

**GRANTHAM COLLEGE**  
**Annual Report and Financial Statements**  
**Year ended 31 July 2022**

# Grantham College

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# Grantham College

## Reference and Administrative Details

### Board of Governors

Mrs A Treacy  
Mr B Dungarwalla  
Mr B Addlesee  
Mr B Redfearn  
Mr C Ford  
Mrs C Brocklebank  
Mr C Turner  
Mr G Brewis  
Ms L Smith  
Mrs Michelle Marshall  
Mr M Argyle  
Mx M Kalbassi  
Mr N Jones  
Mr N Manoussakis  
Mrs N McCoy-Brown  
Mr P Deane

### Clerk/Company Secretary

Jane Taylor-Holmes

### Senior Management team

Paul Deane	-	Principal, CEO & Accounting Officer
Claire Temprell	-	Vice Principal HR & Student Services
Tracy Scarborough	-	Vice Principal HR & Quality Control
Lara Steptoe	-	Vice Principal Apprenticeships & Business Development
Steven Peacock	-	Vice Principal Higher Education & Institute of Technology
Tracey Hart	-	Director of Planning, Funding & Information
Anita Harrison	-	Director of Finance

**Principal and Registered Office** Stonebridge Road, Grantham, Lincolnshire, NG31 9AP

**Professional advisers**

External Auditors	Price Bailey LLP
Internal Auditors	RSM Risk Assurance Services LLP
Solicitors	Andrews & Co
Bankers	Lloyds Bank Plc

# Grantham College

## Members' Report

### OBJECTIVES AND STRATEGY

The members present their annual report together with the financial statements and auditor's report for Grantham College for the year ended 31 July 2022.

### Legal Status

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

### Mission

The College's mission is "Inspire, Empower, Achieve".

To deliver inspirational vocational, technical, professional and higher education and training that empowers people, businesses and the community to achieve their goals.

### Resources

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

The College employs 158 people (expressed as full-time equivalents), of whom 45 are teaching staff.

Tangible resources include the College main sites on Stonebridge Road and the Barracks site. There were no significant developments during 2021/22. The college continues to rationalise estates with the investment into Stonebridge House through the Institute of Technology project, the Link Block & Engineering through the Energy Centre project, and the college continues to lease property on Belton Lane.

The College has £7,642,000 (2021: £816,000) of net assets (including a nil pension liability (2021: £7,311,000 pension liability) and long-term debt of £214,000 (2021: £343,000 long term debt).

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

## **STAKEHOLDER RELATIONSHIPS**

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

- Students;
- Education sector funding bodies and regulators;
- Staff;
- Local employers (with specific links);
- LEP;
- Local Authorities;
- Government Offices;
- The local community;
- Other FE & HE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

### **Public Benefit**

Grantham 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 22. 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.

In delivering its mission, the college provides identifiable public benefits through the advancement of education to approximately 1,301 students, including 67 students with high needs:

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

## **DEVELOPMENT AND PERFORMANCE**

In 2021/22 the College has delivered activity that has produced £4,333,000 funding body main allocation funding (2020/21 – £4,763,000). The College had the following student numbers:

16 – 18: 681

19+ Adult FE: 541

HE (including franchised): 79

Apprentices in learning:

16-18: 187

19+: 157

HLA: 41

Curriculum developments

The College offers programmes of learning in all the prescribed sector subject areas as well as offering bespoke programmes for 14-16-year olds from local schools. Grantham College continues to offer a range of courses from entry level, through to levels 1, 2 and 3, including T Level and T Level Transition Programmes in 5 different routes, Engineering; Construction; Digital; Business and Administration; Education and Childcare; as well as Higher Education, offering HNC/Ds and Foundation degrees in partnership with and Bishop Grosseteste University as well as its own direct HEFCE/OfS funded provision.

The opening of Institute of Technology at Grantham College in early November 2021 enables the college to expand its offer in Engineering & Digital courses from Level 3 upwards, and the opening of the Renewable Energy Centre in September 2022 will allow the college to deliver renewable energy courses in both the Construction & Engineering areas. From 2021/22 the college commenced delivery of T Level transition courses in with full delivery of T Levels commencing in September 2022.

The college also started to deliver Skills Bootcamps during 2021-22 which have also been designed to be responsive and flexible to employer needs. Our Digital and Green Skills Bootcamps offer training in industry-specific technical skills that will enable an employee to both attain a new job / role (or new opportunities for the self-employed) and to perform successfully afterwards. The courses comprise flexible and responsive provision that supports adult learners to train around their existing employment and personal commitments.

The College recognised the need for greater local demographic data, data on competitors and Labour Market Intelligence in curriculum planning and introduced the RCU Vector and MIDES LMI tools which utilise the latest demographic, competitor data and UKCES data on Labour Market Intelligence. Since introduction, when planning the curriculum every curriculum area has been required to review the information above along with local LEP skills strategies and information on priorities for community provision from the Local Authorities to ensure the curriculum offer meets local need as well as being aligned to the strengths and capabilities of the college.

The College continues to use Community Learning funding to widen participation by offering a range of taster provision and other short courses and has also increased its Distance Learning offer to encourage adults to return to learning.

## **Financial Results**

The College generated a deficit before other gains and losses in the year of £1,468,000 (2021: deficit of £1,066,000) with total comprehensive income surplus of £6,826,000 (2021: deficit of £717,000). The college saw an actuarial gain on the Local Government Pension Scheme in 2022 of £8,296,000 (2021: actuarial gain of £349,000).

The College has accumulated reserves of £7,642,000 (2021: £816,000) and cash balances of £1,892,000 (2021: £2,031,000). The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund.

Tangible fixed asset additions during the year amounted to £3.01m. This was split between buildings refurbishment of £2.12m and equipment purchased of £0.89m. The majority of additions in 2021/22 totalling £1.7m related to the commencement of refurbishment work on the existing Link Block and Engineering area to house a Renewable Energy Centre for courses in both Construction and Engineering curriculum areas. This project is being part funded by Greater Lincolnshire Local Enterprise Partnership and total capital project costs total £1,963,277 and is due to open in September 2022. Additions totalling £931k related to the continuation and completion of the DfE funded Institute of Technology project which saw the refurbishing of the Grade 2 listed Stonebridge House which opened in November 2021. Further investment included online learning platforms, replacement of computers, upgrading existing data links, replacement finance software, new website, alterations and refurbishment across the college site. Grantham College also received £167k in capital funding from DfE Higher Education Provider Growth Fund to support providers to build and create additional high quality provision in the form of Higher Technical Qualifications. This funding has enabled the college to invest in specialist equipment for the delivery of Digital and Health and Science qualifications.



The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22 the funding bodies provided 74.1% of the College's total income.

### **Treasury Policies and Objectives**

Treasury management is the management of the College's cash flows, its banking and money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place. Short-term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the College's Financial Memorandum previously agreed with the ESFA. All other borrowing requires the authorisation of the Corporation and shall comply with any requirements of the Financial Memorandum.

The College also has a gifts and hospitality policy which covers the procedure for receipt of gifts/hospitality by staff.

### **Cash flows and liquidity**

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year, this margin was comfortably exceeded. There was a net operating cash inflow of £3,790,000 (2021: £485,000 inflow).

### **Reserves Policy**

The College recognises that it has two major sources of income and these are not guaranteed. It is crucial therefore to ensure there are sufficient reserves to support the College while other sources of income are secured and fundraising is considered or to allow the College to wind up while meeting its obligation to staff and service users, if existing sources of income are lost.

The College is dependent on ESFA funding to sustain its activities, as other streams of income alone would not allow the College to continue operating. This means that if there were to be a significant fall in this funding source it is likely that the College would have to restructure or close down.

To avoid closure if funding difficulties were to occur the Board of Governors has agreed to keep a certain level of financial reserves to ensure that main operations can continue for a period of 9 months.

The main concerns of the Board of Governors are to ensure:

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

Funding is determined annually and this has exposed the College to quite significant falls in income in the past. It has been calculated that reserves of £6.5m would be needed to continue running for at least 9 months.

The reserves will be built up from the unrestricted (earned) income. At 31 July 2022, the Income and Expenditure reserve, including pension reserves was in a surplus position of £5.35m (2021: deficit £1.524m). Pension reserves shows a Nil balance (2021: deficit £7.311m), Income & Expenditure reserves show a surplus of £5.35m (2021: surplus £5.787m) and Revaluation Reserves show a surplus of £2.292m (2021: surplus £2.340m).

The level of reserves will be monitored and reported on within the monthly management accounts and included within the Finance Reports presented to the Board of Governors who will review if required.

The Board of Governors will review this policy annually or whenever there are significant changes in income or operating costs.

### **Future prospects**

The Ofsted inspection in September 2017 and the Ofsted Residential inspection in November 2019 have confirmed that the college has the capacity and capability to deliver significant improvement and is now a good college that meets the needs of the local area, individuals and employers. The Area Review concluded that the college should continue to stand alone but continue to work in collaboration with other colleges. It also confirmed that the College should continue to meet the vocational needs of the local area and seek to ensure financial viability. The College has demonstrated that it can adapt in its delivery of teaching and maintain quality, whilst effectively meeting the needs of the local area and it has good prospects for continuing to do this in the future.

The College's success in the collaborative Institute of Technology with a consortium of Lincolnshire colleges and the University of Lincoln saw a £2.6m capital investment towards the refurbishment of Stonebridge House and specialist equipment. Grantham College Institute of Technology opened in November 2021.

The College was also successful in their capital bid to Greater Lincolnshire Local Enterprise Partnership (GLLEP) with an investment totalling £1.5975m. This capital investment along with other funding has allowed the college to refurbish the existing Link Block and Engineering areas to accommodate a new

Renewable Energy Centre including specialist equipment. Preliminary work commenced on the project in January 2021 with the new facility opening in September 2022.

### **Implementation of Strategic Plan**

In December 2018 the College adopted a strategic plan for the period 2019 to 2022 and the College approves a 2 year financial plan each July. The Corporation monitors the performance of the College against these plans. The plans are reviewed and updated each year. The College's strategic objectives are:

- Ensuring that student and apprentice progression, employability and career opportunities are central to everything we do so that we help to improve social mobility, reduce employers' skills gaps and support the creation of a thriving local economy and community.
- Develop and deliver a vocational, technical, professional and higher education curriculum which supports the above whilst increasing access & inclusivity.
- Maintaining a financially robust and sustainable organisation that allows us to continue to invest in delivering our mission.
- Create a value driven organisation where all staff are supported & empowered to deliver the above, continuously improve & inspire our students to strive for and achieve the highest standards.

The College is on target for achieving these objectives.

### **Treasury Policies and Objectives**

The College has set financial targets and reviews these annually and this includes a review of the ESFA financial dashboard for the College. Currently our financial health is assessed as "Requires Improvement" for the year to 31 July 2022.

The financial targets are:

- To achieve an overall ESFA financial health grade of "Good" or better
- To ensure no more than 1 of the 3 ESFA financial health sub grades falls below "Good" and none are rated "inadequate"
- To ensure pay expenditure (excluding year end pension adjustments) is no more than 74% of income unless the above can still be achieved with a higher percentage

The college continues to see a continuing impact of COVID, plus with increasing non-controllable salary and non-salary costs and lack of increase in funding rates means that the College has only achieved one of the above financial targets during 2021/22.

The budget and financial plan approved by the board in July 2021 for 2021/22 showed that the College would deliver only one of these financial targets in 2021/22, with EBITDA falling below 0% and payroll costs showing 72.43% of income.

At 31 July 2022, EBITDA was minus 1.22%, which is below the 1% financial health assessment meaning the College shows 'Requires Improvement'. The budgeted EBITDA approved in July 2021 showed 4.66%.

Payroll costs (excluding FRS102 pension costs) at 31 July 2022 were 77.02% of income compared to 72.43% in the original budget.

For target 2 the College ensured that no more than 1 of the 3 ESFA financial health sub grades fell below "Good", in fact both the adjusted ratio and borrowings a % of adjusted income were rated outstanding. The EBITDA measure was rated "inadequate" due to being under 1% and therefore the overall financial health is assessed as "Requires Improvement" in 2022.

The College is confident that the current financial targets can continue to be met and will continue to support the delivery of the College's Strategic Plan.

The budget and financial plan for 2022/23 approved in July 2022 by the Board shows EBITDA as 4.36% and the financial health improving to "Good". The College is aware that tight control over budgets is required to ensure this and regular reforecasting will be carried out throughout the year and reported to Board.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

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

This is supported by a risk management training programme to raise awareness of risk throughout the College. 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. Government Funding

The College has considerable reliance on continued government funding through the ESFA and its successor organisations. In 2021/22, 74% the College's revenue was ultimately public 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 is aware of a number of issues which may impact on future funding and financial stability:

- Changes in demography
- Academies, UTCs and Free Schools plus continued growth/expansion of 6th form provision in local schools has meant increased competition for 16-18 year olds.
- Slow growth in the Local, Regional and National economy has meant little growth in disposable income for both individuals and organisations which have affected adult numbers.
- Advanced Learning loans, National Skills Fund, the apprentice levy and real terms cuts in funding.
- Continuing limits on spending for post 16 education.
- European Funding following the country's exit from the EU.
- Devolution.
- Tightening visa controls on international students.
- Increasing employer pensions contributions, National Minimum Wage rates, Health & Social Care Levy.
- The continuing impact of Covid and the reluctance of adult learners to enrol on courses plus economic consequences.
- Increasing incidences of cybercrime in the sector.

The risks are mitigated in a number of ways:

- Ensuring that the curriculum offer is responsive to each market and is developed to meet demands.
- Ensuring the College delivers a high quality product measured by achievement rates, customer satisfaction and student progression.
- Continued investment in its resources, both human and physical.
- Funding is derived through a number of direct and indirect contractual arrangements.

- Strategic analysis of the sector and region, with established relationships with all the key stakeholders.
- Continuing collaboration to improve efficiency and effectiveness.
- Ensuring current and potential future funders are aware of the contribution of FE to the local and regional economy and national and regional policy objectives.
- Regular reviews of fee levels to ensure viability and competitiveness.
- Close scrutiny of costs and viability to ensure the college achieves good financial health.
- Preparing and adapting to deliver online learning.
- Investing in cyber security training and support.

## 2. Tuition fee policy

In line with the majority of other colleges, Grantham College will seek to increase tuition fees annually in accordance with the fee assumptions. The price elasticity of adult learning does seem to show that adult learning is price sensitive and show that demand both locally and nationally reduces as fees increase. This potential reduction in adult numbers combined with the reduction in qualifications funded and the increased restriction on the classification of benefits entitled for funding remission will impact on the growth strategy of the College in relation to its adult and employer-based work.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Monitoring the impact of advanced learning loans for adults. Monitoring the impact of adult funding changes. Monitoring the impact of National Skills Fund.
- Close monitoring of the demand for courses as prices change.
- Review curriculum offer to match the skills gaps identified within the local and regional economy

## 3. Maintain adequate funding of pension liabilities

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

This risk is mitigated by an agreed deficit recovery plan with the Lincolnshire County Council pension scheme.

## KEY PERFORMANCE INDICATORS

The College uses a number of key performance indicators to monitor its performance in relation to the curriculum offer. The main indicators are set out below:

- student number growth and achievement of ESFA funding targets
- student attendance, retention, pass and achievement rates
- student satisfaction
- growth in other funding streams to include higher education, international and full cost
- effectiveness and efficiency of curriculum delivery
- effectiveness and efficiency of staff utilisation

In 2021/22 the College student number targets in the 16-18 year old category were below expectation with 681 16-18 year old students being enrolled against a forecast of 696 in the July 2021 Financial Plan, meaning the college hit 97.85 % of target and student numbers were below target by 15 students. Our ESFA adult numbers decreased during 2021/22, meaning that the College achieved 69.79% of the funding received and not the ESFA tolerance of 97%.

The college therefore showed a potential claw back amount of £334.8k within its 2021/22 outturn. Apprentice income achieved 96.13% of the target set for 2021/22.

The College continues to work towards becoming an outstanding organisation, and internal quality and curriculum processes are in place to push the organisation towards that goal. The effective implementation of the Post Inspection Action Plan has had a positive impact on standards resulting in an improved Ofsted grade of 'Good' for overall effectiveness and 'Good' across all areas in the inspection conducted in September 2017. Attendance in 2021/22 overall requires improvement at 78% with the college still delivering some remote delivery in 2021/22 due to COVID. The College Achievement Rate for non-apprentice provision is 63.4% which is below the national average for the qualifications we offer for both 16-18 and 19+. Overall apprenticeship success rates were 57.7%.

Curriculum efficiency and effectiveness will continue to be monitored closely throughout 2022/23 to ensure that the College is maximising the use of funding and resourcing to ensure the best educational experience for the students. Curriculum efficiency is monitored for all curriculum areas to ensure that courses are constructed in the most efficient way possible and that staff are teaching to their contracted hours thereby increasing staff utilisation.

Aside from ESFA funding the College is continually looking to secure other methods and sources of funding and will continue to source additional funding as well as through the growth of full cost and higher education.

The College is committed to monitoring performance compared to relevant sector measures and indicators and uses the data available on the GOV.UK website and from the AoC to drive improvement including measures such as National achievement rates tables, student and employer satisfaction, college accounts benchmarking and reports from the FE Commissioner, Ofsted and the Office for Students. The College is required to complete the annual Finance Record for the Education and Skills

Funding Agency (“ESFA”). The College is assessed by the ESFA as having a “Requires Improvement” financial health grading for the year ended 31 July 2022.

### **Student achievements**

Students continue to prosper at the College. The Ofsted monitoring visit in October 2020 found that “Employers praised leaders and managers for the actions taken to support apprentices to study remotely. They said the support team and teachers were very flexible.” The Ofsted inspection in September 2017 confirmed that Grantham College has improved and is now a ‘Good’ college.

The College Achievement Rate for non-apprentice provision is expected to be 66% once all data is finalised, no useful national comparisons are available at present. Overall apprenticeship achievement rates were 57.7% which is above the headline national rate.

### **Equal opportunities**

Grantham College celebrates the diversity of our staff, partners and any visitors to our services. We respect and celebrate difference and warmly welcome all students regardless of race, disability, sex, sexual orientation, gender reassignment, marriage and civil partnership, pregnancy and maternity, age, religion or belief. The College Equality Objectives are developed, published and regularly reviewed to meet the public sector under the Equality Act 2010. As part of our Equality Duty we aim to eliminate unlawful discrimination and other conducts; advance equality of opportunity; and foster good relations between people who share a protected characteristic and those who do not. The Diversity, Equity, and Inclusion Policy is reviewed annually with commitment to DEI a strategic priority for the College. The College seeks to promote and value diversity and to take positive action to increase participation from underrepresented groups. The College welcomes applications from all sectors of society in terms of its employment of people with disabilities.

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2021 to 31 July 2022, the College paid 89 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.



## Disability statement

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

- a) As part of its accommodation strategy the college updated its access audit. Experts in this field conducted a full access audit in 2019, and the results of this formed the basis of funding capital projects aimed at improving access.
- b) The college has appointed an Access Co-ordinator, who provides information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the college can make available for use by students and a range of assistive technology is available in the learning centre.
- d) The admissions policy for all students is described in the college charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The college has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in college prospectuses, and achievements and destinations are recorded and published in the standard college format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

## Trade union facility time

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

Numbers of employees who were relevant period	FTE employee number
0	158.56

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

Total cost of facility time	£0
Total pay bill	£6,475,965
Percentage of total bill spent on facility time	0%

Time spent on paid trade union activities as a percentage of total paid facility time	0%
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### **Going Concern**

After making appropriate enquiries, the Corporation considers that the college has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

### **EVENTS AFTER THE REPORTING PERIOD**

There were no significant post balance sheet events.

### **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<sup>th</sup> December 2022 and signed on its behalf by:



G Brewis

Chair

# Grantham College

## Governance Statement

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

### GOVERNANCE CODE

The College endeavours to conduct its business:

1. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance (“the Foundation Code”); and
3. Having due regard to the UK Corporate Governance Code (“the Code”) insofar as it is applicable to the further education sector.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2022. This opinion is based on an internal review of compliance with the Code undertaken by the Search & Governance Committee and reported to the board on the 29<sup>th</sup> March 2022. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in 2015, which it formally adopted in July 2015.

## The Corporation

### Members of the Corporation

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

Name	Date of Appointment	Office Term	Date of reappointment	End date of current term	Resignation	Committees	Attendance in 2021/22
Mr G Brewis	18 December 2017	4	14 December 2021	17 December 2025		(Chair from October 2021) Corporation, Standards, Finance, Search & Governance, Remuneration	5
Mrs C Brocklebank	12 October 2021	4		11 October 2025		Corporation, Audit, Standards	3
Mr P Deane	Appointed as Principal & Chief Executive - August 2018	-				Corporation, Finance, Search & Governance, Standards	5
Ms B Dungarwalla	21 June 2022	4		20 June 2026		Corporation, TBC	1
Mrs N Flint	2 April 2020	2		1 April 2022	18 May 2022	Corporation, Standards	2
Mrs L George	18 May 2021	4		17 May 2025	26 January 2022	Corporation, Finance	1
Mr I Hyland	18 December 2017	4	14 December 2021	17 December 2025	17 November 2021	Corporation, Finance, Search & Governance, Standards	1
Mr N Jones	18 May 2021	4		17 May 2025		Corporation, Standards	5
Mr A Joy	18 May 2021	4		17 May 2025	25 May 2022	Corporation, Audit	2
Mr K Lyon	18 May 2021	4		17 May 2025	1 February 2022	Corporation, Audit	1
Mr N Manoussakis	1 September 2014	4	10 May 2018 7 July 2022 (for one year)	31 August 2023 FINAL TERM		Corporation, Finance	1
Mrs M Marshall	7 July 2022	4		6 July 2026		Corporation. Standards	1
Mrs N McCoy-Brown	29 March 2022	4		28 March 2026		Corporation, Audit	3

Name	Date of Appointment	Office Term	Date of reappointment	End date of current term	Resignation	Committees	Attendance in 2021/22
Mrs A Mosek	10 May 2018	4		9 May 2022	3 September 2021	Corporation, Standards, Finance, Search & Governance, Remuneration (also Chair until resignation)	0
Mr T Radley	17 December 2019	4		16 December 2023	5 July 2022	Corporation, Search & Governance	
Mr B Redfearn	5 July 2022	4				TBC	
Dr J Smith	4 July 2019	4		3 July 2023	26 May 2022	Corporation, Standards	
Ms L Smith	30 March 2021	2		29 March 2023		Corporation, Standards	
Mrs A Treacy	5 July 2022	4		6 July 2026		TBC	
Mr C Turner	12 October 2021	4		11 October 2025			
Mr S Welton					10 November 2021	Standards, Audit, Search & Governance	
Mr B Addlesee	30 March 2021					Finance & Resources	
Mr M Argyle	9 July 2012					Audit	
Mr C Ford	9 July 2012					Search & Governance	0
Mr M Kalbassi	July 2019 (previous Governor and Chair)					Search & Governance	0
Mrs J Taylor-Holmes	September 2017					Clerk to Corporation	

## **The Governance 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 meets at least once each term.

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

Finance and Resources

Standards,

Search and Governance and;

Audit.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at Grantham College, Stonebridge Road, Grantham, NG31 9AP

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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

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 member appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance committee, consisting of five members (P Deane / G Brewis / T Radley / C Ford / M Kalbassi) 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.

## **Corporation performance**

The Corporation operates a traditional structure with 4 Committees and also holds regular training/strategic workshops for Governors on current issues and policies of importance to the Corporation. These workshops, which last for around two hours, are a key element of the Governor role. The Committees are Audit, Finance & Resources, Standards and Search & Governance. These Committees have been established to examine the detail of the key areas of quality of teaching, learning and assessment, finance and resources; the minutes of meetings are reported back to Corporation. The Corporation meets 4 times a year. Most Governors are members of the Corporation and a member of one or more of the Committees. Quality of teaching, learning and assessment is afforded a high priority on the Corporation agenda, being a key element of the Principal's Report, which also considers topics of strategic interest at particular times within the academic year. Performance against the Strategic Plan and Key Performance Indicators covering Quality and Finance are considered at every full Corporation meeting. The business and finance elements of the College are also seen as critical to success and reported at every meeting of the Corporation. The Corporation emphasises the culture and values of the College and partnership working based on mutual trust between the senior management team and Governors. A clear focus on teaching and learning, on the experiences of learners, and continuous improvement is controlled by a strong and capable Chair; the Corporation has used a rigorous process of self-evaluation throughout the year.

## **Senior Post Holder Employment and Remuneration Committee**

Throughout the year ending 31 July 2022, the College's committee comprised of 3 members (G Brewis / C Ford (Lay Chair) & M Kalbassi). The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of Senior Postholders.

The college has adopted the AoC Senior Staff remuneration code and details of remuneration for the year ended 31 July 2022 are set out in note 6 to the financial statements.

The College has adopted the Association of Colleges Code of Good Governance Remuneration Code.

## **Audit Committee**

The Audit Committee comprises of 3 members. The Committee operates in accordance with written terms of reference approved by the Corporation

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

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

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

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

The audit committee met three times in the year to 31 July 2022. The members of the committee and their attendance records are shown below:

<b>Committee Member</b>	<b>Meetings Attended</b>	<b>Total Meetings</b>
M Argyle (Chair)	2	3
C Brocklebank	2	3
A Joy	1	2
K Lyon	1	1
N McCoy-Brown	1	1



## **INTERNAL CONTROL**

### **Scope of responsibility**

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

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

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

The system of internal control is 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 Grantham College for the year ended 31 July 2022 and up to the date of approval of the annual report and accounts.

### **Capacity to handle risk**

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

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

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- regular reviews by the Corporation 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.

Grantham College employs 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**

The Corporation receives regular reports to assist with identifying, evaluating and managing risk. Risk Management is a standing item at the Audit Committee where updates are given on the Risk register and Risk register action plan. The Finance & Resources Committee receive regular financial updates which include year-end outturn prediction, variances against budget, cash flow update and loan covenants.

### **Control weaknesses identified**

During 2021/22 the internal auditors carried out 3 internal audits based on the Risk register and the college received 2 Substantial Assurance and 1 Reasonable Assurance from these. There were 11 low and 5 medium priority recommendations made within the audit reports and these are monitored and reported to the Audit Committee.

The internal auditors identified no weaknesses in the college's Income & Debtors and Risk Management systems. Internal auditors identified five low priority control weaknesses following the Estates Management system internal audit. The college is now ensuring that these control weaknesses are actioned.

The Audit Committee received all internal audit reports and are satisfied that the actions being taken and monitored by the Audit Follow Up register are sufficient to address all control weaknesses regardless of whether these are Low/Medium/High Priority.

## **Responsibilities under funding agreements**

The Corporation has met its contractual responsibilities under its funding agreements and contracts with ESFA. Regular reports are presented against all funding contracts and agreements are closely monitored by the Finance & Resource committee, who monitor performance against target and the Standards committee, who monitors quality of delivery in line with ESFA requirements. The college internal & external auditors also monitor performance against ESFA contractual requirements.

## **Statement from the audit committee**

The audit committee has advised the board of governors that the Corporation has an effective framework for governance and risk management in place. The audit committee believes the Corporation has effective internal controls in place.

The specific areas of work undertaken by the audit committee in 2021/22 and up to the date of the approval of the financial statements are:

- Receiving Risk Management updates
- Receiving Internal audit reports
- Receiving audit follow up report

## **Review of effectiveness**

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control

and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2022 meeting, the Corporation carries out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2022.

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

**Approved by order of the members of the Corporation on 13 December 2022 and signed on its behalf by:**



.....  
**G Brewis**  
**Chair**



.....  
**P Deane**  
**Accounting Officer**

# Grantham College

## Statement of Regularity, Propriety and Compliance

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

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

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



.....  
**G Brewis**

**Chair**

**13 December 2022**



.....  
**P Deane**

**Accounting Officer**

**13 December 2022**

# Grantham College

## Statement of 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 by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA and any other

public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. 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 economical, 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 the ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation 13 December 2022 and signed on its behalf by:



.....

G Brewis

Chair of Governors

# Grantham College

## Independent Auditor's Report to the Corporation of Grantham College

### Opinion

We have audited the financial statements of Grantham College (the 'College') for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Reserves, the 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 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 Statement of Recommended Practice : Accounting for Further and Higher Education 2019 edition, the College Accounts Direction 2021 to 2022 issued by the Education & Skills Funding Agency and the Regulatory advice 9: Accounts direction issued by Office for Students (OfS Accounts Direction).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2022 and of the College's income and expenditure, gains and losses, changes in reserves and statement of cash flows for the year then ended;-
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- meet the requirements of the OfS Accounts Direction.

### 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 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.



# Grantham College

## Independent Auditor's Report to the Corporation of Grantham College

### Conclusions relating to going concern

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

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the OfS Accounts Direction

We are required to report on the following matters prescribed in the OfS Accounts Direction. In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and

# Grantham College

## Independent Auditor's Report to the Corporation of Grantham College

- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

### **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 Post-16 Audit Code of Practice 2021 to 2022 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
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

We have nothing to report to you in respect of the following matter, in relation to the OfS Accounts Direction of which we are required to report to you, if in our opinion:

- The Corporation's grant and fee income, as disclosed in the note to the financial statements has been materially misstated.
- The Corporation's expenditure on access and participation activities as disclosed in the note to the financial statements has been materially misstated.

### **Responsibilities of the Corporation**

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 23, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the 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 College or to cease operations, or have no realistic alternative but to do so.

# Grantham College

## Independent Auditor's Report to the Corporation of Grantham College

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

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

We gained an understanding of the legal and regulatory framework applicable to the College and the sector in which it operates and considered the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations. This included those regulations directly related to the financial statements.

The risks were discussed with the audit team and we remained alert to any indications of non-compliance throughout the audit. We carried out specific procedures to address the risks identified.

These included the following:

- We reviewed systems and procedures to identify potential areas of management override risk. In particular, we carried out testing of journal entries and other adjustments for appropriateness.
- We reviewed key authorisation procedures and decision making processes for any unusual or one-off transactions.
- We reviewed minutes of Governor Board meetings and other relevant sub-committees of the Board such as the Finance Committee and agreed the financial statement disclosures to underlying supporting documentation.
- We have made enquiries of the senior management team including the Accounting Officer regarding laws and regulations applicable to the College and obtained the report details of any breaches where applicable in order to assess the impact upon the College.
- We reviewed the risk management processes and procedures in place including a review of the Risk Register and Board assurance reporting and the Internal Scrutiny Reports.
- We have reviewed any correspondence with the ESFA / DfE and reviewed the procedures in place for the reporting of incidents to the Board including serious incident reporting of any such matters to the Regulator if necessary.

# Grantham College

## Independent Auditor's Report to the Corporation of Grantham College

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

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

## Use of our Report

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



Gary Miller FCA (Senior Statutory Auditor)

## Price Bailey LLP

Chartered Accountants

Statutory Auditor

Causeway House

1 Dane Street

Bishop's Stortford

Hertfordshire

CM23 3BT

Date: 21 December 2022

# Grantham College

## Reporting Accountant's Assurance Report on Regularity

### **To: The Corporation of Grantham College and Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)**

In accordance with the terms of our engagement letter dated 12 July 2022 and further to the requirements and conditions of funding in 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 Grantham College during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the 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 Grantham 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 Grantham College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Grantham College and the ESFA for our work, for this report, or for the conclusion we have formed.

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

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

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

# Grantham College

## Reporting Accountant's assurance report on regularity

### Approach

We conducted our engagement in accordance with the Code issued jointly 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.

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

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

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

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

### Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them nor have been improper.



### Price Bailey LLP

Chartered Accountants, Statutory Auditor  
Causeway House  
1 Dane Street  
Bishop's Stortford  
Hertfordshire CM23 3BT  
Date: 21 December 2022

# Grantham College

## Statement of Comprehensive Income and Expenditure

	Notes	2022 £'000	2021 £'000
<b>INCOME</b>			
Funding body grants	2	6,359	6,722
Tuition fees and education contracts	3	986	1,079
Other grants and contracts	4	588	287
Other income	5	691	509
<b>Total income</b>		<b>8,624</b>	<b>8,597</b>
<b>EXPENDITURE</b>			
Staff costs	6	7,339	7,458
Other operating expenses	7	2,036	1,593
Depreciation	10	593	509
Interest and other finance costs	8	126	103
<b>Total expenditure</b>		<b>10,094</b>	<b>9,663</b>
		<b>(1,470)</b>	<b>(1,066)</b>
<b>Deficit before other gains and losses</b>			
Actuarial gain/(loss) in respect of pensions schemes	19	8,296	349
		<b>6,826</b>	<b>(717)</b>
<b>Total comprehensive income / (deficit) for the year</b>			
<b>Represented by:</b>			
<b>Unrestricted comprehensive Income / (deficit)</b>		<b>6,826</b>	<b>(717)</b>

All items of income and expenditure relate to continuing activities.

The notes on pages 45-65 form part of the financial statements.

# Grantham College

## Statement of Changes in Reserves

	Income and expenditure account £'000	Revaluation reserve £'000	Total £'000
<b>Balance at 1 August 2020</b>	(855)	2,388	1,533
Deficit from the income and expenditure account	(1,066)	-	(1,066)
Transfers between revaluation and income and expenditure reserves	48	(48)	-
Actuarial gain on LGPS Pension Scheme	349	-	349
<b>Balance at 31 July 2021</b>	<u>(1,524)</u>	<u>2,340</u>	<u>816</u>
Deficit from the income and expenditure account	(1,470)	-	(1,470)
Transfers between revaluation and income and expenditure reserves	48	(48)	-
Actuarial gain on LGPS Pension Scheme	8,296	-	8,296
<b>Total comprehensive income</b>	<u>6,874</u>	<u>(48)</u>	<u>6,826</u>
<b>Balance at 31 July 2022</b>	<u>5,350</u>	<u>2,292</u>	<u>7,642</u>

The notes on pages 44-65 form part of the financial statements.



# Grantham College

## Balance Sheet as at 31 July 2022

	Notes	2022 £'000	2021 £'000
<b>Non-current assets</b>			
Tangible Fixed assets	10	12,113	9,736
		<b>12,113</b>	<b>9,736</b>
<b>Current assets</b>			
Stocks		30	34
Trade and other receivables	11	673	621
Cash and cash equivalents	16	1,892	2,031
		<b>2,595</b>	<b>2,686</b>
<b>Creditors – amounts falling due within one year</b>	12	(1,920)	(1,350)
<b>Net current assets</b>		<b>675</b>	<b>1,335</b>
<b>Total assets less current liabilities</b>		<b>12,788</b>	<b>11,071</b>
Creditors – amounts falling due after more than one year	13	(5,120)	(2,911)
<b>Provisions</b>			
Defined benefit obligations	19	-	(7,311)
Other provisions	15	(26)	(34)
<b>Total net assets</b>		<b>7,642</b>	<b>816</b>
<b>Unrestricted Reserves</b>			
Income and expenditure account		5,350	5,787
Pension reserve		-	(7,311)
Revaluation reserve		2,292	2,340
<b>Total unrestricted reserves</b>		<b>7,642</b>	<b>816</b>
<b>Total reserves</b>		<b>7,642</b>	<b>816</b>

The financial statements on pages 44 to 65 were approved and authorised for issue by the Corporation on 13 December 2022 and were signed on its behalf on that date by:



G Brewis  
Chair



P Deane  
Accounting Officer

# Grantham College

## Statement of Cash Flows

	Notes	2022 £'000	2021 £'000 (restated)
<b>Cash flow from operating activities</b>			
Surplus/(Deficit) for the year		(1,470)	(1,066)
<b>Adjustment for non-cash items</b>			
Depreciation		593	509
(Increase)/decrease in stocks		4	-
(Increase)/decrease in debtors		(52)	(185)
Increase/(decrease) in creditors		515	321
Increase/(decrease) in other provisions		(8)	(3)
FRS102 adjustments for LGPS		985	806
<b>Adjustment for investing or financing activities</b>			
Interest paid		126	103
(Profit)/Loss on sale of fixed assets		-	-
<b>Net cash flow from operating activities</b>		<u>693</u>	<u>485</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		41	-
Payments made to acquire fixed assets		(193)	(281)
		<u>(152)</u>	<u>(281)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(126)	(103)
Repayments of amounts borrowed		(127)	(127)
Deferred capital grant released		(212)	(147)
Revenue grant released		(4)	(6)
Capital grant receipts		2,607	1,537
Capital grant expenditure		(2,818)	(1,348)
		<u>(680)</u>	<u>(194)</u>
<b>Increase / (decrease) in cash and cash equivalents</b>		<u><b>(139)</b></u>	<u><b>10</b></u>
Cash and cash equivalents at beginning of the year	17	2,031	2,021
Cash and cash equivalents at end of the year	17	1,892	2,031

The prior year balances have been restated to re-disclose the actuarial gain in respect of pension schemes and the interest charged.

# Grantham College

## Notes to the Accounts

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

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

#### **Basis of preparation**

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

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

#### **Basis of accounting**

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

#### **Going concern**

The FE Sector remains under enormous pressure following Covid, continued Government under investment in skills and non-controllable cost increases. Many colleges are struggling under the pressures to remain confident that looking forward 18 months, they can be certain of their financial viability. In reviewing these accounts, alongside last year's performance and forward forecasts; whilst the pressures impacting Grantham College are similar to other colleges, our cost base and income potential, together with the level of cash reserves and low gearing ratio, mean that the college continues to be confident to produce its accounts on a Going concern basis. The college regularly meets with their bankers and management accounts are provided on a monthly basis. Currently the forecast shows non-restricted cash is £1.12m in July 2023 and 43 cash days. Cash levels fluctuate throughout 2022/23 and 2023/24 and regular monitoring continues. At 31 July 2022 the college has £312k (2021: £426k) of loans outstanding with bankers on terms negotiated in 2003 and 2006. The terms of the existing agreements are for 20 years and both are unsecured. The Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. The College has a positive 2-year plan and a good current ratio. For this reason, it continues to adopt the going concern basis in preparing the 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 recurrent grant from OFS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

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

### *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-government 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.

## **Accounting for post-employment benefits**

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

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

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

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

### *Lincolnshire Local Government Pension Scheme (LGPS)*

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

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

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

## **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.

## **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.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

#### *Land and buildings*

Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives of 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.

#### *Equipment*

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

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

- Plant and machinery                      10 years
- Motor vehicles                                7 years
- Land & Buildings                            50 years
- Furniture, fixtures and fittings        5-10 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

#### **Leased assets**

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

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

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

to the lessor is included in the balance sheet as 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.

## **Inventories**

Stocks are stated at the lower of their cost and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

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

## **Taxation**

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover a certain percentage 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.

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

#### *Judgements in applying accounting policies*

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

- Determine whether leases entered into by the college either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the college's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

#### *Other key sources of estimation uncertainty*

- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes



are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- 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 20 will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

## 2 Funding body grants

	<b>2022</b>	<b>(As restated)</b>
	<b>£'000</b>	<b>2021</b>
		<b>£'000</b>
<b>Recurrent grants</b>		
ESFA - adult	487	771
ESFA – 16-18	3,757	3,894
ESFA – apprenticeships	1,220	1,161
OFS – Teaching Fund	57	81
<b>Specific grants – Coronavirus Additional</b>		
ESFA – 16-19 Tuition Fund	92	98
ESFA – Covid-19 Mass testing funding	24	15
Coronavirus Job retention scheme grant	-	171
<b>Specific grants</b>		
Release of deferred capital grant	216	147
Kickstart Scheme	126	57
Projects	116	142
H.T.E Growth Fund	77	-
Projects – Employer Incentive Payments	5	1
Other ESFA income	151	164
Income from schools	31	20
<b>Total</b>	<b>6,359</b>	<b>6,722</b>

We have restated the prior year comparison as the High Value Courses income was not included in the ESFA – 16-18 line.

## 3 Tuition fees and education contracts

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Adult education fees	277	349
Employer contribution re apprentices	27	1
<b>Total</b>	<b>304</b>	<b>350</b>
Fees for HE loan supported courses – University Partners	293	199
Education contracts	204	260
Fees for HE loan supported courses	185	270
<b>Total</b>	<b>986</b>	<b>1,079</b>

#### 4 Other grants and contracts

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
European Commission	523	258
Other grant income	65	29
<b>Total</b>	<b>588</b>	<b>287</b>

#### 5 Other income

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Catering and residences	319	206
Other income generating activities	291	208
Miscellaneous income	81	95
<b>Total</b>	<b>691</b>	<b>509</b>

#### 6 Staff costs

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

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	45	59
Non-teaching staff	114	120
	<b>159</b>	<b>179</b>

#### Staff costs for the above persons

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	4,806	5,048
Social security costs	362	383
Other pension costs	1,945	1,841
<b>Payroll sub total</b>	<b>7,113</b>	<b>7,272</b>
Contracted out staffing services	226	186
<b>Total Staff costs</b>	<b>7,339</b>	<b>7,458</b>

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

## Key Management Personnel

Key management personnel are identified as those people having authority and responsibility for planning, directing and controlling activities of the College. Details of key management personnel are listed on the key management personnel, board of governors and professional advisers page at the beginning of the financial statements.

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

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	7	7

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

	<b>Key management personnel</b>	
	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
£25,001 to £30,000 p.a.	1	-
£30,001 to £35,000 p.a.	-	-
£35,001 to £40,000 p.a.	-	1
£40,001 to £45,000 p.a.	-	2
£45,001 to £50,000 p.a.	2	3
£50,001 to £55,000 p.a.	3	-
£115,001 to £120,000 p.a.	1	1
	<u>7</u>	<u>7</u>

Key management personnel compensation is made up as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Basic salary	406	415
Performance related pay and bonus		
Benefits in kind		
Pension contributions	102	99
Employers' National Insurance	52	48
Total key management personnel	<u>560</u>	<u>562</u>

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principals. The remuneration package of key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who justify the remuneration on the following grounds The above compensation includes amounts paid to the Principal and Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Basic salary	120	118
Performance related pay and bonus	-	-
Other including benefits in kind	-	-
Pension contributions	<u>29</u>	<u>28</u>

The pension contributions in respect of the Principal & Accounting Officer and senior post-holders in respect of employer's contributions are paid to the Teachers' Pension Scheme and the Local Government Pension Scheme at the same rate as for other employees.

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

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Principal's basic salary as a multiple of the median of all staff	4.36	4.18
Principal and CEO's total remuneration as a multiple of the median of all staff	4.82	4.39

The members of the Corporation other than the Principal & Chief Executive 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 members of the Corporation other than the Accounting Officer and the staff members did not receive any payments from the institution other than the reimbursements of travel and subsistence expenses incurred in the course of their duties.

## 7 Other operating expenses

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Teaching costs	446	289
Non-teaching costs	999	736
Premises costs	591	568
<b>Total</b>	<b>2,036</b>	<b>1,593</b>

<b>Other operating expenses include:</b>	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Auditors' remuneration:		
Financial statements audit	23	17
Internal audit fees	14	16
Hire of assets under operating leases	10	38

### 7a. Access and Participation expenditure

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Access Investment	6	5
Financial Support to Students	4	7
Research and Evaluation (access and participation)	5	5
<b>Total</b>	<b>15</b>	<b>17</b>

## 8 Interest and other finance costs

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
On bank loans, overdrafts and other loans	4	4
Net interest on defined pension liability	122	99
<b>Total</b>	<b>126</b>	<b>103</b>

## 9 Taxation

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

## 10 Tangible fixed assets

	Freehold Land and buildings	Equipment	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 August 2021	19,773	7,159	26,932
Additions	2,119	892	3,011
Disposals	(93)	(3,108)	(3,201)
<b>At 31 July 2022</b>	<b>21,799</b>	<b>4,943</b>	<b>26,742</b>
<b>Depreciation</b>			
At 1 August 2021	10,721	6,475	17,196
Charge for the year	375	218	593
Elimination in respect of disposals	(52)	(3,109)	(3,161)
<b>At 31 July 2022</b>	<b>11,044</b>	<b>3,583</b>	<b>14,627</b>
<b>Net book value at 31 July 2022</b>	<b>10,755</b>	<b>1,360</b>	<b>12,113</b>
Net book value at 31 July 2021	9,052	684	9,736

The College has taken the value of its fixed assets as deemed cost.

Land and buildings were valued in 1994 at depreciated replacement cost by the Lincolnshire County Council Land and Buildings Consultancy, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice. Included in land and buildings is freehold land with a net book value of £608,000 (2021: £608,000) that has not been subject to depreciation.

Buildings with a net book value of £3,065,000 (2021 restated: £2,320,100) have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be

sold, the College may be liable, under the terms of the Financial Memorandum with the LSC, to surrender the proceeds.

## 11 Trade and other receivables

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade receivables	237	206
Prepayments and accrued income	436	415
<b>Total</b>	<b>673</b>	<b>621</b>

## 12 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loans and overdrafts	129	127
Payments received on account	232	403
Trade payables	257	170
Other taxation and social security	209	208
Accruals	153	121
Deferred income - government capital grants	278	225
ESFA Clawback provision	646	96
Other Creditors	16	-
<b>Total</b>	<b>1,920</b>	<b>1,350</b>

The College has two bank loans, both unsecured, although the College has been required to provide a negative pledge over the College campus. The first loan was for a sum of £600,000 and is provided for a term of 20 years, due for final repayment in April 2023. Repayments consist of monthly payments of capital and interest over the period of the loan. The loan offers fixed and floating interest rate option throughout the term, and as at 31 July 2022 was subject to floating rate terms of 0.90% over bank base rate. The second loan was for a sum of £1,375,000 and is provided for a term of 20 years, due for final repayment in January 2026. Repayments consist of monthly payments of capital and interest over the period of the loan. The loan offers fixed and floating interest rate option throughout the term, and as at 31 July 2022 was subject to floating rate terms of 0.65% over bank base rate. The College also has a Salix loan totalling £30,960 (2021: £43,344) which was provided over a term of 5 years, is due for final repayment in October 2024 and is provided interest free.



### 13 Creditors: amounts falling due after one year

	2022	2021
	£'000	£'000
Bank loans	214	343
Deferred income - government capital grants	4,906	2,568
<b>Total</b>	<b>5,120</b>	<b>2,911</b>

### 14 Maturity of debt

#### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2022	2021
	£'000	£'000
In one year or less	129	127
Between one and two years	84	127
Between two and five years	130	216
In five years or more	-	-
<b>Total</b>	<b>343</b>	<b>470</b>

### 15 Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2021	(7,311)	(34)	<b>(7,345)</b>
Expenditure in the period	(985)	(3)	<b>(988)</b>
Actuarial gain / (loss)	8,296	11	<b>8,307</b>
<b>At 31 July 2022</b>	<b>-</b>	<b>(26)</b>	<b>(26)</b>

At the year end 31 July 2022 the LGPS scheme had an overall scheme asset of £242k (2021: liability £7,311k), as shown in note 19.

In accordance with FRS102 paragraph 28.22, an entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Since the College cannot request a refund of the contributions and cannot at this time confirm that there will be any reductions in future contributions payable to the scheme, the pension scheme asset has not been recognised within these financial statements and the pension scheme gain has only been recognised up to a scheme value of zero on the Balance Sheet.

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in note 19.

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the LSC and its successor organisations. The principal assumptions for this calculation are:

	<b>2022</b>	<b>2021</b>
Discount rate	3.40%	1.60%
Discount rate	2.80%	2.85%
Salary increases	3.10%	3.15%

## 16 Cash and cash equivalents

	<b>At 1 August 2021 £'000</b>	<b>Cash flows £'000</b>	<b>Other changes £'000</b>	<b>At 31 July 2022 £'000</b>
Cash and cash equivalents	2,031	(139)	-	1,892
<b>Total</b>	<b>2,031</b>	<b>(139)</b>	<b>-</b>	<b>1,892</b>

## 17 Lease obligations

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	16	16
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>16</u>	<u>16</u>
<b>Other</b>		
Not later than one year	34	16
Later than one year and not later than five years	135	20
Later than five years		
	<u>169</u>	<u>36</u>
<b>Total lease payments due</b>	<u><b>185</b></u>	<u><b>52</b></u>

## 18 Contingencies

There were no contingent liabilities as at 31 July 2022 or 31 July 2021.

## 19 Defined benefit obligations

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

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

<b>Total pension cost for the year</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Teachers' Pension Scheme: contributions	368	414
Local Government Pension Scheme:		
Contributions paid	692	720
FRS 102 (28) charge	863	707
Charge to the Statement of Comprehensive Income	1,555	1,427
<b>Total Pension Cost for Year within staff costs</b>	<b>1,923</b>	<b>1,841</b>

### Teachers' Pension Scheme

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

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

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

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

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year.

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

The pension costs paid to TPS in the year amounted to £368,000 (2021: £414,000).

### Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Lincolnshire County Council. The total contributions made for the year ended 31 July 2022 were £863,000 (2021: £898,000), of which employer's contributions totalled £691,000 (2021: £720,000) and employees' contributions totalled £172,000 (2021: £178,000). The agreed contribution rates for future years are 23.8% for employers and range from 5.5% to 12.5% for employees, depending on salary.

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

	<b>At 31 July 2022</b>	<b>At 31 July 2021</b>
Rate of increase in salaries	3.10%	3.15%
Future pensions increases	2.80%	2.85%
Discount rate for scheme liabilities	3.40%	1.60%
Inflation assumption (CPI)		
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:

	<b>At 31 July 2022</b>	<b>At 31 July 2021</b>
	Years	Years
<i>Retiring today</i>		
Males	21.2	21.2
Females	23.7	23.6
<i>Retiring in 20 years</i>		
Males	22.1	22.0
Females	25.1	25.0

The college's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	<b>Split of assets at 31 July 2022</b>	<b>Fair Value at 31 July 2022</b>	<b>Split of assets at 31 July 2021</b>	<b>Fair Value at 31 July 2021</b>
		<b>£'000</b>		<b>£'000</b>
Equity instruments	72.16%	11,198	71.55%	10,386
Debt instruments	12.18%	1,890	14.08%	2,043
Property	12.66%	1,964	10.29%	1,493
Cash	3.00%	466	4.09%	593
<b>Total fair value of</b>	<b>100.00%</b>	<b><u>15,518</u></b>	<b>100.00%</b>	<b><u>14,515</u></b>
<b>Weighted average expected long term rate of return</b>	<b>5.8%</b>		<b>5.5%</b>	
<b>Actual return on plan assets</b>		<b><u>(1,186)</u></b>		<b><u>(642)</u></b>

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

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	15,518	14,515
Present value of plan liabilities	(15,276)	(21,826)
<b>Net pensions asset / (liability) (note 15)</b>	<b>242</b>	<b>(7,311)</b>

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

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts included in staff costs</b>		
Current service cost	1,555	1,427
<b>Total</b>	<b>1,555</b>	<b>1,427</b>

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

Net interest expense	122	99
	<b>122</b>	<b>99</b>

**Amount recognised in Other Comprehensive Income**

Return on pension plan assets	284	2,217
Experience losses arising on defined benefit obligations	(44)	293
Changes in assumptions underlying the present value of plan liabilities	8,056	(2,161)
<b>Amount recognised in Other Comprehensive Income</b>	<b>8,296</b>	<b>349</b>

**Movement in net defined benefit (liability)/asset during year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit (liability)/asset in scheme at 1 August	(7,311)	(6,854)
Movement in year:		
Current service cost	(1,555)	(1,427)
Employer contributions	692	720
Past service cost	-	-
Net interest on the defined	(122)	(99)
Actuarial gain or loss	8,296	349
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>-</b>	<b>(7,311)</b>

**Asset and Liability Reconciliation**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	<b>21,826</b>	<b>18,355</b>
Current service cost	1,555	1,427
Interest cost	348	256
Contributions by Scheme participants	172	178
Experience gains and losses on defined benefit obligations	44	(293)
Changes in financial assumptions	(8,298)	2,414
Estimated benefits paid	(371)	(258)
Changes in demographic assumptions	-	(253)
<b>Defined benefit obligations at end of period</b>	<b>15,276</b>	<b>21,826</b>
<b>Fair value of plan assets at start of period</b>	<b>14,515</b>	<b>11,501</b>
Interest on plan assets	236	165
Return on plan assets	284	2,217
Administration expenses	(10)	(8)
Employer contributions	692	720
Contributions by Scheme participants	172	178
Estimated benefits paid	(371)	(258)
<b>Fair value of plan assets at end of period</b>	<b>15,518</b>	<b>14,515</b>



## 20 Related party transactions

Owing 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. Nicola McCoy-Brown is the Director of Growth and Culture at South Keveston District Council and is also a Governor of Grantham College. Services were provided to the Council during the year totalling £60,920 and £30,690 was included in creditors at the year-end (2021: none).

No Governor has received any reimbursement of expenses, remuneration or waived payments from the College during the year (2021: none).

## 21 Amounts disbursed as agent - Learner support funds

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Balance unspent as at 1 August	84	21
Funding body grants – hardship funds	299	417
	<hr/>	<hr/>
Disbursed to students	(183)	(323)
Administration costs	(7)	(11)
Clawback Provision	(48)	(21)
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	<u>145</u>	<u>84</u>

ESFA grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the statement of comprehensive income.

## 22 Capital Commitments

At the year end the College has £60,200 in capital commitments for building works (2021: £nil).

## 23 Post Balance Sheet Event

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