

Preston College



PRESTON COLLEGE

**Report and Financial Statements
for the year ended 31 July 2022**

Preston College

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Louise Doswell, Principal and CEO; Accounting officer (until 08/07/22)
 Simon Nixon, Interim Principal and CEO; Accounting officer (from 08/07/22)
 Simon Nixon, Executive Director Resources (until 08/07/22)
 Mick Noblett, Vice Principal Curriculum Delivery and Planning
 Marie Haworth, Vice Principal Quality Teaching, Learning and Learning Support

Board of Governors

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

The Board was advised independently by a directly employed, qualified Clerk (Clare Rayner). She is employed on a 0.8 FTE senior postholder contract, and is accountable to the Chair in line with best practice.

Principal & Registered Office St Vincent's Rd, Fulwood, Preston, PR2 8UR

Professional advisers

**Financial Statement &
Regularity Auditor** Beever and Struther
 One Express
 1 George Leigh Street
 Manchester
 M4 5DL

Internal Auditor Wylie and Bisset
 168 Bath Street
 Glasgow
 G2 4TP

Banker Barclays Bank PLC
 7th Floor
 1 Marsden Street
 Manchester
 M2 1HW

Solicitor Forbes
 Ribchester House
 Lancaster Road
 Preston
 PR1 2QL

Preston College

CONTENTS

	Page number
Report of the Governing Body	3
Statement of Corporate Governance and Internal Control	15
Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding	27
Statement of Responsibilities of the Members of the Corporation	28
Independent Auditor's Report to the Corporation of Preston College	29
Reporting Accountant's Assurance Report on Regularity	33
Statement of Comprehensive Income	35
Statement of Changes in Reserves	36
Balance Sheet as at 31 July	37
Statement of Cash Flows	38
Notes to the Accounts	39

Preston College

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2022.

Legal status

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

Mission

Governors review the College's mission annually. The College's Mission is "Making our learners the most employable, now and in the future".

Resources

The College invests in the learner experience through both the use of qualified and experienced staff and also through the provision of excellent facilities, which are often cutting edge. Investment in facilities in recent years has concentrated mainly on IT and other equipment although some smaller scale projects have been undertaken to make best use of the estate within relatively limited resources, supplemented most recently by Condition Fund allocations. The College has also invested in refurbishment of the Construction Skills Centre, as part of a project to facilitate T Level delivery, with grant support from the Department for Education.

The College continues to invest in IT infrastructure, both to support the College's development of teaching and learning, and to improve business processes. The College commenced implementation of its new IT Strategy at the beginning of 2019/20, with the investment proving particularly timely after lockdown caused most of the College's activities to switch to remote arrangements. The success of the College's response to the pandemic owed much to the IT Strategy, with developments continuing in subsequent years. The College will continue to invest appropriately, in particular by increasing its available stock of mobile devices. Investment in IT equipment will remain a core priority.

As part of its future planning, the College will continue to explore a range of options to rationalise the use of its current estate. Improvements in space utilisation, and costs associated with running and maintaining College facilities, will be a major focus of activity, and opportunities to attract external funding for estate improvement and rationalisation will be sought. The College is currently preparing a revised Estates Strategy for Board approval in early 2023.

Stakeholder Relationships

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

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers, including Chambers of Commerce;
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- 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, engagement in curriculum design and delivery, sponsorship, and through various meetings.

Preston College

Public Benefit

Preston College is an exempt charity under Part 3 of the Charities Act 2011 and following the machinery of government changes in July 2016 is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 16.

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

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

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

Implementation of the strategic plan

Preston College is firmly grounded in its community, and is a key player in supporting young people and adults, through developing their skills and education, to contribute effectively to employment and the economy.

Preston College provides the culture, environment, facilities, innovation and services to enable learners at all career stages, local businesses, college staff and the College itself to develop and maintain social mobility within a thriving local economy.

The ever changing policy and funding environment means we need to be continuously agile, proactive to change, and work with employers, local authorities, and other stakeholders to ensure we are meeting their needs and the needs of our learners. This will take on even greater importance in future as a result of a new statutory responsibility placed on colleges to review its curriculum offer regularly to ensure it is aligned to the needs set out in Local Skills Improvement Plans by employer groups. We are focused on ensuring long term sustainability, recognising that this will be achieved with more flexible and innovative models of operation, including greater collaboration and partnership.

Our key **Mission** is '**Creating the most employable learners, now and in the future**'

Within our strategic plan, we will:

- Place high quality teaching, learning and support at the core of our activities resulting in high levels of achievement and positive outcomes for learners, prioritising accelerated learning opportunities to address learning gaps
- Provide high quality technical and vocational curriculum, aligned to regional and local business and community needs
- Recognise and value our diverse college community, and provide aspirational progression pathways for all
- Maintain a flexible and stable business model which drives high quality delivery and optimises external funding opportunities

Preston College

- Develop a culture in which all staff deliver outstanding performance that contributes effectively to the learner experience
- Nurture effective and impactful partnerships that benefit learners, staff, the City of Preston and the wider region

The objectives above have been agreed by the Board to continue the implementation of the College's longer term five year plan, amended appropriately to reflect the challenges presented by the impact of both Brexit and covid. The latter in particular resulted in significant changes to the way in which the College operated in 2020/21 and continued to some extent into 2021/22. Restrictions were gradually eased throughout 2021/22 and in many ways the year was more typical in terms of onsite activity. The main impact on College business was in adult recruitment and full cost work, neither of which returned in full to pre-pandemic levels, although there are early signs in 2022/23 that this situation continues to improve.

The ongoing cost of living crisis has become a fresh cause of concern, with significant impact on learners, staff and the College as a provider of services. Recruitment and retention of staff has become a significant issue in specific areas, and other more general inflationary pressures are being experienced in College finances. The College is still protected by existing long term energy deals until October 2023 and April 2024 for electricity and gas, but will need to consider any potential longer term impact.

Financial strategy

The College Governors approved the financial plan on 7th July 2022 which covered the period to July 2024. This was prepared in the format required by the ESFA through its Integrated Financial Model for Colleges.

The College's financial plans for a number of years have been structured to improve financial health over a very difficult period within FE, particularly in the context of future sustainability and enactment of the Insolvency Regime. This strategy has worked well over the last few years, with the College achieving a high level of success in aligning its cost base to its income earning capacity through both staffing and non-pay cost efficiencies. However, the aim was always to move to a position of "good" relatively quickly, with a longer term goal of achieving "outstanding". The 2018/19 financial statements achieved this, and despite the pandemic, this continued in 2019/20. The 2020/21 outturn showed a dip into "requires improvement", linked specifically to the impact of the pandemic on income earning potential, and a similar outcome has been achieved in 2021/22. The longer term ambition continues to be a return to 'Good'.

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

Performance indicators

The College uses a range of KPIs reported regularly to both senior managers and governors. The indicators cover a wide range of College business, including finance, learner numbers, contractual performance, quality and people.

Performance against a number of KPIs was affected significantly by pandemic restrictions. The College spent the vast majority of the financial year under either national lockdown or local restrictions through the "Tier" system, and this inevitably had an impact on recruitment in certain market sectors.

Enrolment of 16 to 18 year old Study Programme learners was the one area of growth for the College, with over 100 learners in excess of our ESFA contractual target number. This has led to grant increases in 2022/23 and we expect this trend to continue.

The Apprenticeship market was impacted by the pandemic lockdown, but bounced back well in 2021/22. Carry in income from the previous year had already put the College in a strong position, and recruitment of new starts across all age groups was a significant success in terms of both College mission and finances.

Adult Education Budget (AEB) funding suffered the biggest covid impact, and whilst 2021/22 was more stable in the courses that the College was able to offer, restrictions in place for part of the year, coupled with

Preston College

customer nervousness about both covid transmission and cost of living pressures, meant that this continued to be a difficult market. Tolerance for under performance against AEB contracts has returned to its pre-pandemic level of 97%, and there is risk that the College will not achieve this. Provision has been made in the accounts for potential clawback c5% (c£300k).

Other commercial income through full cost delivery was also impacted because of covid restrictions, although the impact was not destabilising as budgets had already been set prudently to reflect an expectation that this would be a difficult market.

Quality indicators are largely concerned with achievement rate data, as well as metrics for attendance, punctuality and progression. The final College achievement rates in 2021/22 were 85.7% for 16 to 18 year olds and 91.0% for adults.

Financial measures are driven largely by the indicators used by the Education and Skills Funding Agency and requirements of bank loan covenants. Overall targets for the year were met or exceeded, and further detail is provided in the Financial Position section below.

People related indicators also form an important part of the College's ongoing KPI monitoring. A range of aspects are covered, particularly staff turnover, absence rates and completion of appraisals and mandatory training. Progress during the year has generally been good.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as achievement rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The College is assessed by the Agency as having a "Requires Improvement" financial health grading, although this remains heavily impacted by the effects of the pandemic, and may take a little longer to return to "Good". This is still the College's medium term objective.

FINANCIAL POSITION

Financial results

The College generated a deficit before tax in the year of £1,399k (which includes £1,563k of costs relating to FRS102 (28) Pensions), (2020/21 – deficit of £1,343k (FRS102 (28) - £1,588k)), with total comprehensive income of £25,292k, (2020/21 – 1,364k). The underlying financial outcome prior to pension adjustments was better than originally budgeted, despite the significant changes to the way in which the College operated as a result of restrictions resulting from the COVID-19 pandemic. This overall position was, however, achieved in a very different way to the original budget. Income was £1.4m less than targeted, primarily because of adult, apprenticeship and commercial work, but compensating cost savings were achieved, largely through non staffing related budgets and non-filling of vacant posts.

The College has accumulated reserves of £7,727k which includes negative £1,710k relating to defined benefit obligations on the local government pension scheme. Cash and short term investment balances were £2,277k at year end. 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 £1,242k.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22 the FE funding bodies provided 84.13% of the College's total income. The College has an objective to diversify its income streams, and has structures and strategies in place to facilitate this aim.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Preston College

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

Cash flows and liquidity

Net cash flow from operating activities was £386k (2020/21 £2,511k).

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 cashflow. During the year this margin was comfortably exceeded.

The College has a £8.5 million secured loan facility with Barclays. This facility was used to refinance existing borrowings, to provide working capital and to provide some capital finance. The loan is repayable over a 25 year period which commenced July 2005. Interest is fixed at 5.33% plus a lending margin of 1.00%. The balance outstanding as at the 31 July 2022 is £4,077k.

As part of a construction and refurbishment project the College arranged an additional secured loan facility of £3.5 million in December 2010 with Barclays. At year-end this attracted a variable rate of 2.8793% which, with subsequent increases in the base rate has risen to 4.8793%. This will be closely monitored but servicing this debt is not currently a cause for concern. The term of this loan is 25 years with £2,010k remaining at year-end.

Year end cash is relatively strong, but includes AEB funding to be clawed back and some capital monies received in advance which have been expended in the early months of 2022/23. Budgeted surpluses in future years will help to generate additional cash, but contributions to previous capital projects (notably T Level refurbishment works in the Construction Skills Centre) has already created some cash pressures. Cash flow projections do not indicate any significant concern, although this will require continual monitoring.

Reserves policy

Through its annual budget setting and updating of three year financial plans, the College has been moving towards a general reserves target of £4 million (excluding pension deficits) with cash balances intended to represent at least £1 million of this target. The cash target has been achieved in 2021/22 and this is expected to continue. The College has achieved the target £4 million in general reserves. General reserves already represent more than half of outstanding borrowings and provide a reasonable basis for unforeseen events and future investment.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2021/22 the College has delivered activity that has produced £17,634 in funding body main allocation funding (2020/21 – £16,582k). The College had approximately 8,262 funded and 1,851 non-funded students.

Student achievements

Achievement rates are a key performance indicator for the College. The final achievement rate in 2021/22 is 88.7%, maintaining the excellent performance recorded since 2016/17. This significant improvement reflects a variety of management initiatives undertaken during the course of the year as proactive measures to continually improve the quality of the College's provision.

Curriculum developments

Ofsted inspected the College in October 2018, and awarded the College an overall Grade 2 (Good). The report highlighted the College's overall effectiveness against eight key themes, including the 'quality of teaching, learning and assessment', '16-19 study programmes', 'adult learning programmes', and 'apprenticeships'.

Of the eight themes, the College was graded as 'Good' in seven areas, with only apprenticeships graded as requiring improvement, although it was recognised that progress has been made since the last inspection. The College already has plans in place to continue this improving trend.

Preston College

The report noted that ‘students develop the technical knowledge, skills and terminology they need for their chosen job or career’, whilst behaviour both in lessons and around campus is ‘very good’.

Further improving the quality of teaching, learning and assessment remains the College’s primary focus. Continued changes to observation of learning practice have occurred and a sharpened focus upon performance management has seen considerable progress made in raising standards.

The effective management of data and systems has remained a focus with the further development of data dashboards to provide live and real time information and this has had an impact on decision making within the College, self-assessment and performance management, as well as development and delivery of the curriculum for individual learners. The technology driven approach to managing the College continues through the use of Promonitor, One File and ProSAR. The use of Canvas as a virtual learning environment and 4Cast for curriculum planning are now well established.

Full and extremely thorough curriculum review processes, including the use of the software tool 4Cast, has continued to drive efficiencies in staff utilisation, the effectiveness of provision, the value of our curriculum offer in relation to LMI and performance against financial constraints. These have delivered:

- consistent models of curriculum design in place across the whole College;
- best practice adopted across all curriculum schools;
- a refreshed curriculum offer which meets learner and external stakeholder requirements.

Being ambitious for all our learners means that we aim to provide the best opportunities for all to succeed and progress. This leads to a focus on embedding equality and diversity objectives for the benefit of both learners and staff, and we have seen real improvements in closing achievement gaps for learners. The College continues to develop its practice in implementing safeguarding procedures, including the PREVENT requirements. Continuous professional development programmes within the College ensure that all staff are aware of the requirements within a changing landscape.

The College remains committed to its mission to make its learners the most employable, now and in the future, and delivers this by ensuring that learners gain the most appropriate skills to secure good job outcomes. The increased work with employer partners has had a significant effect on the approach that the College is taking and particularly in the implementation of its plans for exposure to Real Work Environments, with significant partners such as Eric Wright Construction, Leyland Trucks and Alstom Transport.

The College remains committed to delivering top quality learner outcomes and experience for all of its learners, customers and employer partners. The delivery of outstanding achievement rates, and meeting the needs of our community and stakeholders, are at the heart of our ambition.

Reclassification of college’s into central government sector

On 29 November 2022 the Office for National Statistics published its decision to reclassify the statutory further education sector 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.

The College has carried out a self assessment and does not believe that there will be any immediate impact from this change. The College will keep the situation under review and respond accordingly if necessary.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Based on the strategic plan, the College Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and

Preston College

the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the College Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

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

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

1 Government funding

The College has considerable reliance on continued government funding through the further education sector funding bodies and through the Office for Students. In 2021/22, over 80% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- Potential implications of the UK's exit from the EU, masked to a large extent by the pandemic but starting to have more of an impact in terms of price rises and delivery schedules
- Continuing Government priority to deliver apprenticeship targets
- Reforms in technical education
- Introduction of the Apprenticeship Levy from April 2017

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Regular dialogue with funding bodies

2 Tuition fee policy

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Preston College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

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
- Close monitoring of the demand for courses as prices change

3 Maintain adequate funding of pension liabilities

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

This risk is mitigated in a number of ways:

- Agreed deficit recovery payments, previously in excess of £250k per annum but reduced significantly in the most recent triennial valuation implemented from April 2020.

Preston College

- Active engagement with pension scheme administrators in terms of contribution rates and triennial revaluations.

4 Covid19

The ongoing pandemic has already had a significant impact on the College's operations since 2019/20, although 2021/22 was more normal than the previous two years. It seems reasonable to assume that many of the systems of control and hygiene measures will become normal arrangements to guard against future epidemics, and the College continued to implement many safety arrangements during 2021/22. There may also be an ongoing impact in recruitment to certain types of activity, particularly commercial courses and adult. These are covered in the College's risk register, although FE colleges will be well placed to contribute to wider economic recovery plans through the training and education that we provide.

5 Brexit

The direct impact is likely to be small, although the potential for wider economic impact may be more significant. However, as with covid, there could be potential opportunities to make a significant contribution to these wider economic considerations.

The biggest potential cost pressure to date is in relation to IT, where the cost of processor components is rising. This is currently manageable, but is flagged on the College's risk register.

6 National/global economic situation

The uncertainty caused by Brexit and covid has been exacerbated recently by other political and economic issues. The global energy market was already starting to become more volatile prior to the Russian invasion of Ukraine, but this has undoubtedly increased significantly the pressure on global supplies and therefore prices. This also has a knock on effect in terms of virtually all other prices of goods and services, which inevitably have some dependence on energy for production.

Political turmoil in the UK has also contributed significantly to financial uncertainty and rising costs. This will be a continuing risk, possibly for several years to come.

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, and the College works to ensure this is met or exceeded. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

There have been no significant post balance sheet events requiring disclosure in the financial statements.

Future prospects

The College Board decided to undertake a Structure and Prospects Appraisal during the latter part of 2017/18 in order to determine the most sustainable option for delivering the College's objectives in the medium to long term. This Appraisal was led by the College management team, overseen by a Steering Group of governors, and with the involvement of key stakeholders within the FE Commissioner's office and Education & Skills Funding Agency. The outcome of this process was that the College is implementing a five year plan to remain a standalone organisation with increased levels of both financial and quality sustainability. The period 2018/19 was the first year of this five year plan, and the College achieved "Good" ratings both in terms of quality (Ofsted) and financial health (ESFA). In doing so, the College was already a year ahead of schedule in implementing the plan, although the pandemic caused significant risk that these positions would be affected. It is a huge achievement that the College ended 2019/20 with good quality teaching and learning, and good financial health, still in place. The 2020/21 year, in financial terms, was even more challenging than 2019/20, as restrictions of some nature were in place for the vast majority of the year. The impact on income, whilst successfully mitigated through cost reductions, has inevitably led to a planned decline in financial health to "Requires Improvement", although future plans are intended to make this a short term effect. Whilst some

Preston College

restrictions continued in place for parts of 2021/22, the year was more normal than the previous two, with only adult and commercial provision being lower than target.

The College will be seeking to build on successful market developments in apprenticeship delivery, particularly in the context of the Apprenticeship Levy, as well as other high performing markets such as fee generation and employer based delivery. Recruitment of 16 to 18 year old study programme learners has improved in the last two years, and exceeded target in 2020/21 despite the impact of the pandemic. Strategies for recruiting from a wider range of local feeder schools, and improving retention and progression rates, remain in place. The grant funded adult market is also becoming more difficult, particularly with the devolution of funding to Combined Authorities from 2019/20, although the College has clearly defined plans to deliver against financial targets. Early enrolment figures for 2022/23 are encouraging, particularly in relation to the 16 to 18 year old market where recruitment in excess of contract appears likely.

Clearly the potential ongoing impact of pandemic restrictions, as well as economic conditions resulting from the pandemic, Brexit and more general global economic situations will have an impact on the College, particularly in terms of learner recruitment and ability to continue delivery of commercial income. Mitigating measures have already begun to be implemented, but will be an ongoing process.

The College will continue to proactively monitor its funding position and consequent impacts on cash balances. Growth in 16 to 18 year old classroom based learner numbers has already led to increased funding since 2020/21, and with demographic trends starting to move upwards, this is expected to continue. The pandemic, and particularly the economic recovery that will be needed, has presented challenges, but also opportunities to be at the forefront of re-skilling and providing training for the unemployed. Colleges in general, and Preston College in particular, is well placed at the heart of its community to respond quickly to changing needs.

Equality and diversity

Preston College has a systematic and comprehensive approach to the embedding of E and D, as evidenced by self-assessment processes.

The College's Equality and Diversity Statement and Corporate Equality Objectives meet the requirements of the Equality Act 2000 and the associated Public Sector Equality Duty. These are monitored by Governors through the Audit Committee, as well as through the College's Equality and Diversity Action Plan. This has five key areas of focus, which are monitored by ELT and CMT.

- Governance through the implementation and monitoring of Equality Objectives
- Learner outcomes through service delivery and quality
- Learner achievement and enrichment of the curriculum
- HR and Organisational Development
- Management and Information

The College seeks to assure that it is working towards creating an environment which is inclusive, celebrates diversity and which does not discriminate on the grounds of age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion and belief, sex and sexual orientation or the College's own 'tenth' protected characteristic, socio-economic background.

In addition to the College's diverse body in terms of age and level of learning, and the responsive curriculum offer, a fundamental characteristic of the College is the diversity of its ethnicity and the disproportionately large constituency of LLDD learners it serves. Preston College is the major player in central Lancashire in serving the educational needs of LLDD learners over the age of 16.

Safeguarding statement

The College continues to recognise and deliver its statutory and moral duty to ensure that we promote and safeguard the welfare of all our learners, in particular those aged under 18 years or vulnerable adults. The College has a Safeguarding Committee chaired at a senior level, with Governors receiving updates on safeguarding. As a College, we have a team of designated safeguarding staff who operate within robust and effective Safeguarding Policies and Procedures. Continued professional development in relation to

Preston College

safeguarding is completed annually by all staff. In addition, the College Safeguarding Team have undertaken safeguarding audits to create common approaches across the College and have engaged many key personnel in developmental case study updates. In recent years, the College has also introduced safeguarding software that continually monitors web based activity and alerts the College Designated Senior Person of any students that are potentially at risk. It has also ensured learner awareness of safeguarding issues in the annual Safeguarding Week where many guest speakers and activities are held.

In addition the Human Resources Department has continued the implementation of relevant processes and procedures and risk assessments.

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 during 2008/09, 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 available on the College website. 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 on the College website, 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 union officials during the relevant period	FTE employee number
2	1.59

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

Preston College

Total cost of facility time	£6,138
Total pay bill	£15,485,546
Percentage of total bill spent on facility time	0.04%

Time spent on paid trade union activities as a percentage of total paid facility time	N/A – 0%
---	----------

Going concern

Despite the ongoing impact of the pandemic and lockdown period, the College has been able to deliver a financial outturn in 2021/22 in line with bottom line budget assumptions, thus protecting financial health and complying fully with bank loan covenants.

Future year budgets have been set realistically to maintain longer term sustainability and ensure adequate cash balances continue to exist. The budget for 2021/22 in particular was constructed on the basis of expected continuation of pandemic restrictions for much of the year, with consequent impact on the ability to generate income in a normal way, especially for apprenticeships and commercial work. These targets were tested rigorously throughout the year in conjunction with budget holders in order to put in place mitigating actions in a timely and effective way where necessary. In general, covid restrictions had less of an impact than planned for, with only adult and commercial work significantly affected, and the overall income level was in line with budget.

At the end of October 2022, the College maintained cash balances of c£5m. Whilst this level of cash is expected to decrease by the end of 2022/23 as capital grants are spent and clawback put in place where appropriate, cash is still expected to be in excess of £1m. This is continuously monitored so that mitigating actions can be taken where needed.

The accounting concept of going concern has always been an important part of accounts preparation, but in the further education sector has been historically relatively straightforward. Two recent developments have brought the concept higher up the list of important considerations for both managers and governors. The first is the Insolvency Act, which introduced for the first time the prospect that a College could become insolvent (previously the government was always regarded as the funder of last resort), and the second is the pandemic and consequent impact on income earning potential.

For governors, the key point in time to formulate a going concern opinion is in the year end accounts, however the most effective way of achieving this will be to have regular oversight of issues. This is already done to a large extent through management accounts and key performance indicators (Resources Committee and Board), risk register (Audit Committee and Board), and learner number/quality reports (Quality & Standards and Board), but all of this information is not necessarily consolidated into a going concern report.

Income decline, particularly over a prolonged period, is an indicator of potential going concern issues. College income in 2018/19 (the last full year before the pandemic arose) was its strongest for many years and most budget lines were met. The upward trajectory was driven particularly by reversing the trend of 16-18 learner number decline, but was also indicative of good apprenticeship recruitment. These growth trends were continuing in 2019/20 until March 2020, when pandemic lockdown caused much activity to cease in the adult, apprenticeship and commercial markets. Income budgets were not met, but compensating savings enabled the College to deliver a surplus. 2020/21 recruitment started well despite the ongoing aftershocks of the first lockdown, but the introduction of more local restrictions in November 2020, and particularly the national lockdown from January 2021, once again impacted heavily on the same markets although 16-18 study programme enrolments have remained very good. Mitigating cost savings have been generated to compensate for the income shortfalls, but the confirmation of AEB tolerance arrangements came too late to allow full mitigation to be put in place. Longer term projections give confidence that 16-18 study programmes

Preston College

will continue to recruit well, backed up by positive and proactive schools engagement, and that demand for adult and apprenticeship programmes remains as long as further restrictions are not implemented. These effective practices continued into 2021/22, helping to ensure a good financial outcome. Trends in the early part of 2022/23, particularly in the context of planned budgets, will be monitored as usual through the College's Enrolment Monitoring Group, College Management Team and business planning/review processes. Mitigating actions taken to date, and projected future trends, indicate that income decline should not be regarded as a going concern issue, indeed we would anticipate growth, but this will of course be continually monitored and reported.

Cash balances are always the most significant indicator of the solvency of any organisation. Despite the accounting deficit, year end cash balances for 2021/22 remain reasonable, but are distorted by amounts to be clawed back and capital grants received in advance. Despite this, cash balances remain above £1m throughout the plan. Improvements to budgeted surplus levels in 2022/23 to generate additional cash will be targeted, through some combination of income generation and cost reduction.

Relations with funders and bank are often a good qualitative indicator of going concern, and these have remained good over many years. The bank has been supportive, and the willingness of the Board to look at granting security in relation to existing loans is viewed favourably. The bank relaxed its loan covenants with the College for the financial year ended 31st July 2021, and whilst this has not been necessary in 2021/22, this willingness to be flexible about financial covenants is a good sign and further demonstrates the bank's support.

Changes in management and/or governance can be seen as a potential going concern issue, and obviously the College is going through some period of change with an interim Principal and some Board changes. These are being introduced to the risk register, and whilst clearly these need to be considered, there is no reason to regard these changes as significant concerns. The Board remains relatively stable and experienced, and the interim Principal has many years of experience in both the sector in general, and this College specifically. A long term recruitment process will take pace during 2022/23.

A sensitivity analysis has been applied to College income budgets for 2022/23. A 5% reduction against all income streams, with the exception of 16-18 core grant which is funded on a lagged basis and some other income lines which are effectively "money in money out" and have no bottom line impact, would reduce College income for the year by £690k. A 10% reduction would be double this and so on.


A reduction in income of this scale, without mitigation, would inevitably lead to breach of bank covenants and a financial health score of inadequate. Cost savings would be required to avoid this, and would be proactively put in place in line with previous practice at the College.

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.

Disclosure of information to auditor

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 15th December 2022 and signed on its behalf by:

DocuSigned by:

 28907E067C71441...

16-12-2022

John Boydell

Chair of Governors

Preston College

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2021 to 31st 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:

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

We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. 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 (the Code) issued by the Association of Colleges in March 2015, which it formally adopted on 14th July 2016. In December 2019, the Board adopted the Colleges' Senior Post Holder (SPH) Remuneration Code (2018) as an Annex to the Code.

The Board reported against the 2019 Code for 2021/22 and will adopt the 2021 Code for the 2022/23 academic year. On 9th June 2022, the Search and Governance Committee conducted a review of the College's compliance with the Code, which included a review of the more detailed considerations in the Code for each principle. The Board considered a report on the outcome of this review at its meeting on 7th July 2022. The report included examples of compliance for the detailed considerations and initiatives planned to further strengthen governance. On the recommendation of the Search and Governance Committee, the Board agreed to change some RAG ratings from amber to green following progress made.

In the opinion of the Board, the College complies with all detailed considerations in the Code where compliance was required (i.e. the 'musts'). The Board also noted that some 'shoulds' were rated amber and noted actions planned going forward to move towards green. This opinion is based on the review described above.

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

Preston College

Members of the Corporation

The members who served on the corporation during the year were as listed in the table below.

	Date of Appointment	Term of office	Date of resignation/retirement	Status of appointment	Committee Membership	Board Attendance all meetings in 2021/22*
Mr Steve Anyon	10/12/20 – 09/12/22	2 years	05/10/21	Staff – Business support	Resources	1/1 100%
Mr John Boydell	15/07/19 - 15/07/23 (renewal - second term)	4 years		Independent Chair of Corporation	Resources Search and Governance Senior Post Holder Remuneration	6/6 100%
Mr Steve Browne	21/03/17 - 20/03/21 (renewal – third term 20/03/21 19/03/25)	4 years		Independent	Audit Resources Senior Post Holder Remuneration	5/6 83%
Mr Martin Collard	26/10/21 - 25/10/25 (renewal second term)	4 years		Independent	Quality and Standards Senior Post Holder Remuneration (until March 2021)	4/6 67%
Ms Ashley Dalton	26/03/22- 25/03/26	4 years		Independent	Resources	0/1 0%
Mr Marcel Driver	17/10/19 - 16/10/23 (renewal second term)	4 years		Independent	Audit	6/6 100%
Mrs Louise Doswell	01/06/21 –	n/a	01/07/22	Principal and Chief Executive	Search and Governance Resources	5/5 100%

Preston College

	Date of Appointment	Term of office	Date of resignation/retirement	Status of appointment	Committee Membership	Board Attendance all meetings in 2021/22*
					Quality and Standards	
Mr Steve Edwards	13/12/18 - 20/03/23 (Joined the Board in March 2019)	4 years	17/03/22	Independent	Resources Senior Post Holder Remuneration Committee	3/5 60%
Ms Janine Garcia	10/12/20 - 09/12/22 (appointed for second term)	2 years		Staff – Academic	Quality and Standards	4/6 67%
Miss Maty Gueye Seck	15/10/21 - 07/07/22	10 months	07/07/22	Student governor	Quality and Standards	3/5 60%
Miss Jessica Hopwood	14/10/21 – 07/07/22	10 months	19/04/22	Student Governor (FE)	Quality and Standards	0/4 0%
Mr Nevan Hunter	06/09/21 - 05/09/25	4 years	24/06/22	Independent	Quality and Standards	5/5 100%
Mr James Jepson	13/12/18 - 12/12/22	4 years	31/10/21	Independent	Quality and Standards	1/2 50%
Ms Joanne Jones	11/10/18 - 10/10/22	4 years		Independent	Resources Search and Governance	4/6 67%
Miss Lisa Keegan	17/03/22- 16/03/24	2 years		Staff- Business support	Resources	2/2 100%
Mr Robert Marshall-Slater	16/09/21 - 15/09/25	4 years		Independent	Quality and Standards	3/6 50%
Mrs Laura Mason	20/01/22 - 19/01/26	4 years		Independent	Quality and Standards	2/2 100%

Preston College

	Date of Appointment	Term of office	Date of resignation/retirement	Status of appointment	Committee Membership	Board Attendance all meetings in 2021/22*
Mrs Lynda Mason	04/10/18 - 03/10/22	4 years		Independent Vice Chair of Corporation	Quality and Standards SPH Remuneration	5/6 83%
Mr Simon Nixon	11/07/22 - tbc	n/a		Interim Principal and Chief Executive	Resources Search and Governance Quality and Standards	n/a
Mr Dipesh Patel	13/12/18 - 12/12/22	4 years		Independent	Audit	6/6 100%
Miss Firdaus Patel	11/10/21- 10/10/25	4 years	06/07/22	Independent	Audit	0/4 0%
Mr Anthony Readett	21/03/17 - 16/10/21 (renewal second term)	4 years	21/10/21	Independent	Audit Quality and Standards	2/2 100%
Ms Georgia Turner	15/10/20 – 15/10/24	4 years		Independent	Search and Governance	4/6 67%

Notes:

*The above does not include committee attendance which is shown separately below.

Miss Firdaus Patel resigned on 6th July 2022 following a sabbatical approved by the Board.

Mr Malcolm Goulding was appointed to the Board on 8th September 2022.

Mr Simon Nixon was appointed as Interim Principal and Chief Executive from 11th July 2022.

As of 31st July 2022 the board is carrying three independent governor vacancies.

Preston College

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.

Depending on Covid restrictions at the time, the Board met either by video-conference (Zoom) or on campus during 2021/22. The Corporation usually has five full Board meetings each year. Since 2020 the Board has held an additional meeting each September to consider an update report from the Principal and Chief Executive at the start of term and any urgent matters.

Mrs Clare Rayner was Clerk to the Board for the period 1st August 2021 to 31st July 2022.

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 Board, who is responsible to the Corporation 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 agenda, papers and reports are supplied to governors in a timely manner, prior to Corporation 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 of the Corporation and Principal of the College are separate.

Appointments to the corporation

Any new member appointments to the corporation, and re-appointments, are a matter for the consideration of the corporation as a whole. The corporation has a Search and Governance Committee, consisting of five members of the corporation, which is responsible for the selection and nomination of any new member for the corporation's consideration.

Members of the Corporation are appointed for a term of office not exceeding four years. Each member can serve two terms of office with a third term by exception.

The Board is mindful that a successful board has an appropriate mix of governors with diverse skills, experience and backgrounds. The Search and Governance Committee identifies candidates who are enthusiastic about education and good governance and will widen the Board's perspective when discussing College matters and making decisions. The Board also values the diversity of our learners and staff, who come from a variety of ethnic, cultural and religious backgrounds. Through the work of the Search and Governance Committee, the Board is committed to reflecting this diversity amongst our Governing Body and encourages people from a range of backgrounds and experiences to apply. See below for a report on the work of the Search and Governance Committee.

Committees of the Board

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation. Where the Committee does not have delegated powers for the determination of a matter it will make a recommendation for the Corporation Board to consider and confirm or otherwise.

Preston College

The Audit Committee

The Audit Committee comprised of four members (minimum membership is four) during 2021/22. However, one member did not attend any meetings. The Board agreed a sabbatical for this member on 17th March 2022 and the member resigned from the Board on 6th July 2022. A new independent governor will join the Committee in autumn 2022.

During 2021/22 the Audit Committee fulfilled its purpose of ensuring the effectiveness of the College's internal control and management systems including those relating to risk and advising the Corporation as appropriate.

The Audit Committee meets at least on a termly basis and provides a forum for reporting by the College's internal auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of college management. The Committee also receives and considers reports from the main FE funding bodies as they affect the college's business. The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

The Audit Committee also advises the corporation on the appointment of internal auditors, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the corporation. During 2021/22 the Audit Committee recommended to the Board the appointment of Beever and Struthers as the College's financial statements auditor.

During 2021/22 the Audit Committee met four times.

Audit Committee Attendance

	Total attended	Possible
Steve Browne	4	4
Marcel Driver (Chair)	4	4
Dipesh Patel	4	4
Firdaus Patel	0	3

Quality and Standards Committee

The Quality and Standards Committee comprised of eight members for most of 2021/22 including two student governors (minimum membership is four). By 31st July 2022 there were five members due to the ending of student governor terms of office and a resignation. During 2021/22 the Quality and Standards Committee fulfilled its role in advising the Corporation on the educational character of the College and, in particular, major curriculum changes which affect the educational character of the College with a view to:

- i) fostering exceptional teaching and learning at the College;
- ii) securing coherent and relevant provision for learners that leads to further learning, apprenticeships and/or employment; and
- iii) ensuring effective oversight of the quality and inclusivity of the learning experience at the College.

During 2021/22 the Quality and Standards Committee met four times.

Preston College

Quality and Standards Committee Attendance

	Total Attended	Possible
Martin Collard (Chair)	3	4
Louise Doswell	3	4
Janine Garcia	4	4
Maty Geuye Seck	2	3
Nevan Hunter	1	4
Jessica Hopwood	1	3
James Jepson	0	1
Robert Marshall-Slater	4	4
Lynda Mason	4	4
Laura Mason	2	2
Tony Readett	1	1

Resources Committee

The Resources Committee comprised of six members for parts of 2021/22. However by the end of 2021/22 it comprised five members due to a resignation and an unfilled vacancy (minimum membership is seven). During 2021/22 the Resources Committee fulfilled its role in advising, and where authorised, taking decisions relating to:

- finance
- resources
- health and safety
- human resources
- equality, diversity and inclusion
- policy review
- business planning.

The Resources Committee's role is to review the above with a view to ensuring that the operations of the College are efficient, effective and prudent.

During 2021/22 the Resources Committee met five times.

Resources Committee Attendance

	Total	Possible
John Boydell	5	5

Preston College

Steve Browne	5	5
Ashley Dalton	1	2
Louise Doswell	4	5
Steve Edwards (Chair)	2	3
Joanne Jones	4	5
Lisa Keegan	2	2

Search and Governance Committee

The Search and Governance Committee comprises of four members (minimum membership is four). During 2021/22 the Search and Governance Committee fulfilled its role of: advising the Corporation on the appointment and reappointment of Board members, committee membership and other governance related matters.

When advertising governor vacancies the Committee is mindful:

- that the Corporation Board should be representative of the community served by the College;
- that there is a transparent and open selection process for applicants to the Board;
- of the importance of widely publicising Board vacancies to attract a diverse range of candidates with the skills the Board requires.

There is a process in place for interviewing potential governors. The interview questions are based on the independent governor person specification. The Search and Governance Committee uses the Board skills and experience audit to identify potential gaps on the Board. Following the last skills audit the Committee has advertised for governors with experience of: working/involvement in FE or education sector, business, audit, risk or estates management.

During 2021/22 the Search and Governance Committee reviewed the College's compliance with the Code of Good Governance and reviewed the College's constitutional documents and advised the Board. The Search and Governance Committee reviewed seven governor applications and held five governor interviews in 2021/22 and advised the Board on governor appointments.

During 2021/22 the Search and Governance Committee met five times.

Search and Governance Committee Attendance

	Total	Possible
John Boydell	5	5
Louise Doswell	5	5
Joanne Jones (Chair)	5	5

Preston College

Georgia Turner	5	5
----------------	---	---

Senior Post Holder Remuneration Committee

By 31st July 2022 the Senior Post Holder (SPH) Remuneration Committee comprised of three members (minimum membership is six). Mr Steve Edwards resigned from the Board in March 2022 and two vacancies are unfilled. Joanne Jones has now agreed to join the committee and the Board seeks to increase the membership further in 2022/23.

The SPH Remuneration Committee was established in June 2020 to advise the Board in respect of: the remuneration and conditions of service of the Principal and Chief Executive and other Senior Post Holders, policies relating to SPH remuneration, the annual statement on SPH remuneration. The SPH Remuneration Committee also considers reports relating to Senior Post Holder performance.

The Board adopted the AoC's Senior Staff Remuneration Code in December 2019 which was implemented during the 2019/20 academic year. The Annual Statement on Senior Post Holder Remuneration is published on the College's website and can be found here:

<https://www.preston.ac.uk/the-college/governance/board-minutes-documents/>

The Committee met three times in 2021/22.

Senior Post Holder Remuneration Committee Attendance

	Total	Possible
Steve Browne (Chair)	3	3
John Boydell	3	3
Steve Edwards	1	2
Lynda Mason	3	3

In November 2021 the Senior Post Holder Remuneration Committee considered the above SPH performance reports for 2020/21 and approved SPH performance targets for 2021/22.

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

Publication of information

Minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website or from the Clerk to the Corporation Board crayner@preston.ac.uk

The statutory accounts are made available on the College website (www.preston.ac.uk) by the 31st January following the year end date.

Register of interests

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. None of the members held any interest in the share capital of any of the College's subsidiary companies.

Activities undertaken over the year to develop governors and the Clerk

Preston College

During 2021/22 governors have completed:

- online *Prevent* training;
- Equality, diversity and inclusion training took place on 8th September 2022 (slightly postponed from 2020/21 academic year)

Face to face opportunities were limited for part of 2021/22 due to Covid restrictions, however all governors have access to the Education Training Foundation's online Governance Development Programme. Some governors have also attended additional CPD webinars delivered by external organisations including: the AoC, Eversheds and the Education Training Foundation.

The Corporation is responsible for ensuring that appropriate training is provided as required for new governors. During 2021/22, new governors have had a governance induction with the Clerk and have attended external webinars inductions delivered by the Association of College/ Education Training Foundation.

During 2021/22 the Clerk has attended webinars delivered by external organisations including the AoC, Board Intelligence and the Chartered Governance Institute. The Clerk also attended two regional governance conferences, one national governance conference and the AoC North's Governance Professionals' Away Day.

Corporation performance

In December 2021 the Board endorsed the College's Corporate Self Assessment Report and its indicative grades.

On 21st October 2021 the Board completed a self -evaluation of its performance. Members completed anonymous questionnaires and the Board considered the summary report on 21st October 2021 as part of its strategy day. The session was led by an external facilitator. Following the session the Board agreed the following action points:

- To further develop 'good governance best practice' forward work programmes and Board and committee packs which:
 - facilitate powerful Board oversight of the College's resources, finances, governance and education performance
 - are in a user friendly format
 - are aligned with any required changes in light of the government's FE White Paper.
- To further develop succession planning for governor vacancies taking into account DfE guidance, the need to increase diversity of membership and include those likely to understand stakeholder needs, such as the local authority, in the light of requirements for Local Skills Improvement Plans (LSIPs).
- To further develop the Board effectiveness review process in line with good governance best practice and DfE guidance. To consider when the Board should undertake a more comprehensive external evaluation of the Board's capability, leading to a plan to address any additional actions identified.
- To introduce steps to encourage wider governor participation, including governor development activity, identification of governor contributors in advance of meetings and smaller group discussions.
- To structure Board meeting agendas to give dedicated time in the first part of Board meetings to discussion on College provision, the quality of teaching and learning, feedback from the learner voice, to secure better outcomes for learners.
- That annual reports on provision consider how the offer can better meet community and employer needs and enhance progression opportunities for learners, taking account of feedback from the Employer Representative Body and LSIP, once in place.

As stated above, the Board also reviewed compliance with the Code of Good Governance for English Colleges and agreed actions to further strengthen governance and oversight.

Preston College

The Board completed a self-evaluation of its 2021/22 performance in October 2022. The Board agreed that whilst progress had been made in 2021/22, further work was required to ensure the appropriate balance of Board oversight of quality, finance and governance related matters at meetings. The Board agreed that the size of agendas and Board packs made it challenging to discuss all items at length. However, introduction of prioritised agendas, the new Board/committee report template, with a new Executive Summary alongside shorter management presentations, and termly deep dive sessions should improve Board oversight of the key issues and allow more time for discussion and questions. The Board also recognised that the increased size of Board agendas reflected improvements made to Board reporting during 2021/22, in particular the increase in discussion of Quality and Standards matters at Board level. The Board also agreed to explore the introduction of individual governor appraisals.

The Board agreed that, as part of its ambition to improve the diversity of the Board, it would be beneficial to appoint independent governors from the local community.

The Board has considered DfE guidance on board reviews and plans to commission an external reviewer in 2022/23.

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between Preston 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 designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Preston College for the year ended 31st 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 31st 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 governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts

Preston College

- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

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

Review of effectiveness

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

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

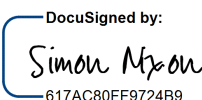
The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the systems 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 carried out the annual assessment for the year ended 31st July 2022 by considering documentation from the senior management team and internal audit, and taking account of events since 31st 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 corporate body and the safeguarding of their assets"*.

Approved by order of the members of the Corporation on 15th December 2022 and signed on its behalf by:

DocuSigned by:

 617AC80FF9724B9...

Simon Nixon

Accounting Officer

16-12-2022

DocuSigned by:

 28907E067C71441...

John Boydell

Chair of Governors

16-12-2022

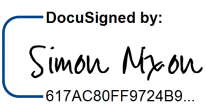
Preston College

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding

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

DocuSigned by:

617AC80FF9724B9...

Simon Nixon

Accounting Officer

15th December 2022

16-12-2022

DocuSigned by:

28907E067C71441...

John Boydell

Chair of Governors

15th December 2022

16-12-2022

Preston 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 on 15th December 2022 and signed on its behalf by:

John Boydell

Chair of Governors

DocuSigned by:

 28907E067C71441...

16-12-2022

Preston College

Independent Auditor's Report to the Members of Preston College

Opinion

We have audited the financial statements of Preston College "the Corporation" for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies at Note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Corporation's financial position as at 31 July 2022 and of its surplus of income and expenditure, for the year then ended ; and
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, College Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency, and the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- meet the requirements of the Accounts Direction dated March 2022 issued by the Office for Students ('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 Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Governors' 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 Corporation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The Board of Governors are responsible for the other information. The other information comprises the information included in the Strategic Report, Governance Statement, Statement of Regularity, Propriety and Compliance, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or

Preston College

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

We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

We are required to report on the following matters by the Office for Students' Accounts Direction.

In our opinion, in all material respects:

- funds from whatever source administered by the Corporation for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the Office for Students' Accounts Direction for the relevant year's financial statements have been met.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2021-2022 issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

Further, we are required by the Office for Students' Accounts Direction to report to you if the results of our audit work indicate that the Corporation's expenditure on access and participation activities for the financial year disclosed in Note 8a has been materially misstated.

We are also required by the Office for Students' Accounts Direction to report to you where the results of our audit work indicate that the Corporation's grant and fee income, as disclosed in Note 2 to the financial statements has been materially misstated.

We have nothing to report in these respects

Responsibilities of Board of Governors

As explained more fully in the Statement of Responsibilities of Members of the Corporation set out on page 28, the Board of Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Governors 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 Board of Governors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Governors either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

Preston College

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the Further Education sector.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including Further and Higher Education Act 1992, Charities Act 2011, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud.
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures depreciation and salaries and wages to identify any unusual or unexpected relationships.
- tested journal entries to identify unusual transactions.

Preston College

- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 1 were indicative of potential bias.
- investigated the rationale behind significant or unusual transactions.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

Use of our report

This report is made solely to the Corporation's members, as a body, in accordance with our engagement letter dated 25 July 2022. Our audit work has been undertaken so that we might state to the Corporation's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Corporation's members as a body for our audit work, for this report, or for the opinions we have formed.

Beever and Struthers

For and on behalf of
BEEVER AND STRUTHERS
One Express
1 George Leigh Street
Manchester
M4 5DL

Date: 16 December 2022

Preston College

To: The Board of Governors of Preston College and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter dated 25 July 2022 and further to the requirements and conditions of funding in the 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 Preston 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. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

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

Respective responsibilities of Preston College and the reporting accountant

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

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

Approach

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

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

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.

Preston College

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

The work undertaken to draw to our conclusion includes:

- Documenting the framework of authorities which govern the activities of the Corporation;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the Corporation has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

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.

Signed:

Beever and Struthers

For and on behalf of
BEEVER AND STRUTHERS
Statutory Auditor
One Express
1 George Leigh Street
Manchester
M4 5DL

Date: 16 December 2022

Preston College

Statement of Comprehensive Income

	Notes	Year ended 31 July 2022 College £'000	Year ended 31 July 2021 College £'000
INCOME			
Funding body grants	2	21,105	18,991
Tuition fees and education contracts	3	2,487	2,382
Other grants and contracts	4	211	88
Other income	5	1,273	332
Investment income	6	10	2
Total income		25,086	21,795
EXPENDITURE			
Staff costs	7	17,918	16,238
Other operating expenses	8	6,756	5,034
Depreciation	11	1,056	1,060
Interest and other finance costs	9	755	806
Total expenditure		26,485	23,138
Deficit before other gains and losses		(1,399)	(1,343)
Loss on disposal of assets	11	-	-
Deficit before tax		(1,399)	(1,343)
Taxation	10	-	-
Deficit for the year		(1,399)	(1,343)
Unrealised surplus on revaluation of assets		-	-
Other reserve movement		-	(57)
Actuarial gain in respect of pension schemes	23	26,691	2,764
Total Comprehensive Income for the year		25,292	1,364
Represented by:			
Unrestricted comprehensive income		25,292	1,364
		25,292	1,364

Preston College

Statement of Changes in Reserves

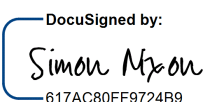
	Income and expenditure account	Revaluation reserve	Total excluding Non- controlling interest	Non- controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
College					
Balance at 1st August 2020	(22,764)	3,835	(18,929)	-	(18,929)
Deficit from the income and expenditure account	(1,343)	-	(1,343)	-	(1,343)
Other comprehensive income	2,764	-	2,764	-	2,764
Transfer from PCEF Reserves	(57)	-	(57)	-	(57)
Transfers between revaluation and income and expenditure reserves	42	(42)	-	-	-
	1,406	(42)	1,364	-	1,364
Balance at 31st July 2021	(21,358)	3,793	(17,565)	-	(17,565)
Deficit from the income and expenditure account	(1,399)	-	(1,399)	-	(1,399)
Other comprehensive income	26,691	-	26,691	-	26,691
Transfers between revaluation and income and expenditure reserves	42	(42)	-	-	-
Total comprehensive income for the year	25,334	(42)	25,292	-	25,292
Balance at 31st July 2022	3,976	3,751	7,727	-	7,727

Preston College

Balance sheet as at 31 July 2022

	Notes	College 2022 £'000	College 2021 £'000
Non current assets			
Tangible Fixed assets	11	23,489	23,304
Investments	12	4	4
		23,493	23,308
Current assets			
Trade and other receivables	13	2,064	1,956
Cash and cash equivalents	18	2,277	3,245
		4,341	5,201
Less: Creditors – amounts falling due within one year	14	(4,110)	(4,786)
Net current assets		231	415
Total assets less current liabilities		23,724	23,723
Creditors – amounts falling due after more than one year	15	(13,855)	(13,986)
Provisions			
Defined benefit obligations	17	(1,710)	(26,779)
Other provisions	17	(432)	(523)
Total net assets/liabilities		7,727	(17,565)
Unrestricted Reserves			
Income and expenditure account		3,976	(21,358)
Revaluation reserve		3,751	3,793
Total unrestricted reserves		7,727	(17,565)
Total Reserves		7,727	(17,565)

The financial statements on pages 35 to 63 were approved and authorised for issue by the Corporation on 15th December 2022 and were signed on its behalf on that date by:

DocuSigned by:

 617AC80FF9724B9...

Simon Nixon**Accounting Officer**

16-12-2022

DocuSigned by:

 28907E067C71441...

John Boydell**Chair of Governors**

16-12-2022

Preston College

Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flow from operating activities			
Deficit for the year		(1,399)	(1,343)
Adjustment for non-cash items			
Depreciation	11	1,056	1,060
Increase in debtors	13	(64)	(144)
Increase in prepayments and accrued income	13	(44)	(192)
Increase / (Decrease) in trade creditors	14	208	(307)
Increase in taxation & social security	14	44	5
(Decrease) / Increase in other creditors	14	(829)	1,284
(Decrease) / Increase in accruals & deferred Income	14	(18)	744
Decrease in provisions	17	(40)	(85)
DCG released to income (Note 2)	2	(414)	(416)
Pensions costs less contributions payable	23	1,141	1,147
Adjustment for investing or financing activities			
Investment income	6	(10)	(2)
Interest payable	9	755	806
Loss on disposal of fixed assets	8	-	(46)
Net cash flow from operating activities		386	2,511
Cash flows from investing activities			
Proceeds from sale of fixed assets		1	1
Investment income	6	10	2
Payments made to acquire fixed assets	11	(1,242)	(397)
Capital grants received		909	123
		(322)	(271)
Cash flows from financing activities			
Interest paid	9	(323)	(354)
Interest element of finance lease rental payments	9	(2)	(4)
Repayments of amounts borrowed	18	(540)	(517)
Capital element of finance lease rental payments	18	(168)	(165)
		(1,033)	(1,040)
(Decrease) / Increase in cash and cash equivalents in the year		(969)	1,200
Cash and cash equivalents at beginning of the year	18	3,245	2,045
Cash and cash equivalents at end of the year	18	2,276	3,245
Movement		(969)	1,200

Preston 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 to 2022* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body on page 3. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

At the 31 July 2022 the College had cash reserves of £2,277k. At the end of October 2022, the College maintained cash balances of c£5m. Whilst this level of cash is expected to decrease by the end of 2022/23 as capital grants are spent and clawback put in place where appropriate, cash is still expected to be in excess of £1m. This is continuously monitored so that mitigating actions can be taken where needed.

The College currently has £4,077,493 of loans outstanding with bankers on terms negotiated in 2005 and additionally a further £2,009,900 negotiated in 2010. These are secured by a charge over College properties. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has sufficient cash to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

Revenue grant funding

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

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

Preston College

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

Capital grant funding

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

Fee income

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

Investment income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' pension scheme

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.

Lancashire local government pension scheme

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

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

Preston College

Short term Employment benefits

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

Enhanced Pensions

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

Non-current assets - Tangible fixed assets

Tangible fixed assets are stated at cost / deemed 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 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

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

- 10 – 50 years

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

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

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

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition, although assets of lesser value are capitalised if they form part of a group, with a value in excess of £2,000, as defined below. The £1,000 figure includes VAT where this is not recoverable. All other equipment is capitalised at cost. Equipment is depreciated on a straight line basis over its expected useful life as follows:

- Motor vehicles, plant & machinery and general equipment – 10 % to 20% per year
- Computer Hardware – 20%

Preston College

- Computer Software – 33%

Grouped assets

Grouped assets are a collection of assets which individually may be valued at less than £1,000 but which together form a single collective asset because the items fulfil all the following criteria:

- the items are functionally interdependent
- the items are acquired at about the same date and are planned for disposal at about the same date
- the items are under single managerial control, and
- each individual asset thus grouped has a value of over £250.

IT assets

It is expected that IT hardware will be considered interdependent if it is attached to a network, the fact that it may be capable of stand-alone use notwithstanding. The effect of this will be that effectively all IT equipment purchases, where the final three criteria above apply, will be capitalised.

A review for impairment of fixed assets 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.

Borrowing costs

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

Leased assets

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

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

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

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

Investments

Investments in subsidiaries

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

Inventories

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

Cash and cash equivalents

Preston College

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

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

Financial liabilities and equity

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

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

Foreign currency translation

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

Taxation

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

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

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability

Preston College

and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

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

Preston College

2 Funding body grants	Year ended 31 July 2022 College £'000	Year ended 31 July 2021 College £'000
Recurrent grants		
Education and Skills Funding Agency - Adult	5,227	4,874
Education and Skills Funding Agency – 16-18	8,685	8,204
Education and Skills Funding Agency – Apprenticeships	3,722	3,504
Office for Students	162	155
Local Authorities	378	294
Specific grants		
Education and Skills Funding Agency	2,517	1,544
Releases of government capital grants	414	416
Total	21,105	18,991
Analysis of OfS Income	2022 College £'000	2021 College £'000
Grant income from the Office for Students	162	155
Fee income from taught awards	807	683
	969	838
3 Tuition fees and education contracts	Year ended 31 July 2022 College £'000	Year ended 31 July 2021 College £'000
Adult education fees	304	272
Non funding agency fees (full cost)	496	489
Apprenticeship fees and contracts	52	41
Fees for FE loan supported courses	335	450
Fees for HE loan supported courses	807	683
International students fees	41	25
Total tuition fees	2,035	1,960
Education contracts	452	422
Total	2,487	2,382

Preston College

4 Other grants and contracts	Year ended 31 July 2022 College £'000	Year ended 31 July 2021 College £'000
Other grants and contracts	211	75
Coronavirus job retention scheme	-	13
Total	211	88

No funds relating to the Coronavirus Job Retention Scheme were received during 2021/22. During the 2020/21 financial year the corporation furloughed some sports centre and teaching staff (who worked solely on commercial courses) under the governments Coronavirus Job Retention Scheme. The funding received of £13,571.81 relates to staff costs which are included within note 7 staff costs.

5 Other income	Year ended 31 July 2022 College £'000	Year ended 31 July 2021 College £'000
Catering and residences	551	96
Other income generating activities	231	84
Miscellaneous income	491	152
Total	1,273	332

6 Investment income	Year ended 31 July 2022 College £'000	Year ended 31 July 2021 College £'000
Other investment income	-	-
Other interest receivable	10	2
	10	2
Net return on pension scheme (note 23)	-	-
Total	10	2

Preston College

7 Staff costs

The number of persons (including key management personnel) employed by the College during the year, calculated on an average headcount basis is as follows:

	2022	2021
	No.	No.
Teaching	241	239
Teaching support services	112	106
Administration & other support	121	117
Premises & catering	52	41
	526	503

Staff costs for the above persons

	2022	2021
	£'000	£'000
Teaching	8,612	8,079
Teaching support services	2,736	2,528
Administration & other support	3,747	3,513
Premises & catering	893	659
FRS102(28) Pension charge	1,141	1,147

Payroll sub total

Contracted out staffing services	789	312
----------------------------------	-----	-----

Sub-total

Restructuring costs - Contractual	-	-
- Non-Contractual	-	-

Total staff costs

	17,918	16,238
Wages and salaries	12,643	11,724
Social security costs	1,154	1,003
Other pension costs	3,332	3,199

Payroll sub-total

Contracted out staffing services	789	312
----------------------------------	-----	-----

	17,918	16,238
Restructuring costs - Contractual	-	-
- Non-Contractual	-	-
	17,918	16,238

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, Executive Director of Resources and the two Assistant Principals. Staff costs include compensation paid to key management personnel for loss of office.

Preston College

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

	2022	2021
	No.	No.
The number of key management personnel including the Accounting Officer was:	4	5

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

	Key management personnel		Other staff	
	2022	2021	2022	2021
	No.	No.	No.	No.
£20,001 to £25,000 p.a.	-	1	-	-
-				
£60,001 to £65,000 p.a.	-	-	2	-
£65,001 to £70,000 p.a.	-	-	-	-
£85,001 to £90,000 p.a.	2	2	-	-
£90,001 to £95,000 p.a.	-	1	-	-
£95,001 to £100,000 p.a.	1	-	-	-
£100,001 to £105,000 p.a.	-	1	-	-
-				
£135,001 to £140,000 p.a.	1	-	-	-
	4	5	2	-

Key management personnel compensation is made up as follows:

	2022	2021
	£'000	£'000
Salaries – gross of salary sacrifice and waived emoluments	431	390
Employers national insurance	56	49
	487	439
Pension contributions	87	78
Total key management personnel compensation	574	517

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

Preston College

Total Principal's Costs	2022	2021
	£'000	£'000
Salaries	165	137
NI	23	18
Benefits in kind	<u>0</u>	<u>-</u>
	<u>188</u>	<u>155</u>
Pension contributions	<u>31</u>	<u>24</u>

During the 2021/22 financial year two people fulfilled the role as detailed below. Their pay and remuneration is as follows:

Principal - 01/08/2021 to 30/06/2022	2022
	£'000
Salaries	154
NI	21
Benefits in kind	<u>-</u>
	<u>175</u>
Pension contributions	<u>29</u>
Interim Principal - 01/07/2022 - 31/07/2022	2022
	£'000
Salaries	11
NI	2
Benefits in kind	<u>-</u>
	<u>13</u>
Pension contributions	<u>2</u>

The remuneration of Senior Post Holders, including the Principal and Chief Executive, is subject to annual review by the Senior Post Holder Remuneration Committee of the governing body who use benchmarking information to provide objective guidance and advise the Corporation Board.

The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of her performance against the College's overall objectives.

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

	2022	2021
Principal's basic salary as a multiple of the median of all staff	4.93	5.39
Principal's total remuneration as a multiple of the median of all staff	5.25	5.27

Preston College

Compensation for loss of office paid to former key management personnel

	2022	2021
	£'000	£'000
Compensation paid to former post-holders	20	-

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

Preston College

8 Other operating expenses

	2022	2021
	College	College
	£'000	£'000
Teaching costs	1,159	988
Teaching support services	1,147	484
Administration and central services	1,050	1,108
General education	1,234	986
Premises costs - Running costs	755	912
Premises costs - Rents & leases	-	3
Planned maintenance	1,227	516
Catering and residence operations	182	35
Income generating activities	2	2
Total	6,756	5,034

Other operating expenses include:	2022	2021
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	41	48
Internal audit**	18	26
Other services provided by the financial statements auditor:		
- TPA & Project Audits	-	2
Other services provided by the internal auditors:		
- Sub-contracting Controls	-	-
- Tax Advice	2	2
Loss on disposal of non-current assets	-	46
Hire of assets under operating leases	86	102

* includes £41,085 in respect of the College (2020/21 £50,000)

** includes £18,144 in respect of the College (2020/21 £26,000)

8a Access and Participation Expenditure

As a provider of HE courses, Preston College has an Access and Participation Plan that has been approved by the OfS's Director of Fair Access and Participation. The full statement and plan can be found by clicking on the following link:

<https://www.preston.ac.uk/higher-education/policies-and-procedures/>

The OfS require registered Colleges to disclose expenditure on this activity as follows:

Preston College

	2022	2021
	£'000	£'000
Access Investment	81	44
Financial Support to Students	1	3
Disability Support	9	13
Total	91	60

Of the total expenditure, £69k (2020/21: £41k) relates to staffing costs which are included within Note 7 – Staff Costs.

9 Interest and other finance costs – College

	2022	2021
	£'000	£'000
On bank loans, overdrafts and other loans	323	354
	<hr/> 323	<hr/> 354
On finance leases	2	4
On enhanced pension provision	8	7
Net interest on defined pension liability (note 23)	422	441
	<hr/> 422	<hr/> 441
Total	755	806
	<hr/> <hr/>	<hr/> <hr/>

10 Taxation

	2022	2021
	£'000	£'000
United Kingdom corporation tax at 19% per cent	-	-
	<hr/>	<hr/>
Total	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

Preston College

11 Tangible fixed Assets

College	Land and buildings	Equipment	Assets in the course of construction	Total
	Freehold			
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2021	37,259	7,568	92	44,919
Additions	968	273	1	1,242
Transfers to capital	81	11	(92)	-
Disposals	-	(206)	-	(206)
At 31 July 2022	38,308	7,646	1	45,955
Depreciation				
At 1 August 2021	15,219	6,396	-	21,615
Charge for the year	679	377	-	1,056
Elimination in respect of disposals	-	(205)	-	(205)
At 31 July 2022	15,898	6,568	-	22,466
Net book value at 31 July 2022	22,410	1,078	1	23,489
Net book value at 31 July 2021	22,040	1,172	92	23,304

NBV above analysed by source as follows:	Land and buildings	Equipment	Assets in the course of construction	Total
	Freehold			
	£'000	£'000	£'000	£'000
Inherited	3,745	-	-	3,745
Financed by capital grant	8,321	456	-	8,777
Other	10,344	622	1	10,967
At 31 July 2022	22,410	1,078	1	23,489

Land and buildings were valued for the purpose of the 1994 financial statements at depreciated replacement cost by Donaldsons, a firm of independent chartered surveyors, in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes. Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £8,777,000 have been financed from 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 funding body, to surrender the proceeds.

All land and buildings are held freehold. Land and buildings include properties with a net book value of £3,745,000 for which title deeds have been transferred to the College.

Preston College

The receipt of capital grants in the current year was £909,392 (2020/21: £122,622). No provision has been made for other anticipated future receipts as the Education & Skills Funding Agency does not have the power to guarantee future funding streams and cannot guarantee that this funding will continue after the current year.

The net book value of tangible fixed assets held under finance leases is currently £0 (2020/21: £436,948).

If fixed assets had not been revalued before being deemed as cost on transition they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	<u>Nil</u>

12 Non-current investments

	College 2022 £'000	College 2021 £'000
Equities	4	4
Total	<u>4</u>	<u>4</u>

The College has no subsidiary undertakings.

Preston College Education Fund, which was a dormant charity has been removed from the register of charities.

On 21 June 2022 Passport to Apprenticeship Limited (registration number: 8244338), a private company limited by guarantee and 100% controlled by Preston College was dissolved. The company was dormant up to and including this point and is therefore exempt from the requirements to prepare individual accounts under section 394A or to file individual accounts under 448A of the Companies Act 2006.

Preston College

13 Trade and Other Receivables

	College 2022 £'000	College 2021 £'000
Amounts falling due within one year:		
Trade receivables	335	232
Other debtors	105	144
Prepayments and accrued income	1,624	1,580
Total	2,064	1,956

14 Creditors: amounts falling due within one year

	College 2022 £'000	College 2021 £'000
Bank loans and overdrafts	564	540
Obligations under finance leases	-	168
Trade payables	258	50
Other creditors	260	250
Other taxation and social security	331	287
Accruals	727	643
Deferred income - other	1,084	1,186
Deferred income - government capital grants	445	382
Amounts owed to the ESFA	441	1,280
Total	4,110	4,786

The College leave year mirrors that of its financial year with no provision to allow annual leave to be carried over. Therefore these accounts do not contain an accrual for holiday pay.

15 Creditors: amounts falling due after one year

	College 2022 £'000	College 2021 £'000
Bank loans	5,524	6,087
Deferred income - government capital grants	8,331	7,899
Total	13,855	13,986

Preston College

16 Maturity of debt**Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	College	College
	2022	2021
	£'000	£'000
In one year or less	564	540
Between one and two years	590	564
Between two and five years	1,947	1,856
In five years or more	2,986	3,667
Total	6,087	6,627

The College has a £8.5 million secured loan facility with Barclays. This facility was used to refinance existing borrowings, to provide working capital and to provide some capital finance. The loan is repayable over a 25 year period which commenced July 2005. Interest is fixed at 5.33% plus a lending margin of 1.00%. The lending margin is now determined by the College's financial health grade.

As part of the construction and refurbishment of the Tate and Hargreaves buildings the College arranged an additional secured loan facility of £3.5 million in December 2010 with Barclays. This was drawn in tranches of £1.5 million and £1.98 million. Both tranches currently attract a variable rate of 2.8793% . The term of this loan is 25 years.

Finance Leases

Finance Leases are repayable as follows:

	College	College
	2022	2021
	£'000	£'000
In one year or less	-	168
Total	-	168

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

Preston College

17 Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2021	26,779	523	27,302
Expenditure in the period	(796)	(40)	(836)
Transferred from income and expenditure account	(24,273)	(51)	(24,324)
At 31 July 2022	1,710	432	2,142

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

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

The principal assumptions for this calculation are:

	2022	2021
Price inflation	2.9%	2.2%
Discount rate	3.3%	1.6%

18 Cash and cash equivalents

	At 1 August 2021	Cash flows	Other changes	At 31 July 2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,245	(969)	-	2,276
Total	3,245	(969)	-	2,276
Debt due after 1 year	(6,087)	-	564	(5,523)
Debt due within 1 year	(540)	540	(564)	(564)
Finance Leases	(168)	168	-	-
	(6,795)	708	-	(6,087)
Total	(3,550)	(261)	-	(3,811)

19 Capital and other commitments

	College	
	2022	2021
	£'000	£'000
Commitments contracted for at 31 July	49	-
Authorised but not contracted for at 31 July	283	1,166

Preston College

20 Lease obligations

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

	College	
	2022	2021
	£'000	£'000
Future minimum lease payments due		
Other		
Not later than one year	90	67
Later than one year and not later than five years	159	20
Total lease payments due	<u>249</u>	<u>87</u>

21 Contingent liabilities

There are no contingent liabilities.

22 Defined benefit obligations

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

Total pension cost for the year	2022	2021
	£'000	£'000
Teachers' Pension Scheme: contributions paid	1,390	1,288
Local Government Pension Scheme:		
Contributions paid	796	759
FRS 102 (28) charge	<u>1,141</u>	<u>1,147</u>
Charge to the Statement of Comprehensive Income	1,937	1,906
Enhanced pension charge to Statement of Comprehensive Income	5	5
Total Pension Cost for Year within staff costs	<u>3,332</u>	<u>3,199</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

Preston College

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% previously). DfE has agreed to pay a teacher's pension employer contribution grant to cover the additional costs during the 2021-22 academic year.

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

The pension costs paid to TPS in the year amounted to £1,894,000 (2020/21: £1,762,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the Lancashire Pension Service. The total contributions made for the year ended 31 July 2022 were £1,089,000, of which employer's contributions totalled £796,000 and employees' contributions totalled £293,000. The agreed contribution rates for future years are 16.3% (from April 2021) for employers and range from 5.5% to 12.5% for employees, depending on salary. In addition to the 16.3% employers contribution, a fixed monthly pension deficit recovery charge of £1,633 was made until March 2022 after which it increased to £1,700.

Principal Actuarial Assumptions

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

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	4.20%	4.10%
Future pensions increases	2.80%	2.70%
Discount rate for scheme liabilities	3.50%	1.60%
Inflation assumption (CPI)	2.70%	2.60%
Commutation of pensions to lump sums	50%	50%

Preston College

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

	At 31 July 2022	At 31 July 2021
<i>Retiring today</i>		
Males	22.30	22.40
Females	25.00	25.10
<i>Retiring in 20 years</i>		
Males	23.70	23.90
Females	26.80	26.90

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

	Fair Value at 31 July 2022	Fair Value at 31 July 2021
	£'000	£'000
Equities	28,729	28,121
Bonds	2,678	2,951
Property	6,635	5,568
Cash	974	1,169
Other	21,852	17,874
Total fair value of plan assets	60,868	55,683
Actual return on plan assets	5,142	6,846

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

	2022	2021
	£'000	£'000
Fair value of plan assets	60,868	55,683
Present value of plan liabilities	(62,522)	(82,394)
Present value of unfunded liabilities	(56)	(68)
Net pensions (liability)/asset (Note 17)	(1,710)	(26,779)

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

	2022	2021
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,911	1,879
Administration Expenses	26	27
Total	1,937	1,906

Amounts included in investment income

Net interest payable	422	441
	422	441

Preston College

Amount recognised in Other Comprehensive Income

Return on pension plan assets	4,251	6,061
Actuarial (gains) / losses on enhanced pensions	59	(2)
Changes in assumptions underlying the present value of plan liabilities	22,381	(3,295)
Amount recognised in Other Comprehensive Income	26,691	2,764

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

	2022	2021
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(26,779)	(27,957)
Movement in year:		
Current service cost	(1,911)	(1,879)
Employer contributions	796	759
Administration costs	(26)	(27)
Net interest on the defined (liability)/asset	(422)	(441)
Actuarial gain or loss	26,632	2,766
Net defined benefit (liability)/asset at 31 July	(1,710)	(26,779)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	82,462	77,162
Current service cost	1,911	1,879
Interest cost	1,313	1,226
Contributions by scheme participants	293	282
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	(22,381)	3,295
Estimated benefits paid	(1,020)	(1,382)
Past service cost	-	-
Curtailments and settlements	-	-
Defined benefit obligations at end of period	62,578	82,462

Changes in fair value of plan assets

Fair value of plan assets at start of period	55,683	49,205
Interest on plan assets	891	785
Return on plan assets	4,251	6,061
Administration expenses	(26)	(27)
Employer contributions	796	759
Contributions by scheme participants	293	282
Estimated benefits paid	(1,020)	(1,382)

Preston College

Fair value of plan assets at end of period**60,868****55,683**

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to as “McCloud” for the LGPS) have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement will need to be made in relation to all public service pension schemes, including the LGPS.

Mercers have calculated the additional liabilities and service costs for the 2020 exercise in line with the proposals contained within the consultation released by MHCLG on 16 July 2020. To the extent that the calculation will now apply retrospectively they are very confident that the effects of this retrospection are immaterial. Past service costs in relation to McCloud in the figures above are zero.

23 Related party transactions

Due to the nature of the College’s operations and the composition of the Corporation (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 Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arms length and in accordance with the College’s financial regulations and normal procurement procedures.

The College is a member of The Lancashire Colleges Limited, the principal activity of which is to coordinate bids for external funding and to enhance collaborative activity between FE Colleges in Lancashire. The Principal and Chief Executive of Preston College is a director of The Lancashire Colleges Ltd. Income earned was £142,895.77 (2021: £5,214.58) and expenditure incurred was £42,517.97 (2021: £35,935.65).

North Western Chamber of Commerce is an organisation in which a governor has declared an interest. Income earned was £0 (2021: £0) and expenditure incurred was £8,880.00 (2021: £2,190.00).

The Education and Training Foundation is an organisation in which a governor has declared an interest. Income earned was £4,100.00 (2021: £0) and expenditure incurred was £2,550.00 (2021: £350.00)

The total expenses paid to or on behalf of the Governors during the year was £0; 0 governor (2020/21: £17; 1 governor).

No Governor has received any remuneration or waived payments from the College during the year.

24 Amounts disbursed as agent Learner support funds

	2022	2021
	£'000	£'000
Balance b/fwd re prior year	462	61
Funding body grants – bursary support	514	528
Funding body grants – residential bursaries	-	-
Other	(44)	-
	<u>932</u>	<u>589</u>
Disbursed to students	(457)	(395)
Administration costs	(22)	(16)
	<u>453</u>	<u>178</u>
Balance unspent as at 31 July		

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

Preston College

25 Events after the reporting period

On 29 November 2022 the Office for National Statistics published its decision to reclassify the statutory further education sector into the 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.

The College has carried out a self assessment and does not believe that there will be any immediate impact from this change. The College will keep the situation under review and respond accordingly if necessary.