self-Assessment Toolkit (PDSAT) Review
- Follow Up

The internal audit plan for 22/23 was driven by the College's key risks.

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

RSM also undertook the Assessment against the ESFA Subcontracting Standard: funding year 2022/23 Control Report (as required by ESFA).

The external audit service was provided by Mazars following a tender process in April/May 2021. Mazars attended Audit Committee meetings in December 2022 and June 2023.

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

Statement of Corporate Governance and Internal Control

Learning and Quality Committee
In 22/23 the Learning and Quality Committee comprised up of five external members of the Corporation, the Principal/CEO, one staff governor and two student governors. The Committee operates under Terms of Reference approved by the Corporation.

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

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

Finance & Assets Committee
In 22/23 the Finance & Assets Committee comprised of five external members of the Corporation and the CEO. The Committee operates under Terms of Reference approved by the Corporation.

The Finance & Assets committee meets at least three times in a year, it met five times in 22/23. The Committee is responsible for monitoring and advising the Corporation on financial performance, financial reporting, funding, capital investment, value for money, estates, health & safety, IT and MIS.

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

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

Workforce & Development Committee
In 22/23 the Workforce & Development Committee was comprised of seven members including the CEO and a staff governor. The Committee operates under Terms of Reference approved by the Corporation.

The Workforce & Development Committee meets three times in a year. The Committee considers and advises the Board on all matters connected with the College workforce and its development, including the current and projected staffing needs, recruitment and retention policy, and pay and working conditions. From 23/24 the Corporation has agreed to discontinue the Workforce & Development Committee and to transfer the business of that committee to the Finance & Assets Committee.

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

Statement of Corporate Governance and Internal Control

The purpose of the system of internal control
The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Nottingham College for the period ended 31 July 2023 and up to the date of approval of the annual report and accounts.

Capacity to handle risk
The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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

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

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

Risks faced by the Corporation

Control weaknesses identified

During the year the Internal Auditors identified 1 significant weakness in the College's systems and processes, arising from the Key Financial Controls: Income and Debtors internal audit. Actions have been agreed to address the recommendation made by the Internal Auditors and will be monitored through Audit Committee and Finance & Assets Committee during 2023-24.

Statement of Corporate Governance and Internal Control

Assignment	Executive lead	Assurance level	Actions agreed			
			L	M	H	N/A*
Learner Journey – 16-18 Conversion	Rachel Wadsworth, Director of Learner Services	Reasonable Assurance [*]	2	2	0	0
Cyber Essentials Review	Rich Williams, Director of IT, Funding and MIS	No opinion / Advisory [*]	0	0	0	6
Processes for Office for Students (OfS) Returns / Higher Education Students Early Statistics Survey (HESES) Returns	Lisa Wilson, Executive Director Employer Services	Reasonable Assurance [*]	1	2	0	0
Provider Data Self-Assessment Toolkit (PDSAT) Review	Rich Williams, Director of IT, Funding and MIS	No opinion / Advisory [*]	0	0	0	2
Key Financial Controls: Income and Debtors	Andy Comyn, Deputy Chief Executive and Chief Financial Officer	Partial Assurance [*]	2	4	1	0
ESFA Funding Rule Compliance	Rich Williams, Director of IT, Funding and MIS	No opinion / Advisory [*]	0	0	0	10
Follow Up	Andy Comyn, Deputy Chief Executive and Chief Financial Officer	Reasonable Progress [*]	0	2	0	0
Integrated Reporting	Rich Williams, Director of IT, Funding and MIS	Reasonable Progress [*]	2	2	0	0

* not categorised as related to advisory reviews

Responsibilities under funding agreements

The Department for Education and Education and Skills Funding Agency introduced new controls for the college on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The college has reviewed its policies, procedures and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

Statement from the Audit Committee

The Audit Committee has advised the Corporation, through the Audit Committee Annual Report, that it is the Committee's opinion that the College has an adequate and effective framework of governance, risk management and internal control. This opinion has been formed through the business undertaken by the Committee through 22/23 including the work undertaken by the Internal Auditors.

The specific areas of work undertaken by the Audit Committee in 22/23 and up to the date of the approval of the financial statements included:

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

Review of effectiveness

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

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

Statement of Corporate Governance and Internal Control

The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other

sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

- The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.
- The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2023 meeting, the Corporation carried out the annual assessment for the period ended 31 July 2023 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2023.
- Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for *"the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets"*.

Approved by order of the members of the Corporation on 13 December 2023 and signed on its behalf by:

Carole Thorogood
Chair of Governors

Janet Smith
Accounting Officer

Governing Body's statement of the College's Regularity, Propriety and Compliance

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

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

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

Janet Smith
Accounting Officer
13 December 2023

Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

Carol Thorogood
Chair of Governors
13 December 2023

Statement of the responsibilities of the Members of the Corporation

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

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

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.

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

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

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

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 13 December 2023 and signed on its behalf by:

C. E. Thorogood

Carole Thorogood
Chair of Governors

Independent auditor's report to the Corporation of Nottingham College

Opinion

We have audited the financial statements of Nottingham College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2023 which comprise the Group and College Statement of Comprehensive Income and Expenditure, the Group and College Statement of Changes in Reserves, the Group and College Balance Sheet, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 2023 and of the Group's and College's deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to the going concern heading within note 1 of the financial statements, which details the Group and College's financing arrangements.

As stated in note 1, these events or conditions, along with the other matters as set forth in this note to the financial statements, indicate that 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.

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 25, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

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

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

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

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

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

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

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

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

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

Other required reporting

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

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

Use of the audit report

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

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Date 18 DECEMBER 2023

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

In accordance with the terms of our engagement letter dated 7 July 2023 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Nottingham College during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Nottingham College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by the Code our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work, which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA/funding agreement with the ESFA.

- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Tested a sample of individual learner records.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.
- Reviewed the College's compliance with the requirements of HM Treasury's "Managing Public Money" document.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament, and that the financial transactions do not conform to the authorities that govern them.

Signed: Mazars LLP

Mazars LLP

Date: 18 DECEMBER 2023

Statement of comprehensive income and expenditure

	Notes	Year ended 31 July 2023 Group £'000	Year ended 31 July 2023 College £'000	Year ended 31 July 2022 Group £'000	Year ended 31 July 2022 College £'000
INCOME					
Funding body grants	2	59,644	59,644	56,246	56,246
Tuition fees and education contracts	3	5,278	5,303	5,651	5,556
Other grants and contracts	4	2,439	2,439	3,186	3,185
Other income	5	3,789	4,868	2,923	3,788
Investment income	6	188	188	2,411	2,411
Donations and Endowments		-	-	-	-
Total income		**71,338**	**72,442**	**70,417**	**71,186**
EXPENDITURE					
Staff costs	7	47,069	45,473	46,776	45,357
Restructuring costs	7	342	338	461	461
Other operating expenses	8	18,408	20,924	19,195	21,464
Depreciation	11	4,719	4,719	4,085	4,085
Impairment of Investment Property	13	2,000	2,000	-	-
Interest and other finance costs	9	2,691	2,691	3,143	3,143
Total expenditure		**75,229**	**76,145**	**73,660**	**74,510**
Deficit before other gains and losses		**(3,891)**	**(3,703)**	**(3,243)**	**(3,324)**
Gain/(Loss) on disposal of assets		6	6	496	496
Deficit before tax		**(3,885)**	**(3,697)**	**(2,747)**	**(2,828)**
Taxation	10	-	-	-	-
Deficit for the year		**(3,885)**	**(3,697)**	**(2,747)**	**(2,828)**
Actuarial gain in respect of pension schemes	18	39,642	39,642	93,241	93,241
Total Comprehensive Income for the year		**35,757**	**35,945**	**90,494**	**90,413**

The notes on pages 36-60 form part of these financial statements.

Statement of changes in reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2021	(95,880)	4,380	(91,500)
Deficit from the income and expenditure account	(2,747)	-	(2,747)
Other comprehensive income	93,241	-	93,241
Transfers between revaluation and income and expenditure reserves	-	-	-
	90,494	-	90,494
Balance at 31st July 2022	(5,386)	4,380	(1,006)
Deficit from the income and expenditure account	(3,885)	-	(3,885)
Other comprehensive income	39,642	-	39,642
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	35,757	-	35,757
Balance at 31st July 2023	**30,371**	**4,380**	**34,751**
College			
Balance at 1st August 2021	(95,903)	4,380	(91,523)
Deficit from the income and expenditure account	(2,828)	-	(2,828)
Other comprehensive income	93,241	-	93,241
Transfers between revaluation and income and expenditure reserves	-	-	-
	90,413	-	90,413
Balance at 31st July 2022	(5,490)	4,380	(1,110)
Deficit from the income and expenditure account	(3,697)	-	(3,697)
Other comprehensive income	39,642	-	39,642
Transfers between revaluation and income and expenditure reserves	-	-	-
Total comprehensive income for the year	35,945	-	35,945
Balance at 31st July 2023	**30,455**	**4,380**	**34,835**

The notes on pages 36-60 form part of these financial statements.

Balance Sheets

	Notes	Group	College	Group	College
		2023	2023	2022	2022
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	11	130,182	130,182	127,183	127,183
Investments	12	-	1	-	1
Investment Property	13	1,800	1,800	3,800	3,800
		131,982	**131,983**	**130,983**	**130,984**
Current assets					
Stocks		68	53	64	48
Trade and other receivables	14	4,511	4,811	2,569	2,858
Cash and cash equivalents	19	11,642	11,295	12,138	11,593
		16,221	**16,159**	**14,771**	**14,499**
Less: Creditors – amounts falling due within one year	15	(21,487)	(21,342)	(13,986)	(13,818)
Net current assets		**(5,266)**	**(5,183)**	**785**	**681**
Total assets less current liabilities		**126,716**	**126,800**	**131,768**	**131,665**
Less: Creditors – amounts falling due after more than one year	16	(90,241)	(90,241)	(94,571)	(94,571)
Provisions					
Defined benefit obligations	18	-	-	(36,176)	(36,176)
Other provisions	18	(1,724)	(1,724)	(2,027)	(2,027)
Total net assets		**34,751**	**34,835**	**(1,006)**	**(1,110)**
Restricted reserves					
Thomas Earp funds gifted the the college		43	43	43	43
Other funds gifted to the college		28	28	28	28
Total restricted reserves		71	71	71	71
Unrestricted reserves					
Income and expenditure account		30,300	30,384	30,719	30,615
Pension reserve	23	-	-	(36,176)	(36,176)
Revaluation reserve		4,380	4,380	4,380	4,380
Total unrestricted reserves		**34,680**	**34,764**	**(1,077)**	**(1,181)**
Total reserves		**34,751**	**34,835**	**(1,006)**	**(1,110)**

The financial statements on pages 36 to 60 were approved and authorised for issue by the Corporation on 13th December 2023 and were signed on its behalf on that date by:

Carole Thorogood
Chair of Governors

Janet Smith
Accounting Officer

The notes on pages 36-60 form part of these financial statements.

Consolidated Statement of Cash Flows

	Notes	2023 £'000	2022 £'000
Cash inflow from operating activities			
(Deficit) for the year		(3,885)	(2,747)
Adjustment for non cash items			
Depreciation of tangible assets		4,719	4,085
Loss/(Gain) on fair value of investment property		2,000	(2,400)
(Increase)/Decrease in stocks		(4)	5
(Increase) in debtors		(1,941)	(175)
Increase in creditors due within one year		1,860	1,390
(Decrease) in creditors due after one year		(1,544)	(2,421)
(Decrease) in provisions		(303)	(310)
Pensions costs less contributions payable		2,186	5,354
Adjustment for investing or financing activities			
Investment income		(188)	11
Interest payable		2,691	3,143
Gain on lease termination		-	(492)
(Profit)/Loss on sale of fixed assets		(6)	(4)
Net cash flow from operating activities		5,585	5,439
Cash flows from investing activities			
Proceeds from sale of fixed assets		6	4
Investment income		188	(11)
Payments made to acquire fixed assets		(7,718)	(5,197)
		(7,524)	(5,204)
Cash flows from financing activities			
Interest paid		(1,403)	(1,008)
Interest element of finance lease rental payments		-	(168)
New unsecured loans		-	172
Receipt of capital grants		5,573	2,255
Repayments of amounts borrowed		(2,727)	(3,824)
Capital element of PFI obligation		-	(624)
		1,443	(3,197)
(Decrease) in cash and cash equivalents in the year		(496)	(2,962)
Cash and cash equivalents at beginning of the year	18	12,138	15,100
Cash and cash equivalents at end of the year	18	11,642	12,138

Notes to the financial statements

1 Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2022/23 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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

Basis of accounting

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

Basis of consolidation

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

Going concern

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

These show that the College achieved a healthy education specific EBITDA of £5.4m in 2022-23, continuing the trend of delivering a strong operating performance with EBITDA and cash generated from operations of over £5m for the third year in succession. This enabled the College to repay £2.7m of borrowings, plus a further £1.4m of interest, to lenders as planned in 2022-23, as well as investing £1.9m into capital projects, net of grant income. The College has also met all the covenants in place with lenders at 31 July 2022 and 31 July 2023.

In February 2022, the College completed a refinancing exercise with its lenders, Barclays Bank, Department for Education (DfE) and Nottingham City Council. The commitment terms agreed with Barclays Bank and DfE were relatively short-term, resulting in the College having to refinance the outstanding balloon repayment balances on or before 1 August 2024.

The Office for National Statistics (ONS) announcement on 29 November 2022 that Further Education colleges were to be immediately reclassified into the public sector, will mean that the College will not be able to use commercial borrowing to refinance the existing Barclays Bank borrowing on or before 1 August 2024 as it does not meet the Managing Public Money (MPM) conditions. The DfE is therefore the only lender that the College can now borrow from if it is to refinance the existing Barclays Bank and DfE borrowing on or before 1 August 2024.

Based on a set of assumptions that have been robustly tested, the College has prepared forecasts for more than 12 months into the future. The forecasts demonstrate that the College cannot afford to repay the outstanding balloon

Notes to the financial statements

payments due to the DfE and Barclays Bank on or before 1 August 2024, without refinancing from the DfE. The College remains confident that the DfE will refinance this borrowing in full on or before 1 August 2024. This assumption is supported by the following evidence:

- The intention and working assumption between the DfE and the College on completing the February 2022 refinancing agreement was that the DfE would refinance the DfE balloon repayment in full on or before 1 August 2024.
- The guidance issued in the letter to Accounting Officers on 29 November 2022 on the reclassification of Further Education colleges into the public sector, and the need to be compliant with Managing Public Money, sets out the principles to refinance a balloon repayment due to a commercial lender (where a college does not have sufficient cash to meet the repayment itself), with the intention that the DfE, as the sole lender available to colleges, will refinance this borrowing.
- The precedent for similar arrangements has already been set with commercial borrowing being refinanced by the DfE for several colleges since the reclassification announcement.
- Dialogue between the College and the ESFA to refinance existing borrowing has been in progress for many months. The tone from the ESFA has been supportive, including allowing the College to submit a borrowing request early in recognition of the time it took to complete the previous refinancing arrangements in February 2022, and due to the current financial challenges facing the College's other lender, Nottingham City Council. The ESFA recognises that the College and ESFA will need to keep Nottingham City Council's position under review as we progress through the refinancing process, whilst also acknowledging that the DfE are the only lender available to support the College.

The forecasts show that the cash balance will remain strong during the next 12 months, with cash days in hand forecast to be 38 at year ending 31 July 2024, and a minimum of 17, equating to £3.2m, during this 12-month period. Taking account of plausible downsides and mitigations, it is reasonable to consider that College will have sufficient funds to meet its liabilities as they fall due over the period covering at least 12 months from the date of approval of the financial statements.

Accordingly, the College has concluded, that while the above are evidence that a material uncertainty exists, there is a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason continues to adopt the going concern basis in the preparation of its financial statements.

Recognition of income

Revenue grant funding

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

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

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

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of

Notes to the financial statements

performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

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

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

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

Agency Arrangements

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

Accounting for post-retirement benefits

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

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

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

Notes to the financial statements

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current assets - tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

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

- Buildings – 50 years
- Refurbishments – 50 years

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

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

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

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

Assets under construction

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

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

Equipment

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

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

Notes to the financial statements

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

Borrowing costs

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

Leased assets

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

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

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

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

Investments

Investments in subsidiaries

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

Investment Property

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

All loans, investments and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis

Notes to the financial statements

is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

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

Taxation

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

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

Provisions and contingent liabilities

Provisions are recognised when;

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

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

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

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Notes to the financial statements

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

Other key sources of estimation uncertainty:

Local Government Pension Scheme
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount on the pension liability.

The actuarial valuation received by the college for the Local Government Pension Scheme at July 2023 showed the college being in the position of having an asset, rather than a liability in regard to its share of the scheme. The college has chosen not to show this asset, as we would neither be able to access refunds from the scheme nor would we benefit from reduced future contributions to the scheme. The college's asset/liability in regard to the scheme has been reduced to zero at July 2023.

On 1 August 2023, a lease of one of the College's buildings at our Ruddington campus by Kia UK Limited, ended. In previous years the leased property was classified as an investment property on the Group's balance sheet. At 31 July 2023, the property remained an investment property, however with the lease ending 1 day later on 1 August 2023, the property has been included on the Group's 2023 balance sheet with a £nil investment value (2022 £3.8m), but with a NBV of £1.8m, resulting in an impairment of £2.0m in 2022-23.

Notes to the financial statements

2 Funding body grants

	Year ended 31 July 2023 Group £'000	Year ended 31 July 2023 College £'000	Year ended 31 July 2022 Group £'000	Year ended 31 July 2022 College £'000
Recurrent grants				
Education and Skills Funding Agency - adult	16,344	16,344	15,766	15,766
Education and Skills Funding Agency – 16 -18	37,095	37,095	34,283	34,283
Education and Skills Funding Agency - apprenticeships	5,281	5,281	5,218	5,218
Office for Students	262	262	278	278
Specific Grants				
Releases of government capital grants	662	662	701	701
Total	**59,644**	**59,644**	**56,246**	**56,246**

3 Tuition fees and education contracts

	Year ended 31 July 2023 Group £'000	Year ended 31 July 2023 College £'000	Year ended 31 July 2022 Group £'000	Year ended 31 July 2022 College £'000
Adult Education Fees	1,581	1,606	1,280	1,185
Apprenticeship contracts	254	254	104	104
Fees for FE loan supported courses	932	932	1,529	1,529
Fees for HE loan supported students	2,511	2,511	2,724	2,724
International students' fees	-	-	14	14
Total	5,278	5,303	5,651	5,556

Details of grant and fee income

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Grant income from the OfS	262	262	278	278
Grant income from other bodies	58,720	58,720	55,267	55,267
Fee income for taught awards (exclusive of VAT)	2,511	2,511	2,724	2,724
Fee income for research awards (exclusive of VAT)	-	-	-	-
Fee income from non-qualifying courses (exclusive of VAT)	2,767	2,792	2,927	2,832
Total grant and fee income	64,260	64,285	61,196	61,101

4 Other grants and contracts

	Year ended 31 July 2023 Group £'000	Year ended 31 July 2023 College £'000	Year ended 31 July 2022 Group £'000	Year ended 31 July 2022 College £'000
Erasmus	-	-	-	-
Coronavirus Job Retention Scheme	-	-	12	10
Other grants and contracts	2,439	2,439	3,174	3,175
Total	**2,439**	**2,439**	**3,186**	**3,185**

Notes to the financial statements

5 Other income

	Year ended 31 July 2023 Group £'000	Year ended 31 July 2023 College £'000	Year ended 31 July 2022 Group £'000	Year ended 31 July 2022 College £'000
Catering and residences	1,324	1,324	1,189	1,189
Other income generating activities	484	483	461	460
Other grant income	546	546	220	220
Non government capital grants	1,332	1,333	985	985
Miscellaneous income	103	1,182	68	934
Total	**3,789**	**4,868**	**2,923**	**3,788**

6 Investment income

	Year ended 31 July 2023 Group £'000	Year ended 31 July 2023 College £'000	Year ended 31 July 2022 Group £'000	Year ended 31 July 2022 College £'000
Other interest receivable	188	188	11	11
Gain/(Loss) on revaluation of investment property	-	-	2,400	2,400
	188	188	2,411	2,411

Notes to the financial statements

7 Staff costs - Group

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

	2023 No.	2022 No.
Teaching staff	887	845
Non teaching staff	428	406
	1,315	**1,251**

Staff costs for the above persons

		2023 £'000	2022 £'000
Wages and salaries		34,297	31,280
Social security costs		2,996	2,795
Other pension costs		8,567	11,200
Payroll sub total		**45,860**	**45,275**
Contracted out staffing services		1,209	1,501
		47,069	**46,776**
Restructuring costs -	contractual	342	461
	non contractual	-	-
		47,411	**47,237**

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

Key management personnel

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

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

	2023 No.	2022 No.
The number of key management personnel including the Accounting Officer was:	4	7

Notes to the financial statements

7 Staff costs - Group and College

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

	Senior post-holders		Other staff	
	2023	2022	2023	2022
	No.	No.	No.	No.
£60,000 to £65,000	-	-	1	-
£65,001 to £70,000	-	-	-	1
£70,001 to £75,000	-	-	1	3
£75,001 to £80,000	-	-	9	-
£80,001 to £85,000	-	-	-	5
£85,001 to £90,000	-	-	1	1
£90,001 to £95,000	1	1	-	1
£110,001 to £115,000	-	2	-	-
£145,001 to £150,000	1	1	-	-
£185,001 to £190,000	1	1	-	-
£205,001 to £210,000	1	1	-	-
£215,001 to £220,001	-	1	-	-
	4	7	12	11

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

	Senior post-holders		Other staff	
	2023	2022	2023	2022
	No.	No.	No.	No.
£15,001 to £20,000	-	1	-	-
£60,001 to £65,000	-	-	1	-
£65,001 to £70,000	-	1	-	2
£70,001 to £75,000	-	-	1	2
£75,001 to £80,000	-	-	9	2
£85,001 to £90,000	-	-	1	1
£90,001 to £95,000	1	1	-	-
£110,001 to £115,000	-	1	-	-
£145,001 to £150,000	1	1	-	-
£195,001 to £200,000	1	1	-	-
£205,001 to £210,000	1	-	-	-
£225,001 to £230,000	-	1	-	-
	4	7	12	7

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

Access and Participation (Payroll Element)	2023	2022
	£'000	£'000
Access Investment	-	-
Financial Support	-	-
Disability Support (excluding expenditure included in the two categories above)	57	46
Research and Evaluation	13	8
	70	54

Notes to the financial statements

7 Staff costs - Group and College

Key management personnel compensation is made up as follows:

	2023 £'000	2022 £'000
Salaries - gross of salary sacrifice and waived emoluments	615	764
Benefits in Kind	-	9
Termination	28	30
Employers National Insurance	81	102
	724	905
Pension contributions	118	75
Total emoluments	842	980

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

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

	Accounting Officer	2023 £'000	2022 £'000
Salaries	190	190	299
	190	190	299
Pension contributions	45	45	4

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

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

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

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

Chief Executive Officer's basic salary as a multiple of the median of all staff*	6.6	(2021-22 6.6)
Chief Executive Officer's total remuneration as a multiple of the median of all staff*	8.1	(2021-22 7.8)

Compensation for loss of office paid to former key management personnel

	2023 £	2022 £
For 2023, the £28,000 compensation was paid to one former key management person.	28	30

The severance payment was approved by the Corporation.

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

The College paid 27 severance payments in the year, disclosed in the following bands;

0 - £25,000	25
£25,001 - £50,000	1
£75,001 - £100,000	1

Included in staff restructuring costs are 6 special severance payments totalling £74,588 (2022 £65,271). Individually, the payments were; £3,808, £5,494, £7,000, £14,578, £15,400, £28,308

Notes to the financial statements

8 Other operating expenses

	Year ended 31 July 2023 Group £'000	Year ended 31 July 2023 College £'000	Year ended 31 July 2022 Group £'000	Year ended 31 July 2022 College £'000
Teaching costs	8,732	8,694	10,308	10,308
Non teaching costs	6,171	8,737	5,011	7,278
Premises costs	3,505	3,493	3,876	3,878
Total	**18,408**	**20,924**	**19,195**	**21,464**

Other operating expenses include:	2023 £'000	2022 £'000
Auditors' remuneration:		
Financial statements audit *	75	68
Tax compliance	3	2
Other services	6	4
Internal audit	65	67
Operating lease expense	727	736

* Includes £64,000 in respect of the College (2021-22 £60,000)

Access and Participation	2023 £'000	2022 £'000
Access Investment (i)	123	102
Financial Support	154	152
Disability Support (excluding expenditure included in the two categories above) (ii)	60	48
Research and Evaluation (iii)	19	15
	356	**317**

(i) £0k of these costs are already included in the overall staff cost figures included in the financial statements, see note 7
(ii) £57k of these costs are already included in the overall staff cost figures included in the financial statements, see note 7
(iii) £13k of these costs are already included in the overall staff cost figures included in the financial statements, see note 7

Nottingham College's Access and Participation Plan can be accessed via the link below;
https://www.nottinghamcollege.ac.uk/study/university-centre/welcome-to-the-university-centre-at-nottingham-college/key-information-and-supporting-documents

Notes to the financial statements

9 Interest payable - Group and College

	2023 £'000	2022 £'000
On bank loans, overdrafts and other loans:	1,449	1,176
	1,449	1,176
Net interest on defined pension liability (note 18,23)	1,242	1,967
Total	**2,691**	**3,143**

10 Taxation - Group only

	2023 £'000	2022 £'000
Tax payable by the group	-	-

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

Notes to the financial statements

11 Tangible fixed assets (Group and College)

	Land and buildings £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2022	147,539	38,078	185,617
Additions	4,822	2,896	7,718
Disposals	-	(6)	(6)
At 31 July 2023	**152,361**	**40,968**	**193,329**
Depreciation			
At 1 August 2022	24,555	33,879	58,434
Charge for the year	2,830	1,889	4,719
Elimination in respect of disposals	-	(6)	(6)
At 31 July 2023	**27,385**	**35,762**	**63,147**
Net book value at 31 July 2023	**124,976**	**5,206**	**130,182**
Net book value at 31 July 2022	122,984	4,199	127,183

Notes to the financial statements

12 Non current Investments

	College 2023 £'000	College 2022 £'000
Investments in subsidiary companies	1	1
Total	**1**	**1**

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

13 Investment Property

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Opening balance	**3,800**	**3,800**	**1,400**	**1,400**
Investment Property Impairment	**(2,000)**	**(2,000)**	-	-
Gain on fair value	-	-	**2,400**	**2,400**
Total	**1,800**	**1,800**	**3,800**	**3,800**

The lessee of the Investment Property exercised a break clause in the lease at 31 July 2023, however the lease was not formally terminated until 1 August 2023. Given the property was still an Investment Property at 31 July 2023 but with no future rental stream, the members are of the view that the Investment Property should be shown at 31 July 2023 impaired to net book value.

14 Trade and other receivables

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Amounts falling due within one year:				
Trade receivables	1,404	1,405	518	518
Amounts owed by group undertakings:				
Subsidiary undertakings	-	301	-	290
Prepayments and accrued income	3,107	3,105	2,051	2,050
Amounts owed by the ESFA	-	-	-	-
Total	**4,511**	**4,811**	**2,569**	**2,858**

Notes to the financial statements

15 Creditors: amounts falling due within one year

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Bank loans.	2,787	2,787	2,727	2,727
Trade payables	1,457	1,459	433	433
Other taxation and social security	1,971	1,933	1,326	1,296
Accruals and deferred income	8,278	8,169	7,574	7,436
Deferred income - government capital grants	2,584	2,584	1,926	1,926
Unspent capital grants	4,410	4,410	-	-
Total	**21,487**	**21,342**	**13,986**	**13,818**

16 Creditors: amounts falling due after one year

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Bank Loans	28,563	28,563	31,350	31,350
Rent Creditor	259	259	314	314
Deferred income - government capital grants	61,419	61,419	62,907	62,907
Total	**90,241**	**90,241**	**94,571**	**94,571**

Notes to the financial statements

17 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
In one year or less	2,787	2,787	2,727	2,727
Between one and two years	14,508	14,508	2,787	2,787
Between two and five years	5,198	5,198	17,919	17,919
In five years or more	8,857	8,857	10,644	10,644
Total	**31,350**	**31,350**	**34,077**	**34,077**

The College's loans are detailed as follows;

Lender	**Term**	**Rate**	**Amount £'000**
Barclays	**Aug 2024**	**7.35%**	**6,738**
Nottingham City Council	**Oct 2032**	**3.09%**	**17,128**
ESFA	**Aug 2024**	**6.62%**	**7,484**
TOTAL			**31,350**

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

Notes to the financial statements

18 Other Provisions
Group and College

	Defined benefit obligations	Enhanced benefit obligations	Other	Total
	£'000	£'000	£'000	£'000
At 1 August 2022	(36,176)	(2,027)	-	(38,203)
Expenditure in the period	(3,262)	99	-	(3,163)
Actuarial gain	40,920	204	-	41,124
Amount not recognised	(1,482)	-	-	(1,482)
At 31 July 2023	-	(1,724)	-	(1,724)

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

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

The principal assumptions for this calculation are:

	2023	2022
Price inflation	2.80%	2.90%
Discount rate	5.30%	3.30%

19 Cash and cash equivalents

	At 1 August 2022	Cash flows	Other changes	At 31 July 2023
	£'000	£'000	£'000	£'000
Cash and cash equivalents	11,859	(353)	-	11,506
Restricted cash[1]	279	(143)	-	136
Overdrafts	-	-	-	-
Total	12,138	(496)	-	11,642

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

Analysis of change in net debt

	At 1 August 2022	Cash flows	New bank Loans	Other changes	At 31 July 2023
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	12,138	(496)	-	-	11,642
Bank loans - short term	2,727	-	-	60	2,787
Bank Loans - long term	31,350	(2,727)	-	(60)	28,563
Total	46,215	(3,223)	-	-	42,992

20 Capital commitments

	Group and College 2023	2022
	£'000	£'000
Commitments contracted for at 31 July	907	2,203

Notes to the financial statements

21 Lease Obligations

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

	Group and College	
	2023	2022
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	394	580
Later than one year and not later than five years	1,046	1,235
Later than five years	-	190
	1,440	2,005
Other		
Not later than one year	-	156
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	156
Total lease payments due	1,440	2,161

22 Contingent liabilities

There are no contingent liabilities as at 31 July 2023 or 31 July 2022

Notes to the financial statements

23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Nottinghamshire Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Nottinghamshire County Council. Both are multi-employer defined-benefit plans.
The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2019 and of the LGPS 31 March 2019.

Total pension cost for the year		**2023**		**2022**
		£'000		**£'000**
Teachers Pension Scheme: contributions paid		3,328		3,074
Local Government Pension Scheme:				
Contributions paid	3,218		2,886	
Other pension contributions	20		15	
Pension Strain	43		-	
FRS 102 (28) charge	2,019		5,165	
Charge to the Statement of Comprehensive Income		5,299		8,066
Enhanced pension charge to Statement of Comprehensive Incom		37		37
Total Pension Cost for Year included within Staff Costs		**8,664**		**11,177**

Teachers' Pension Scheme

The Teachers' Pension Budgeting and Valuation Account

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

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

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

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

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

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education (the Department) in October 2020. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222 billion giving a notional past service deficit of £40 billion.
As a result of the valuation, new employer contribution rates were set at 28.68% of pensionable pay from April 2024 onwards (compared to 23.68% since September 2019). DfE has agreed to continue to pay a teacher pension employer contribution grant to cover the additional costs at least up to 2024-25.
A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £3,328,000 (2022: £3,034,000)

Notes to the financial statements

23 Defined benefit obligations (continued)

FRS 102 (28)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds adminstered by Nottinghamshire County Council. The total contribution made for the year ended 31 July 2023 was £4,198,000, of which employer's contributions totalled £3,218,000 and employees' contributions totalled £980,000. The agreed contribution rates for future years are 19.4% for employers and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2023 updated to 31 July 2023 by a qualified independent actuary.

	At 31 July 2023	**At 31 July 2022**
Rate of increase in salaries	3.85%	3.80%
Future pensions increases	2.85%	2.80%
Discount rate for scheme liabilities	5.15%	3.40%
Inflation assumption (CPI)	2.85%	2.20%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2023	**At 31 July 2022**
	years	**years**
Retiring today		
Males	20.4	21.6
Females	23.2	24.4
Retiring in 20 years		
Males	21.6	23.0
Females	24.6	25.8

Notes to the financial statements

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Long-term rate of return expected at 31 July 2023	Fair Value at 31 July 2023 £'000	Long-term rate of return expected at 31 July 2022	Fair Value at 31 July 2022 £'000
Equity instruments	59%	80,116	59%	80,224
Gilts	2%	2,668	2%	3,220
Other Bonds	6%	7,570	7%	9,454
Property	12%	15,882	14%	19,837
Cash	6%	8,337	6%	7,822
Inflation-linked pool fund	5%	6,649	5%	7,138
Infrastructure	8%	10,686	7%	9,172
Unit Trust	3%	4,417	0%	-
Total market value of assets		**136,325**		**136,867**

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

	2023 £'000	2022 £'000
Fair value of plan assets	136,325	136,867
Present value of plan liabilities	(134,760)	(172,941)
Amount not recognised	(1,482)	-
Present value of unfunded liabilities	(83)	(102)
Net pension liability	**-**	**(36,176)**

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

	2023 £'000	2022 £'000
Amounts included in staff costs		
Current service cost	5,237	8,051
Past service cost	-	-
Total	**5,237**	**8,051**
Amounts included in investment		
Net interest	1,175	1,930
	1,175	**1,930**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(4,110)	1,358
Other actuarial losses on assets	(793)	-
Change in financial assumptions	52,427	92,248
Change in demographic assumptions	11,889	-
Experience losses arising on defined benefit obligations	(18,493)	(553)
Actuarial gain not recognised	(1,482)	-
Amount recognised in Other Comprehensive Income	**39,438**	**93,053**

Notes to the financial statements

23 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability) during the year

	2023 £'000	2022 £'000
(Deficit) in scheme at 1 August	(36,176)	(122,067)
Movement in year:		
Current service cost	(5,237)	(8,051)
Employer contributions	3,218	2,886
Past service cost	-	-
Net interest on the defined (liability)	(1,175)	(1,930)
Administrative expenses	(68)	(67)
Actuarial gain or loss	40,920	93,053
Amount not recognised	(1,482)	-
Net defined benefit (liability) at 31 July	**-**	**(36,176)**

Asset and Liability Reconciliation

	2023 £'000	2022 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	173,043	255,571
Current Service cost	5,237	8,051
Interest cost	5,825	4,066
Contributions by scheme participants	980	859
Experience gains and losses on defined benefit obligations	18,493	553
Changes in financial assumptions	(52,427)	(92,248)
Change in demographic assumptions	(11,889)	-
Estimated benefits paid	(4,410)	(3,800)
Unfunded pension payments	(9)	(9)
Past Service cost	-	-
Defined benefit obligations at end of period	**134,843**	**173,043**

Reconciliation of Assets

	2023 £'000	2022 £'000
Fair value of plan assets at start of period	136,867	133,504
Interest on plan assets	4,650	2,136
Return on plan assets	(4,110)	1,358
Other actuarial losses	(793)	-
Administration expenses	(68)	(67)
Employer contributions	3,218	2,886
Contributions by Scheme participants	980	859
Estimated benefits paid	(4,419)	(3,809)
Fair value of plan assets at end of period	**136,325**	**136,867**

McCloud/Sargeant judgements

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements. Remedial regulations are expected in 2023 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised.

Impact on liabilities

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

If an allowance was already made for McCloud at a previous accounting date in an employer's IAS19/FRS102 report then no explicit adjustment will be made in our results this year. For employers in English and Welsh funds, the estimated cost of McCloud will be updated as part of the 2022 valuation update and this will reflect the approach adopted at the valuation in estimating the cost of the McCloud remedy. The difference between this cost and the cost previously incorporated into the employer's accounting liabilities will be reflected in the liability experience itemand we do not expect this to be material. It should be noted that the cost of the McCloud remedy varies with member experience (for example due to salary increases), and therefore the cost calculated at each actuarial valuation will vary, however, generally we do not expect this to be material. For emplyers in Scottish funds the McCloud costs were estimated as part of the 2020 valuation and no update is required this year.

Notes to the financial statements

24 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £119.90; 1 governor (2021-22: £152.40; 1 governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.
No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2022: None).

Nottingham College Services Limited – a subsidiary of Nottingham College
Purchase transactions in the year amounted to £1,869,000 (2021-22 – £1,772,000). There were no balances outstanding at the year end (2022 – nil)

25 Amounts disbursed as agent

Learner support funds

	2023 £'000	2022 £'000
Funding body grants – bursary support	2,402	2,164
Funding body grants – discretionary learner support	1,292	1,269
Funding body grants – residential bursaries	-	-
Other Funding body grants	-	-
Interest earned	-	-
	3,694	3,433
Disbursed to students	(3,482)	(3,133)
Administration costs	(129)	(107)
Balance unspent as at 31 July, included in creditors	83	193

26 Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

27 Events after the reporting period

On 1 August 2023, a lease of one of the College's buildings at our Ruddington campus by Kia UK Limited, ended. In previous years the leased property was classified as an investment property on the Group's balance sheet. At 31 July 2023, the property remained an investment property, however with the lease ending 1 day later on 1 August 2023, the property has been included on the Group's 2023 balance sheet with a £nil investment value (2022 £3.8m), but with a NBV of £1.8m, resulting in a loss on asset revaluation of £2.0m in 2022-23.