City of Portsmouth College

Report and Financial Statements for the Year Ended

31 July 2023

City of Portsmouth College

Contents

1 Reference and Administrative Details

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of City of Portsmouth College. These persons are the most senior members of the College and are represented by the following In the year ended 31 July 2023:

Katy Quinn
Principal & CEO

Matt Phelps
Deputy Principal & CEO
(Curriculum & Quality)

Maria Vetrone
Chief Operating Officer (COO)

The Corporation

A full list of Members of the Corporation is given on **page 41** of these financial statements.

Professional Advisors

External Auditors	Internal Auditors	Funding Auditors	Bankers
Alliotts LLP Friary Court 13-21 High Street Guildford Surrey GU1 3DL	**RSM UK LLP** Third Floor One London Square Cross Lanes Guildford Surrey GU1 1UN	**KPMG** 1 Forest Gate Brighton Road Crawley West Sussex RH11 9PT	**Barclays** Level 11 1 Churchill Place London E14 5HP

Principal and Registered Office

City of Portsmouth College (COPC)
Highbury Campus
Tudor Crescent
Portsmouth
PO6 2SA

2 Strategic Report of the Members of the Corporation

Nature, Objectives and Strategies

The Members of the Corporation present their annual report together with the financial statements and auditor's report for City of Portsmouth College (COPC) for the year ended 31 July 2023.

Legal Status

The Corporation was established under 'The Further and Higher Education Act 1992' for the purpose of conducting the business of Highbury College Portsmouth. On 1 August 2021, City of Portsmouth College was created following a merger whereby Portsmouth College transferred its assets and liabilities to Highbury College Portsmouth which, after the dissolution of Portsmouth College corporation, then changed its name to City of Portsmouth College under delegated authority from the Secretary of State. City of Portsmouth College's Instrument and Articles of Government were approved by the Corporation on 17 August 2021 and subsequently updated on 4 April 2023.

City of Portsmouth College ('the College') is an exempt charity for the purposes Part 3 of the Charities Act 2011. The College Group also encompasses City of Portsmouth College Enterprises Limited, which is 100% owned by the College and operates within separate governance arrangements including oversight by its own Board of Directors.

Public Benefit

City of Portsmouth College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The Members of the Corporation, who are trustees of the charity and Members (also known as Governors) of the College, are disclosed on page 41.

The Corporation is aware of its responsibilities in relation to charitable purposes in making decisions on the College's educational and vocational character and mission and in relation to the effective and efficient use of resources. In setting and reviewing the College's key strategic goals, the Corporation has had due regard to the Charity Commission's guidance on public benefit and particularly to 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 key strategic goals, the College provides identifiable public benefits through the advancement of education to over 8,000 students, including 224 students with high needs. As an exempt charity, the College uses all of its income to advance academic, technical, professional and higher education by providing high quality teaching, learning and assessment tailored to the needs of students, business and society. The College provides courses without charge to young people, to those who are unemployed, and adults taking English and maths courses. The College adjusts its courses to meet the needs of local employers and provides training to nearly 900 apprentices. The College is committed to providing information, advice and guidance to prospective and enrolled students, and to finding suitable courses for as many students as possible regardless of their educational background.

To deliver its key strategic goals, the College has developed as a comprehensive college, particularly since merger, with a wide range of subjects taught at all levels. The College has a diverse student body at its four campuses in strategic locations across the city of Portsmouth and through distance learning.

The post-merged College is proud of its long history from its legacy colleges of Highbury College Portsmouth and Portsmouth College. It is an academic, technical and professional education institution, from which enduring commitments to widening participation, teaching, learning and progression are derived. It is ambitious and confident about its future as a new super-college for the city of Portsmouth and surrounding region, with a strong brand and reputation for excellence in many areas of provision.

Vision Statement

The Members considered and agreed the Corporation's vision in January 2022, which was reviewed in January 2023. The vision of the new College as approved by the Members is:

'The college of choice for the city of Portsmouth and our region'

Mission Statement

The mission of the new College as approved by the Members is:

'Shaping our city's future by unlocking the potential of its learners'

Implementation of the Strategic Plan COPC 2026

The Corporation and management have considered the educational character of the new College to ensure that it best serves the needs of its students and has a strong curriculum and financial base for the future. In order to make a sustainable contribution to national, regional and local priorities, the College has consolidated existing provision against a robust curriculum quality and financial framework, whilst carefully considering opportunities for growth.

The Corporation has adopted a corporate Strategic Plan for the period 2022-2026, 'COPC 2026'. The Strategic Plan includes developments in curriculum; quality; partnerships; people resources and organisational development; the estate and facilities; and financial plans. The Corporation monitors the performance of the College against these plans, which are regularly reviewed and updated.

The College continues to provide a wide-ranging academic, technical and professional curriculum offer to A Level, T Level and Level 3 and beyond. High Needs provision has grown significantly in recent years.

Key Strategic Goals

The College has five key strategic goals which underpin the delivery of the vision and mission:

1	**Inspirational, aspirational and inclusive place to work and learn**
2	**Responsive and relevant curriculum offer**
3	**High quality teaching, learning and assessment**
4	**Trusted partner for the communities we serve**
5	**Stabilised and sustainable finances**

There are a further three enabling themes:

1. **Embrace digital technology in all we do**
2. **Beacon of sustainability best practice**
3. **Consolidation before expansion**

The achievement of these key strategic goals will deliver high quality, student centred and business focused education and training that responds to the cultural diversity of the community, enriches lives and contributes to economic prosperity. The overall College offer is regularly reviewed and re-aligned to meet national, regional and local needs. Growth is achieved within a streamlined and cost-efficient curriculum model that aims to maximise income and reduce cost through more effective design of the curriculum and more efficient utilisation of teaching hours.

2 Strategic Report of the Members of the Corporation continued...

Each of the College's five key strategic goals (KSGs) is further underpinned by a number of annual and longer- term objectives, which were agreed in January 2022 and reviewed in January 2023. These are summarised as follows:

KSG1: Inspirational, aspirational and inclusive place to work and learn	
1	Provide a high-quality working and learning environment, which is fit for purpose and provides industry standard facilities.
2	Provide professional and personal development opportunities for all staff to improve their knowledge, skills, and practice.
3	Ensure a collaborative and inclusive workplace, where good practice is shared, and staff and students are motivated and supported to achieve their best.
4	Maintain a culture of respect, pride and ownership.
5	Provide staff with the tools they need to do their jobs well.
6	Deliver a clear and well-understood means of recognising and rewarding effort and achievement.
7	Invest in our College and staff.

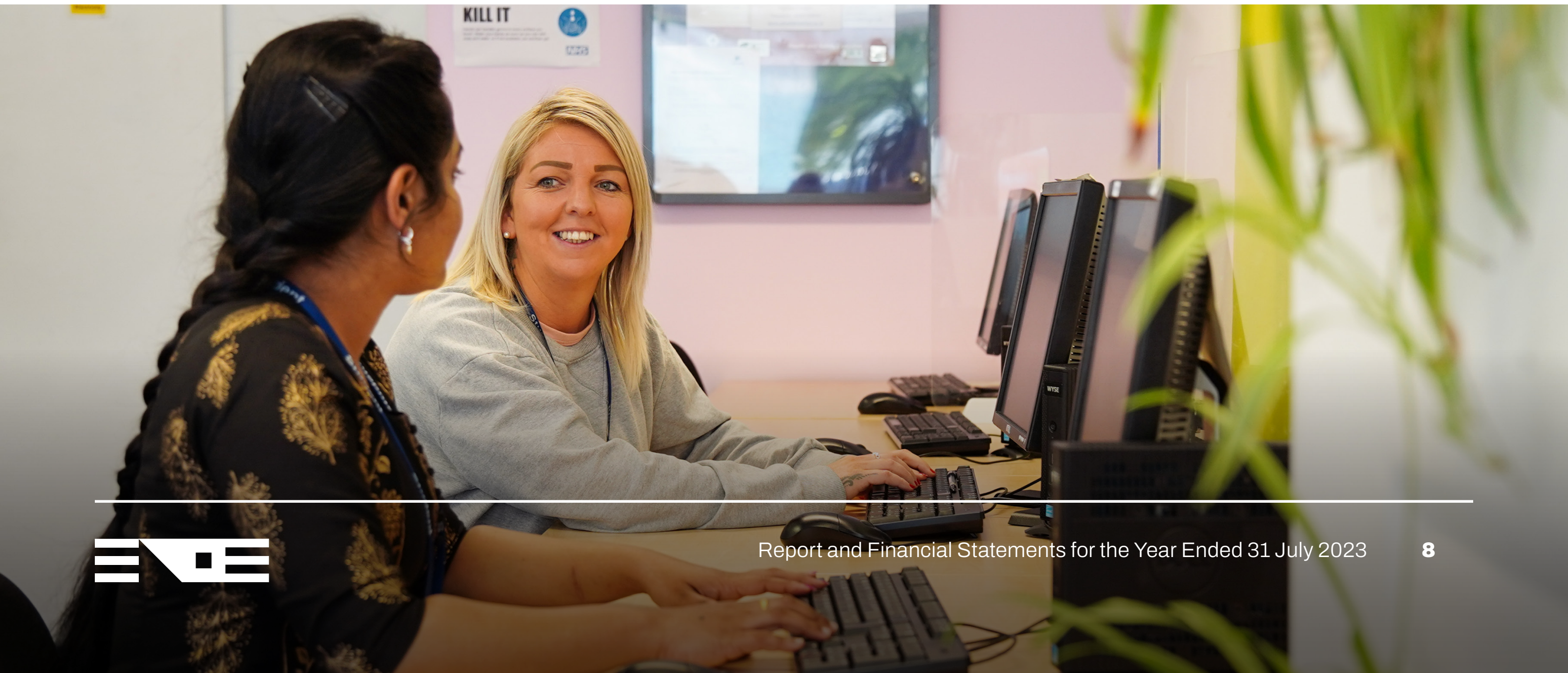
KSG2: Responsive and relevant curriculum offer	
1	Deliver a strong careers education programme, enabling our students to successfully progress.
2	Deliver a curriculum that attracts and engages with a diverse student population.
3	Develop a forward thinking and cost-effective curriculum that meets skills priorities and reflects industry and socio-economic needs.
4	Plan an inclusive and progressive curriculum, with clear ladders of progression.
5	Work with employers of all sizes and types to increase the availability and take up of high-quality apprenticeships and to meet their workforce development needs.

KSG3: High quality teaching, learning and assessment	
1	Deliver a high-quality learning experience for all our students so they successfully progress and achieve their next steps.
2	Develop the tutorial and enrichment programme to support our students' broader learning and development.
3	Develop strong links with employers to source high-quality and meaningful work experience and industrial placements that benefit our students and local businesses.
4	Expand e-learning technologies.

2 Strategic Report of the Members of the Corporation continued...

KSG4: Trusted partner for the communities we serve	
1	Build and extend external relationships and stakeholder engagement.
2	Work in partnership with our local schools to support the delivery of impartial information, advice and guidance.
3	Develop strong relationships with our local schools and align curriculum resource to support this activity.
4	Work in partnership with a range of key stakeholders to deliver relevant specialist provision that meets community and student needs.
5	Provide the highest quality of customer service to our partners, students and customers.
6	Maximise opportunities for our students and the College to engage with and support our local communities, adding value and realising potential.

KSG5: Stabilised and sustainable finances	
1	Achieve sustainable growth and economies of scale in core business from increased student numbers.
2	Achieve sustainable growth through partnerships and commercial activity that is aligned to our vision, mission and values.
3	Maintain a sound contribution to overheads from teaching departments.
4	Encourage innovation across the College.
5	Future proof the College infrastructure.



Corporate Performance

Performance Indicators

The College is committed to observing the importance of sector measures and indicators. The College adopts a wide range of measures and indicators to review the achievement of financial, academic and curriculum objectives and targets, which are regularly reported to the Corporation.

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA) at the end of each year. The Finance Record produced a 'Good' financial health grade for 2022-23.

Funding Targets and Student Numbers

The College received government funding in 2022-23 from the ESFA and the Office for Students (OfS).

A total allocation of £27,774 was provided by the OfS in 2022-23, which is based on actual student numbers.

Performance in relation to ESFA key funding targets and student numbers is as follows:

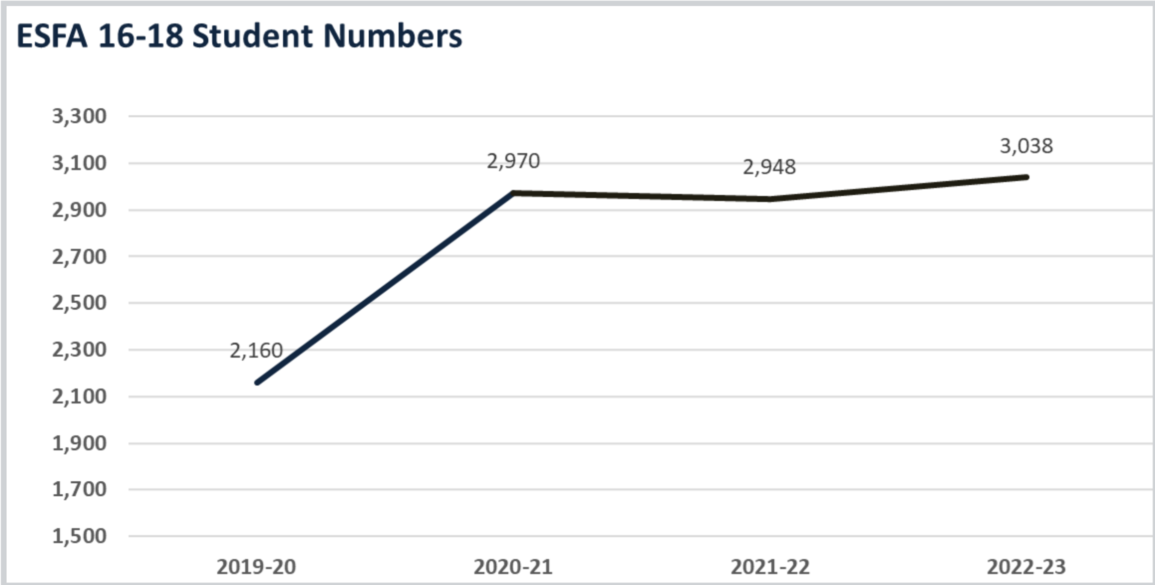
1. Key Funding Targets

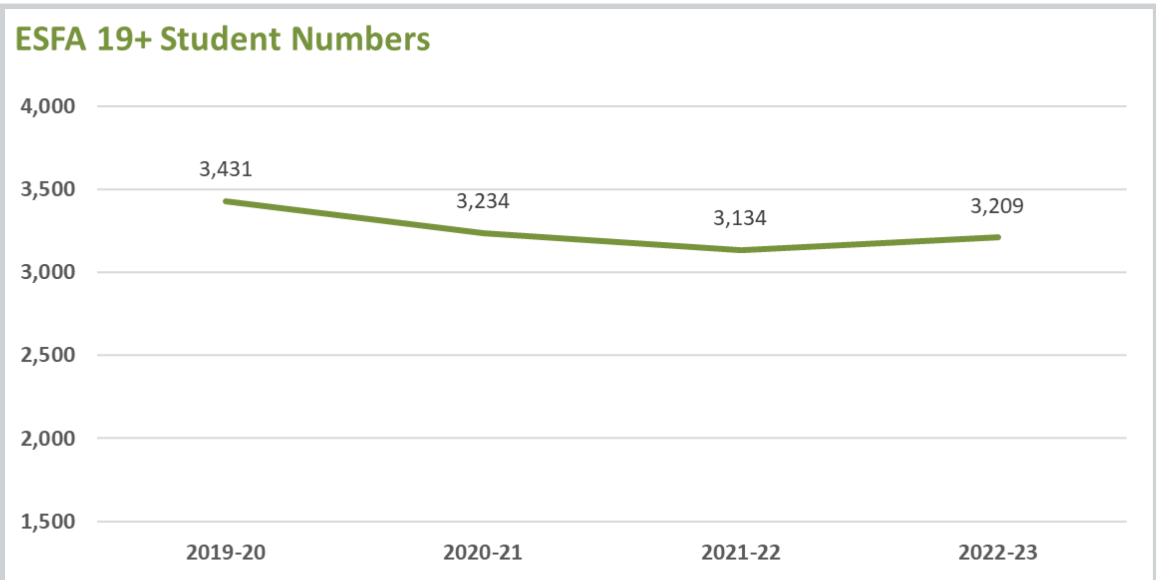
ESFA 16-18 funding	The College achieved 101% of its ESFA 16-18 lagged funding target of £15.3m of grant income, which excludes bursary funds. The College was paid 100% of the allocation.
ESFA 19+ funding	The College achieved 116% of its ESFA Adult Education Budget (AEB) funding target of £3.5m of grant income. The College will be funded for over-delivery up to 10%.
ESFA 19+ funding (National Skills Fund)	The College achieved 111% of its target of £437k. The College will be funded for over-delivery up to 10%.
Advanced Learning Loans	The College used 60% of £1.05m loan facility available and will be funded for actual delivery. The loan facility for 2023-24 has been revised to £888k.

2. Student Numbers (Head Count)

ESFA funded 16-18 student numbers increased by 90 to 3,038

ESFA funded students aged 19+ increased by 75 to 3,209





Student numbers in the tables above are based on Highbury College Portsmouth acquiring Portsmouth College on 1 August 2021. Student recruitment in 2021-22 was impacted by the merger of the two legacy colleges.

In 2022-23 the College had a total of 8,137 enrolled students, 7,590 of which were funded (ESFA or Student Loans Company) and 547 non-funded, analysed below:

	Headcount
ESFA funded 16-18 students - Of which High Need students	**3,038** 224
ESFA funded 19+ students - Of which community learning - Of which free courses for jobs	**3,209** 192 343
Apprentices (ESFA & levy funded)	**837**
ESFA advanced learner loan funded students	**492**
OfS funded students	**14**
Total funded students	**7,590**
Total non-funded students	**547**
Total students	**8,137**

Financial Performance

Financial performance in the sector is benchmarked against a number of ESFA established measures and targets. The following table confirms the College Group's actual results for the year ended 31 July 2023 against high-level ESFA key measures, national benchmarks and College Group targets:

ESFA Key Performance Indicator (KPI)	National benchmark	College Group target 2022-23	College Group actual 2022-23	Performance against target 2022-23
Earnings Before Interest, Tax and Depreciation and Amortisation (EBITDA) as % of income	7%	3%	3%	✓
Staff costs as % of income (excluding subcontracted income)	67%	65%	64%	✓
Cash days in hand	111	13	72	✓
Adjusted current ratio	2.00	0.89	2.23	✓
Borrowing as % of income	15.00%	0.41%	0.41%	✓
Financial Health Score	Good	Requires Improvement	Good	✓

The College Group achieved all budgeted measures and targets for the year ended 31 July 2023 and also exceeded the financial health score target of 'Requires Improvement' to achieve 'Good' financial health. Performance against the national benchmark for EBITDA is still weak and is being addressed by management through the development and implementation of a new five-year financial strategy.

2 Strategic Report of the Members of the Corporation continued...

Academic and Curriculum Performance

The College's progress in achieving its key academic and curriculum targets is as follows:

Further Education

The College's headline Further Education achievement rate was 84.0% (83.0% in 2021-22). The achievement rate for young people was 82.0 % (80.5% in 2021-22) and for adults the achievement rate was 86.0% (83.1% in 2021-22).

A Levels

The College achieved an overall pass rate (A*-E) of 95.6% (99.0% in 2021-22). The grading for GCSEs and A Levels In 2022-23 returned to pre-pandemic levels in 2018-19. Therefore, results are more meaningfully compared to 2019, the last exam series before the pandemic. In 2019, the overall pass rate was 95.3%. High grade achievement (grades A*-B) was 18.8% compared to 13.0% in 2019 and students achieving a grade A*-C was 70.2% compared to 64.3% in 2019.

GCSE English and Maths

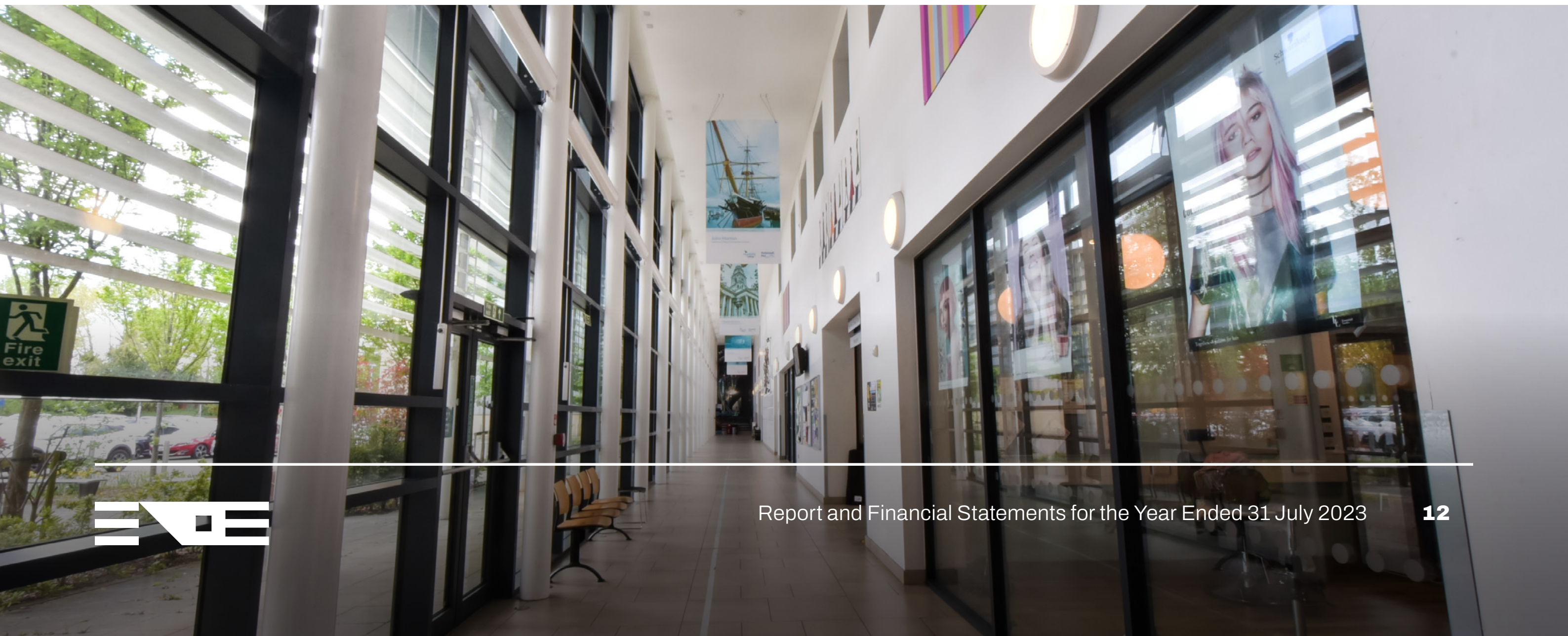
Overall achievements for English and maths were broadly in line with the national average compared with 2018-19. Maths achievement at grade 9-4 was 16.10% compared to 22.0% in 2022 and 19.0% in 2019, English achievement at grade 9-4 was 22.0% compared to 21.0% in 2022 and 24.0% in 2019.

Apprenticeships

The College's apprenticeship provision has improved slightly with an achievement rate of 48.0% compared to 46.0% in the 2021-22. This is still below the national average for Apprenticeship Standards which is 52%. The College's performance is due to: (a) delays in End Point Assessment (EPA) availability; and (b) a high number of out of funding apprentices who were no longer engaged in their apprenticeships and which has now been addressed.

Destinations

A total of 2,995 students progressed from City of Portsmouth College at the end of the 2021-22 academic year. The College has tracked the actual destinations for this cohort, with 84% of those contacted reporting a positive destination (84% in 2020-21). For Level 3 leavers, 36% progressed into Higher Education with 20% of these progressing to the University of Portsmouth. Overall, 80% of students achieved their 1st or 2nd choice university for progression.



Student Achievements

Our students achieve great successes each year. Some examples from the Class of 2022-23 are given below.

From our Sixth Form Campus:

In **Social Sciences**, the College secured a partnership with the University of Portsmouth which ensured that all Social Sciences students had the opportunity to visit the University of Portsmouth for taster days throughout the year. These students also took part in a 'careers day' on-site to help with employability and progression. Many students who took more than one Social Science shone academically, including Lexie Duff who achieved A* in the Criminology Diploma and an A in Sociology; and Tia Ayling who achieved A in the Criminology diploma and A* in Sociology.

Physics and Chemistry students took part in the 'British Olympiad' competitions, some students achieving gold awards putting them in the top 9% of students nationally. **Biology** students went on a trip to meet the team in 'change of flood defence works' on Langstone Harbour. Students had a tour of the site and saw how the development was progressing and the importance and challenges of balancing the environment, social and economic needs of the area. Students experienced first-hand the risks of changing climate in a real-life context and found out about all the different roles involved in the development, including contractors; project managers; coastal engineers; environmental scientists; and stakeholder engagement officers. Science students also visited London to view the annual Royal Society's exhibition, where they were able to talk to scientists at the cutting edge of research and to get hands-on experience of the use of micro-robotics in eye surgery; using 3D printing to develop medicines; and how zebra fish can be used to understand mental illness.

Mathematics students were given the opportunity to participate in the 'Senior Maths Challenge', with many achieving a Bronze, Silver or Gold certificate. One student qualified for the prestigious 'British Maths Olympiad', achieving a distinction in this high-profile competition. We also had a group of students enter the 'M3 Challenge', achieving success and finishing in the top 25% of students internationally.

In **Humanities**, Emily Smith produced an exceptional Extended Project Qualification (EPQ) achieving top marks, contributing to her progress to the University of Cambridge. Students in **Geography** participated in fieldwork in Swanage and the Jurassic Coast, practicing their fieldwork skills and building up the skills and techniques required to work on site. **Politics and History** students also had the opportunity to engage with study trips to Washington and Munich, where they were able to develop their relevant subject knowledge. Politics has continued to develop strong links with local MPs, including Penny Mordaunt MP and local councillors to the benefit of the students and with regular visits to Parliament in London.

In **Law**, students took part in a number of visits to the University of Portsmouth's Law department and mock courtrooms, in addition to the local Crown Court and Magistrates' Court. Students have benefited from the close collaboration with the University's Law department and construction of the College's own mock courtroom at the Sixth Form Campus.

2 Strategic Report of the Members of the Corporation continued...

Visual Arts held the first annual 'Creative Festival' in June 2023, celebrating the work of students in Visual Arts across both the Sixth Form Campus and Highbury Campus. This was a wonderful event for students to share their experiences with parents, carers and friends and to showcase their excellent work. It was also a great opportunity to engage the local community. While hosted and led by Creative Arts, the team worked with staff and students from across the College, including students from **Travel and Tourism** supporting the event as hosts and guides.

Drama students enriched their knowledge and skills by taking part in a number of visits to see professional plays and shows. Two students who studied Drama and **Performing Arts** secured places at prestigious Drama Schools to study for acting degrees. In **Dance,** students showcased their contemporary and jazz dance skills in a number of local competitions. They also took part in a 'Summer Dance Show' with an exceptional standard of work and quality of performances.

Our Level 3 National Foundation **Travel and Tourism** students supported the annual ‘Shaping Portsmouth’ event at the Guildhall. They welcomed and checked-in patrons of the event, hosting and offering event guidance and assisting the Shaping Portsmouth team with post-event clear up. The students were praised for their professionalism and were invited back in 2023-24 as well as being asked to help train other volunteers. The students applied knowledge and skills in customer service and developed their confidence through demonstrating their self-management and initiative to support the event organisers in meeting the needs of a range of important guests from businesses across Portsmouth.

Level 3 UAL Applied General and Extended Diploma in **Art and Design** students exhibited work at the Aspex Gallery in Portsmouth. Students had the opportunity to talk to exhibiting artist John Walter about his multimedia maximalist installation at the gallery. The students' work was a response to this and was displayed in the gallery cafe area and workspace. The gallery representatives praised the students' work ethic and were impressed with the quality of work produced. Level 3 UAL Applied General in Art & Design student, Katie Couper, sold her first piece of work entitled ‘The Plague Doctor’ through the Aspex Gallery exhibition.

From our Highbury Campus:

Level 2 Art and Design students successfully engaged in a work experience project with 'Oarsome Chance', an educational charity re-engaging young people through vocational training. Students individually created art boards in a pop art style to meet the client brief and these are displayed at the charity’s venue. The charity sent a representative to view the work at the Creative Festival and was impressed by the students’ attitudes and engagement in the project as well as the work they produced.

Pearson BTEC Level 3 National Extended Diploma in **Travel and Tourism** student, Roberta Ghita, was awarded the 'Helena Kennedy Foundation Bursary' to study BA (Hons) Tourism Management at Bournemouth University. Roberta started in Travel and Tourism at Level 2 after completing ESOL at the College. She also secured employment through the College last year with 'SMS International Shore Operations', where she plans to continue working alongside studying for her degree.

2 Strategic Report of the Members of the Corporation continued...

Level 3 **Business** students staged a charity event at Highbury Campus, raising money by hosting several fundraising activities for students and staff. Students made resources and prizes themselves and raised over £200 for their chosen charities. The event provided some light-hearted fun and entertainment for the day, enabling students to complete an assessment whilst supporting the local community and giving something back.

Computing students registered for a number of competitions in ‘WorldSkills’ in Website Development; Network Infrastructure Technician; IT Software Solutions for Business; and Digital Media Production. In Website Development, one student has become one of the UK’s top 40 students to qualify for the regional final and to complete in the final heat.

Computing, Engineering, Media and Journalism students all came together in a ‘Hovercraft Day’ event. Networking students taught Engineering students how to take apart recycled computers for the fans and wiring for the hovercraft build; Software students were in charge of designing logos and team name designs; Media students recorded the event to create a marketing video of the hovercrafts in action; Journalism students interviewed Engineering students to write a piece for local newspapers; and the College’s Marketing department and the Engineering students worked in teams, soldering, designing and building the hovercrafts from recycled materials. Networking students also ran a ‘PC Repair Shop’ for all students and staff to bring their slow or broken laptops and computers for repair. Software students ran a ‘Dragons Den’ for app development, showcasing their designs and builds for an app to promote Portsmouth to the local community and tourists with marketing campaigns, app designs and functionality tests. This was judged by two alumni, both now senior level developers in large UK and global companies.

Engineering students created sculptures for ‘Engineering Week’, designing, welding and fabricating machines, vehicles and even a rose, all from metal, showcasing their abilities with metal working.

Media students were involved in the production and interviews for a philosophy podcast for BBC Radio 4, which is available online.

BTEC Level 3 **Health and Social Care** students took part in the ‘No Limits’ peer promotion programme, using their knowledge and skills around current sexual health issues and the need to educate young people to be sexually healthy; to devise health campaigns for awareness of sexual health; and healthy relationships. The students set up stands in the Student Centre and used this platform to raise awareness of these issues to the College community, using vibrant displays, multimedia, activities and discussion. The students were mature in their approach to these sensitive topics, showing empathy and kindness to those they spoke to and advised, respecting the personal choices and diversity of those they interacted with. The students each received a certificate of completion for their peer promotion programme, with some referring to their experience and development from the programme within their UCAS statements.

Level 3 **Early Years** students have been working with ‘Honeypot Nursery’ and have run preschool sessions in the Nursery, which has built their confidence prior to their work placements. The students have planned their sessions and carried out activities individually and in groups, then reflecting on their experiences and the learning achieved by the children.

2 Strategic Report of the Members of the Corporation continued...

Catering students have had great success in local and national competitions, achieving a selection of medals, which has built confidence across the levels and raised the aspirations of students to reach the next rounds of competitions. One student secured an entry at an international competition in Italy, achieving 5th place in May 2023.

One of our Level 2 **Barbering** students progressed to the finals of 'Generation Barber Award' with her creative haircut entry. She got on the podium and was celebrated for her creativity. The barbers all went on a trip to Bournemouth to watch inspirational demos from award winning barbers.

From our North Harbour Campus:

Jessie, who started with the College in 2021-22 as a Multi Trades student, successfully completed her qualification and progressed onto Level 1 **Painting and Decorating** in 2022-23 which again she achieved to a very high standard. Jessie joined the E6 programme for entrepreneurship as she wishes to start her own business and has also secured part-time work experience with a painting company. The company is encouraging her to complete her Level 2 Diploma in Painting and Decorating in 2023-24.

Memphis, started in **Multi Trades** with low attendance but whilst in **Plumbing** Memphis has transformed to a model student. First to answer in class, Memphis has passed all his exams and has successfully completed his Level 2 Diploma in Plumbing. Memphis has now enrolled on to the Level 3 Diploma and is continuing his career pathway.

From our Arundel Campus:

The **Foundations Prospects** Boccia team won gold at the 'AoC National Championships'. The pan-disability football team achieved 5th place in the same championships in April 2023. Five students competed in the regional 'Inclusive Skills', focusing on the hairdressing element of which three have secured places in the final in November 2023 in Manchester. One Level 3 Sports student has finished his programme with a distinction having progressed from Foundation Prospects.

The **SEND** 'Fun Day' was held on 11 July 2023, bringing together 200 students from a range of local schools and groups with additional needs from across the city.

2 Strategic Report of the Members of the Corporation continued...

Financial Review

Financial Results for the Year Ended 31 July 2023

The financial statements comprise the results of the activities of the COPC Group.

The College Group has three principal subsidiary companies as well as Highbury College (Nigeria) Limited. Only one of these was active during the year ended 31 July 2023, City of Portsmouth College Enterprises Limited, previously known as Highbury Apprenticeships (Birmingham) Limited, which is 100% owned by the College and included in the College Group financial statements. The activities of the company have diminished significantly over the years as the recruitment and training of new apprentices is now delivered entirely in-house through COPC in Portsmouth. The other two dormant subsidiaries, Highbury College Commercial Services Limited and New Work Training Limited, were in the process of being dissolved during the year with strike-off applications submitted to Companies' House in May 2023. The strike-off process is still in progress. A summary position of the College's subsidiary companies is outlined below:

	Country of Incorporation	Ownership	Activity
City of Portsmouth College Enterprises Ltd	England & Wales	100%	Trading
Highbury College Commercial Services Ltd	England & Wales	100%	Not trading
New Work Training Ltd	England & Wales	70%	Not trading
Highbury College (Nigeria) Ltd	Nigeria	99%	Not trading

Highbury College (Nigeria) Limited has not been consolidated into the College Group financial statements as it is considered immaterial and remains dormant. Legal action continues to be pursued in Nigeria for monies still owed to the College Group, all of which are fully provided.

The financial results for the year ended 31 July 2023 are summarised in the following table:

	Year ended 31 July		Year ended 31 July	
	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Total income	30,827	30,665	28,574	28,574
Total expenditure	(31,340)	(31,115)	(32,392)	(32,383)
(Deficit) before other gains and losses	**(514)**	**(450)**	**(3,818)**	**(3,810)**
Gain/(loss) on disposal of assets	(63)	(63)	0	0
(Deficit) after other gains and losses	**(577)**	**(513)**	**(3,818)**	**(3,810)**
Add back:				
Pension costs relating to FRS 102	141	141	2,198	2,198
Underlying (deficit)/surplus for the year	**(436)**	**(372)**	**(1,620)**	**(1,612)**

The College Group posted an underlying operating deficit of £436k (£1.62m operating deficit 2021-22), excluding FRS 102 Local Government Pension Scheme (LGPS) adjustments to the Statement of Comprehensive Income and which are non-cash accounting entries. This was achieved against a planned underlying operating deficit of £878k for the year ended 31 July 2023. FRS 102 net adjustments total £141k (£2.20m 2021-22) and reflect both interest charges on the LGPS deficit and the difference between the calculated cost of running the pension scheme and the contributions made during the year.

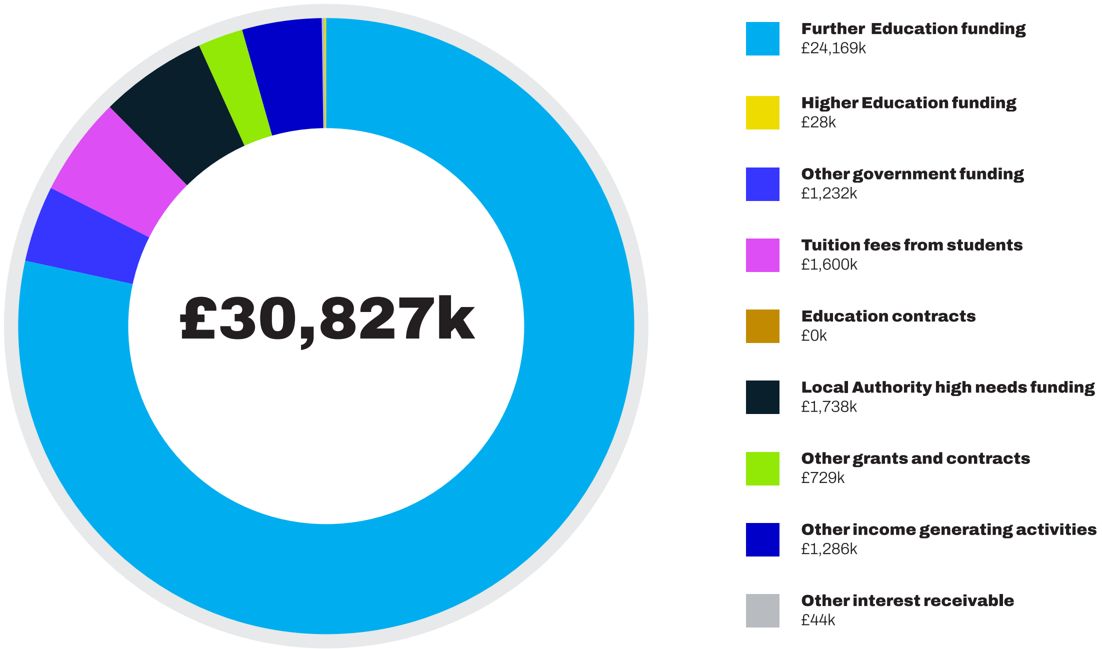
Total income for the College Group was £30.83m (£28.57m 2021-22), an increase of £2.25m from the previous year. Total expenditure was £31.34m (£32.39m 2021-22), decreased by £1.05m from the previous year. As a result, the College Group generated an operating deficit after other gains and losses of £577k (£3.82m deficit 2021-22) including FRS 102 LGPS adjustments.

Total Comprehensive Income for the College Group was a surplus of £5.60m (£25.71m surplus 2021-22) caused mainly by an actuarial gain of £6.17m (£21.33m gain 2021-22) in respect of the LGPS.

The College has managed the financial impact caused by the cost-of-living crisis and high Inflationary pressure effectively overall, although apprenticeship delivery and commercial courses were particularly adversely affected during the year and income forecasts downgraded accordingly. Demand in the marketplace from self-paying students has noticeably reduced. The increasing cost of teaching materials and consumables as well as awarding body fees also created challenges for the College's curriculum areas to remain within budget. Operating and maintaining the College's premises became more expensive during the year, partly as a result of the energy crisis and increasing cost of gas and electricity but also because of the College's need to address significant backlog maintenance issues across the estate, particularly at Highbury Campus, and the increased cost of components and contracted out services. However, strategic procurement and the achievement of value for money in the purchase of goods and services generated significant cost savings, which allowed the College to remain broadly within defined non-pay expenditure budgets for the year. Pay costs were also strictly controlled through the management of vacant posts and the scheduling of staff recruitment, which also generated cost savings in this area.

Key analysis of total income for the College Group for the year ended 31 July 2023 is as follows:

Income analysis 2022-23



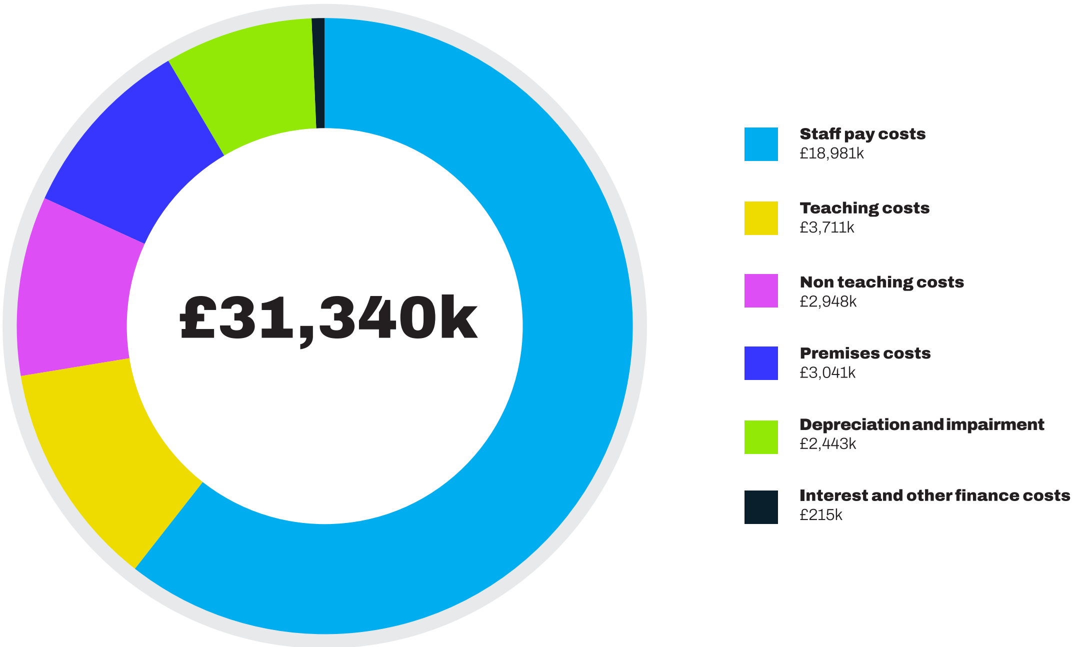
The increase in total income of £2.25m from the previous year is mainly related to Further Education ESFA funded study programmes for 16-18 provision and adult funded courses. The largest proportion of College Group funding in 2022-23 was £24.17m derived from Further Education ESFA funding contracts. The ESFA continued to provide additional tuition funding for 16-18 provision to mitigate the disruption to learning in response to the COVID-19 pandemic and particularly to support small group tuition for students in English, maths and other subjects that have been disrupted. Adult funding allocations from the ESFA also increased in response to the pandemic in the form of National Skills Fund (NSF). The majority of non ESFA related income was in: (1) local authority funding for High Needs £1.74m; (2) tuition fees £1.60m; and (3) other income generating activities mainly from the nursery, sports halls, hairdressing salons, catering services, and the sub-letting of accommodation totalling £1.29m.

The College Group currently has very small numbers of Higher Education students, with income declining to £28k from £54k in the previous year. Other government funding of £1.23m comprises mainly the release of government capital grants, which has increased by £102k from the previous year. Local authority High Needs funding increased by £181k from the previous year because of higher numbers of student referred to the College during the year mainly from Portsmouth City Council. Other grants and contracts income of £729k also increased by £392k from the previous year due mainly from additional revenue grant funding for the College's Net Zero Training Hub at North Harbour Campus, which was funded from Portsmouth City Council's Community Renewal Fund (CRF).

The College Group continues to place significant reliance on the education sector funding bodies for its principal funding sources, largely from the ESFA and some Element 3 funding from local authorities in relation to High Needs students. In 2022-23, these funding bodies provided 88.0% (89.0% 2021-22) of the College Group's total income.

Key analysis of total expenditure for the College Group for the year ended 31 July 2023 is as follows:

Expenditure analysis 2022-23



The decrease in total expenditure of £1.05m from the previous year is mainly related to a reduction in pay costs and LGPS FRS 102 pension costs. The largest proportion of the College Group's total expenditure is staff pay costs, totalling £18.98m in 2022-23 including £42k of restructuring costs. These have reduced by £1.43m from the previous year and represent 61.6% of total income. The average number of staff employed by the College Group in 2022-23 reduced by 48 to 684 mainly as a result of restructuring in the last quarter of the year.

The College operates two defined benefit pension schemes: the Teachers' Pension Scheme (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hampshire County Council. The latest formal actuarial valuation of the TPS was effective from 5 March 2019 and of the LGPS from 31 March 2022, updated to 31 July 2023 by a qualified independent actuary. Pension costs included in staff pay costs paid to TPS in the year amounted to £1.50m (£1.37m 2021-22) and those paid to LGPS in the year amounted to £1.65m (£1.63m 2021-22).

Other operating expenses, including teaching and non-teaching costs and premises costs, increased by £555k (6%) from the previous year to a total of £9.70m in 2022-23. This was mostly as a result of inflationary cost pressure overall and more specifically around energy and premises running and maintenance.

Depreciation and impairment charges broadly remained the same at around £2.4m in 2022-23 because of slower capital spend during the year on ongoing capital projects with some costs incurred late and some moving into the year 2023-24.

The College Group also incurred £215k (£437k 2021-22) of interest and other finance costs in 2022-23, most of which is net interest charges on the College's defined pension liability in the LGPS.

The College Group added £3.51m to tangible fixed asset values during the year. The capital programme for 2022-23 included a range of capital projects across the College estate to the budgeted value of £2.69m including capital grant funding. Capital grant funding made up £1.69m with the remaining £1m funded from the College's cash reserves. Some capital projects from the previous year were completed in 2022-23, which caused capital expenditure to be greater than planned in-year. The most significant capital projects delivered in 2022-23 included:

- **T-levels Wave 3 £997k - Health and Science T levels preparation.** This involved the conversion of the top floor of the Tower at Highbury Campus into a healthcare training facility including a simulated hospital ward; and a new Science Lab at the Sixth Form Campus.

- **Strategic Development Fund (SDF) round 2 £183k – refurbishment and capital equipment for the Net Zero Training Hub based at North Harbour Campus.** This project supports training in areas such as heat pumps installation and maintenance and other clean technologies; and the creation of a high specification training centre in online conferencing and a facility for use by employers

- **IT infrastructure refresh £1.23m.** The installation of new IT servers; IT backup solutions; additional mobile devices; smart screens; IT switches; new networking and other IT infrastructure and equipment.

The College Group's balance sheet at 31 July 2023 was strengthened from the reduction in defined benefit obligations in the LGPS, which converted the defined benefit obligation of £6.03m at 31 July 2022 into an unrecognised pension asset of £2.67m with a net charge of £141k to the Statement of Comprehensive Income. The balance sheet also benefited from the revaluation of tangible fixed assets transferred on merger from Portsmouth College with net gains on adjustment of fair value of £7.19m at 31 July 2022. Cash was carefully managed during the year with £4.8m in cash reserves, equating to 72 cash days in hand at 31 July 2023, and a healthy current ratio of 2.23. The College Group has minimal borrowing at 0.41% of income relating to a small legacy Portsmouth College Salix loan and some minimal finance leases.

The College Group has accumulated reserves of £22.21m after FRS102 pension adjustments.

Treasury Policies and Objectives

The College has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities.

The College has implemented a separate treasury management policy, adopting the key recommendations of CIPFA's 'Treasury Management in the Public Services: Code of Practice' (the Code), as described in Section 4 of that Code. The College delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance and Resources (F&R) Committee. For the execution and administration of treasury management decisions, responsibility is delegated to the Chief Operating Officer (COO), who acts in accordance with the College's policy, and if they are a CIPFA member, in accordance with CIPFA's 'Standard of Professional Practice on Treasury Management'.

The College regards its treasury management priorities to be security and liquidity, as defined in its Treasury Management Policy. It balances risk and return within these priorities to achieve optimum income on its investments. The College also adopts an ethical investment policy based on the premise that the College's choice of where to make equity investments should reflect the ethical values it espouses in public life. The College will not knowingly invest in companies whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the College.

The College does not adopt a policy of short-term borrowing for temporary revenue purposes. The College has minimal borrowing and has no plans to borrow funds in the foreseeable future.

Cash Flows and Liquidity

Net cash inflow from operating activities was £639k (2021-22: -£13k). The Consolidated Cash Flow Statement analyses the movements in cash flows in more detail. The increase in debtors at the year end of £390k reduced the cash flow from operating activities, as higher amounts were owed to the College Group due to revenue growth and student fees being paid on an instalment basis. However, due to a smaller operating deficit for the year as compared to last year, the overall operating cash inflows were positive for the year ended 31 July 2023.

Cash at bank at 31 July 2023 was £4,805k, which equates to 72 cash days.

At 31 July 2023, the College Group's actual cash balance of £4,805k was higher than forecast. This was mainly achieved through tight management and control of the capital programme; additional capital grant monies received and not yet spent; and cash savings as a result of strict revenue budgetary control in the final quarter of the financial year.

The College Group has adequate cash for the period covered by its cash flow forecasts up to 31 July 2025, although cash balances are expected to dip to around 20 cash days by July 2024 whilst the College continues to invest heavily in increasing staff capacity and improving building condition. Cash balances will be maintained efficiently through daily/ weekly monitoring and expenditure controls as necessary. There is no actual or potential requirement for either emergency funding or grant re-profiling from the ESFA. Cash flow does not rely on any revolving credit facilities.

Reserves Policy

The College aims to maintain a level of reserves that enables it to fulfil its future commitment to alumni and existing students, notwithstanding unforeseen adverse events.

The College's Treasury Management Policy requires that the College ensures that adequate cash resources are available to fund daily activities from the College's cash balances or from any designated borrowing facilities. This approach is taken to ensure compliance with the minimum liquidity levels as defined in the College's Treasury Management Policy.

The College maintains a cash flow forecast updated on a rolling monthly basis to the end of the academic year and the following two years to ensure that future cash requirements are identified and that investments and any borrowings that may be required are managed accordingly. The College monitors and forecasts cash flows and reports routinely to the F&R Committee and to the Corporation highlighting any significant variances.

The College Group maintained average cash balances of £3.9m for the year ended 31 July 2023.

At the Balance Sheet date, the College Group has accumulated reserves of £22.21m. The College Group wishes to continue to accumulate reserves and cash balances in order to meet future commitments and to create contingencies for future capital expenditure requirements to improve the student experience and to increase the quality of education.

The College's current 'house' bankers are Barclays plc, with whom the College deposits cash in a current account and business premium deposit account with auto transfers to the current account to manage payments.

At 31 July 2023, the College held a total of £4.8m in cash reserves analysed as follows:

Account	Balance	Interest Rate	Comment
Barclays Current	£100k	0%	Sweep facility
Barclays Deposit	£4,700k	1.9%	Instant access

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet inflation targets and in a way that helps to sustain growth and employment. Bank interest rates were increased in June 2022 from 1% to 1.25%, and since then the rate has been increased on an ongoing basis, the last increase being in August 2023. The current interest rate stands at 5.25%.

The College earned a total of £44k in interest from bank cash balances in the year ended 31 July 2023.

Annual Capital Expenditure and Planned Maintenance Programme

The capital programme for 2022-23 was budgeted at £2.69m with approximately £1.62m spent by 31 July 2023. Some capital projects ran into the year 2023-24 to control capital expenditure and cash flow. The College has an annual programme of capital expenditure for further refurbishment and development of the estate, facilities and infrastructure and to maintain asset values. Approved capital projects are reviewed, monitored, and controlled by the Chief Operating Officer (COO). The capital programme is carefully constructed, responding to feedback from students and staff regarding College facilities and infrastructure.

Over £417k was spent on premises maintenance in 2022-23 with approximately £382k budgeted for the coming year. An independent condition survey from last year identified backlog maintenance costed at just over £1m. This is being addressed on an ongoing basis and once addressed, there are not expected to be any high priority building condition issues across the College's campuses.

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 Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The College is partially exempt in respect of Value Added Tax (VAT), so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary companies are subject to corporation taxes and VAT in the same way as any commercial organisation.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2022 to 31 July 2023, the College paid 82% (82% 2021-22) of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period but is endeavouring to further improve this statistic.

Events After the End of the Reporting Period

There are no events after the end of the reporting period.

Going Concern

After making appropriate enquiries, the Corporation considers that the College Group 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.

The Corporation has considered the principal risks on the business. For 2023-24, student recruitment is buoyant, being ahead of last year's funding allocation and in line with ambitious curriculum plans. The curriculum offer is comprehensive and underpinned by market intelligence as well as aligned with skills need in Portsmouth and the surrounding region. The Corporation sees no reason why there would be a decline in student recruitment for the next academic year starting in 2024-25.

The College Group has successfully met all of its high level and operational financial targets for 2022-23, having significantly reduced the operating deficit to £577k from the previous year. Another operating deficit of £1.48m is planned for 2023-24 whilst the College continues to invest in improving the student experience and the quality of education. This is expected to turn into an operating surplus of £504k after interest, tax, depreciation and amortisation (ITDA) in 2024-25 if curriculum plans are delivered. The College Group continues to plan to increase 16-19 student recruitment from the recovery of market share, which is needed for continued improvement of the College's financial position.

The financial plans indicate that the College Group is capable of increasing its income to £33.17m in 2023-24 and to £35.49m in 2024-25. However, the cost base is also expected to reach £34.64m and £34.99m respectively to support growth in the business. These forecasts are based on up to date underlying assumptions for student number growth.

The College Group's financial health improved to 'Good' in 2022-23. This is planned to reduce down to 'Requires Improvement' in 2023-24, transitioning back to 'Good' in 2024-25 with all positive ESFA Key Performance Indicators (KPIs) and net current assets if forecasts are achieved. Key financial health indicators in 2023-24 are positive except for 'Earnings Before Interest Tax Depreciation and Amortisation' (EBITDA), which is weakened because of the planned operating deficit. Cash days are also planned to be lower in 2023-24 whilst the College invests in increasing staff capacity and further improving the estate and facilities. The College Group's balance sheet grew in strength over 2022-23 which is maintained in 2023-24, demonstrated by positive net assets and a strong adjusted current ratio.

The risks associated with the financial plans for 2023-24 continue to be significant whilst the College is in its post-merger phase and implementing plans for financial recovery. The Corporation has carried out an assessment of the key strategic risks facing the College Group, which includes solvency and liquidity risks. There are strategic and operational risk registers in place with mitigating action plans that are regularly monitored by management and which are particularly focused on financial sustainability whilst improving curriculum quality. Where risks emerge and/or financial KPIs become adverse during the year, management action is taken immediately to address any underlying under performance.

In the context of a post-merged College, and in a challenging operating environment, the Corporation has been working to stabilise finances and will continue to do so in the short to medium term. Delivery of the financial plans for 2023-24 and 2024-25 rely heavily on the College achieving its strategies for growth in student recruitment and increased cost effectiveness of curriculum delivery, particularly from more blended learning. The College will control the operating position to reflect any reduction in income whilst tightly managing pay and non-pay expenditure. Capital expenditure of £4.25m is planned in 2023-24 to progress the College's Estates Strategy and will be carefully managed to control cash flow. The Estates Strategy seeks to optimise the use of space and minimise costs. Decisions will need to be made regarding the retention or relinquishing of building leases and displacement, or cessation, of associated activity.

There is no borrowing requirement at the present time. However, the College is looking at next steps to implement the Estates Strategy, which may involve some long-term borrowing to exit current expensive building lease arrangements at North Harbour Campus and at Arundel Campus and to move displaced provision to owned premises at Highbury Campus by 2028.

Development and Future Prospects

Curriculum Developments

There is a strong match between the College's curriculum at all levels and national priorities and local needs. The College has 56% of the curriculum aligned to existing and emerging identified local skills needs to ensure that the College meets both published skills needs and other broader needs for the young people and adults of Portsmouth and the region. This is a result of clear strategic direction; a four-year curriculum growth strategy to 2026 and beyond; and effective arrangements with partners, including the Solent Local Enterprise Partnership (LEP), businesses, and universities. Through a rigorous curriculum planning process, many courses have been redesigned and curriculum harmonised across campuses (technical, vocational and academic) to align with local and regional economies and to ensure that students are able to move securely into employment.

For 2023-24 activity, curriculum planning sessions were informed by employers (via Employer Advisory Boards held prior to the sessions) and chaired by members of the Senior Management Team. The College's Vice Principals presented their curriculum plans and proposals at these sessions, sharing information on curriculum content, recruitment, teaching approaches and student ability levels and backgrounds. The involvement of employers provided a valuable exchange of information, market intelligence and market insight as well as networking opportunities.

Managers cross-reference the technical and occupational skills and behaviours developed through their curriculum against local and national skills priorities. Managers have also identified wider skills development as part of curriculum planning, such as financial skills, digital skills, and health and well-being and have mapped these into the curriculum. These wider skills now also feature alongside the occupational and technical subject skills in the College prospectus and on the website.

The College's High Needs provision has grown significantly and has an excellent reputation. The College works closely with the local authorities, Portsmouth City Council and Hampshire County Council, in relation to this provision. A High Needs Strategy for the College was approved in October 2022 and includes an ambitious growth plan. There has been a significant increase in demand for High Needs places together with requests for more school link programmes and more recently places for ESFA directly funded 14-16 year-old students. The College has been approved for funded delivery to young people aged 14-16 for 2023-24. In 2021-22, there were 191 High Needs students on roll. In 2022-23, the number has grown to 224 students.

There has also been further growth in programmes which tackle social disadvantage and disrupted schooling to help get young people into vocational programmes and work. The College's Pathways and Prospects programmes give these learners the opportunity to develop their personal, English, maths and vocational skills so that they can progress onto higher levels of full-time education and training within the College.

In apprenticeships, the College has significantly rationalised the curriculum offer, focusing on those apprenticeships that meet local demand, that are financially viable and where the quality of education is improving. Provision which has been stopped includes Team Leader L3; Project Management L4; and Journalism Level 3. From 2023-24 onwards, apprenticeship curriculum will be led and delivered by curriculum areas, with the wrap-around apprenticeship journey delivered by business support teams. The strategic occupational areas to be focused on are Construction; Building Services; and Business.

Future Prospects, Challenges and Opportunities

The post-merged City of Portsmouth College is a significant development for the city and the surrounding region. The College offers the broadest and most comprehensive range of education and training across its four campuses strategically located across Portsmouth.

The College is experiencing an increase in 16-18 learner numbers at the start of 2023-24 academic year which is expected to continue into the next few years. This has been confirmed by the Responsive College Unit (RCU), who have analysed and provided a report on demographics in Portsmouth and its travel to learn area.

The College continues to work in a challenging operating environment. The FE sector, and the work of FE colleges, is highly complex with many stakeholders. FE colleges are focused on helping people to get skills for good jobs now and in the future by:

1	Putting **employers** at the heart of the skills system so that education and training leads to jobs that improve productivity and fill skills gaps.
2	Investing in **higher-level technical qualifications** that provide an alternative to a university degree.
3	Making sure people can **access training and learning flexibly throughout their lives** and are well informed about what is on offer through great careers support.
4	Reforming funding and accountability to simplify how funds are allocated, give providers more autonomy, and deliver value for money.
5	Supporting **excellent teaching** in FE

The Skills and Post-16 Education Act 2022 introduced several important measures that impact on the work of colleges:

1 **Prioritising local needs and local people** Placing a legal requirement on colleges and other providers to work with employers to develop skills plans, so that the training on offer meets the needs of local areas, and people no longer have to leave their hometown to find work.

2 **Supporting flexible study options** Supporting the transformation of the current student loans system so that from 2025 learners can access a flexible loan for higher-level education and training at university or college, which they can use at any point in their lives.

3 **Boosting the quality of education and training on offer** Introducing new powers to intervene when colleges are failing to deliver good outcomes for the communities they serve.

4 **Broadening careers advice for pupils ensuring that all pupils** meet providers of technical education so that they understand the wide range of career routes and training available to them, such as apprenticeships, T Levels or traineeships, not just the traditional academic options.

5 **Prioritising green skills** to help the training on offer across the country to meet the needs of the growing green economy and help to get more people into jobs.

2 Strategic Report of the Members of the Corporation continued...

Current sector challenges and opportunities include:

Growth in:

- 16-19 student numbers
- Adult Level 3 - Lifetime Skills Guarantee
- Higher Technical Qualifications - Levels 4 and 5
- Collaboration with universities on higher education overall
- Employer engagement

Digital teaching, learning and assessment involving:

- Reskilling; upskilling; and micro-credentials
- Teaching and learning in a hybrid environment
- Flexible learning

Equality, diversity and inclusion

To best support students and staff now and in the future, colleges need to reflect the communities they serve.

Net zero, sustainability, green skills

Colleges train and educate across a wide range of sectors which will all have to adapt to net zero. All jobs in the future will need to be green jobs to meet environmental targets. To ensure the necessary skills and capacity are developed in time to meet environmental targets, it is essential that the strong and central role colleges can and must play in this process is recognised.

Mental health support for students and staff

Colleges need additional resources to tackle the legacy of the pandemic on student wellbeing. Colleges are increasing their investment in staff development and re-thinking their approach to mental health and well-being.

Staff pay, recruitment and retention

In July 2023, the government announced a boost in funding for colleges after more than a decade of cuts. Colleges will use their share of the £200m of additional government funding to address staff recruitment and retention challenges.

The College will continue to develop a diverse range of programmes that will enable further increase in revenue for re-investment in the student experience and the quality of education. We are developing programmes that will be diverse in their delivery, mode of study and location. Though most of our programmes are delivered face to face, we are enhancing our digital capacity to deliver, teach and support students through virtual learning platforms. We are investing in the tools, training and technology to develop our e-learning environment to enable us to be flexible to adapt to a rapidly changing environment. We are responding to the changes in the employment market by offering new content such as digital technology and net zero/ sustainability within the curriculum. Through our strong networks and connections, we are working with employers in developing apprenticeships and other content so that our students have the knowledge, skills and competencies to be successful in their careers.

Financial Outlook and Future Plans

The Corporation approved a financial plan in July 2023 for the year ending 31 July 2024, which sets objectives for the year. Forecasts have also been produced for the year ending 31 July 2025.

Total budgeted income in 2023-24 of £33.17m is set to increase from total budgeted income in 2022-23 by £1.51m (4.8%) and from Final Outturn 2022-23 by £2.34m (7.6%). From Final Outturn 2022-23, the growth in total income is mainly from: (1) increased ESFA 16-19 core grant funding due to increased funding rates and higher student numbers; (2) additional High Needs students with associated funding; (3) 10% planned over-delivery of adult provision funded from the AEB and NSF; (4) higher numbers of funded apprentices; and (5) increased full cost provision from the Gas Centre including additional courses in Air Conditioning and Refrigeration.

Total budgeted pay expenditure in 2023-24 of £21.19m is set to increase from total budgeted pay expenditure in 2022-23 by £2.11m (10.7%) and from Final Outturn 2022-23 by £2.21m (11.6%). From Final Outturn 2022-23, higher pay costs arise from: (1) posts which have been mostly vacant in 2022-23 and will be recruited to in 2023-24; (2) new posts to increase capacity for over-delivery (to deliver additional unfunded activity in the Curriculum Plan); (3) implementation of a new unified organisational and pay structure; (4) implementation of the National Living Wage (NLW); (5) transition to COPC employment contracts and incremental pay awards; and (6) higher LGPS employer contributions.

Total budgeted non-pay expenditure in 2023-24 of £12.73m is set to decrease from total budgeted non-pay expenditure in 2022-23 by £11k (0.09%) and increase from Final Out turn 2022-23 by £370k (3.0%). Costs have increased in some expenditure lines mainly to reflect price increases in goods and services, particularly for utilities, IT subscriptions and licensing. However, overall, costs have been driven down through more effective procurement and reduced consumption.

The **budgeted operating deficit** in 2023-24 of £1.475m after ITDA is set to increase from the budgeted operating deficit in 2022-23 by £597k (68.0%) and from Final Outturn 2022-23 by £961k (187%). This is planned to allow the College to continue to invest to improve the student experience and the quality of education, which is expected to drive demand and sustainable growth in future years. The College continues to carry around £1.5m per annum in leased building rental and running costs, without which the College would achieve operating surpluses. The financial plans indicate that the operating deficit in 2023-24 is expected to turn into an operating surplus of £504k in 2024-25 if curriculum plans are achieved.

The **financial risks** associated with the financial plans for 2023-24 are higher and with little contingency built in. The College is reliant on: (1) the achievement of the Curriculum Plan; (2) flexibility to reduce staff costs quickly if planned student numbers are not delivered; (3) containment of the non pay cost base; (4) strict management of capital expenditure; and (5) tight management of cash balances and cash flow forecasts. The College continues to plan to increase 16-19 student recruitment from recovery of market share, which is needed for improvement of the College's financial position.

The financial plans for 2023-24 include **revenue investment** in post-merger permanent and unifying staffing structures. The College is aiming to become the 'Employer of Choice' for Portsmouth and the surrounding region, which means that pay and working conditions need to improve for the College to recruit and retain the best staff with the right skills.

Financial plans also continue to include significant **capital investment.** Planned capital expenditure for 2023-24 totals £4.25m, with capital grant funding of £3.82m and College cash resources of £433k. The College estate contains a significant proportion of leased property, and the terms of these leases expire between 2024 and 2028. The rental and service charge costs amount to £1m per annum, while an assessment of the condition of these properties identifies £350k of backlog and priority maintenance requirements at these sites. The College continues to deliver improvements using capital grant funding and available cash resources. The Estates Strategy will ensure that the College achieves high quality teaching and learning infrastructure that is both flexible and efficient. The capital programme for 2023-24 is mainly focused on investment to improve building condition at Highbury Campus and at the Sixth Form Campus. There is continued essential investment in IT infrastructure and the creation of Student Hubs across the College as well as some capital investment to improve facilities at the College's leased premises at the Arundel Campus and at North Harbour Campus.

2 Strategic Report of the Members of the Corporation continued...

Resources

The College Group has various resources that it can deploy in pursuit of its key strategic priorities as defined in COPC 2026.

Financial

Total income for the College Group was £30.83m in 2022-23. The College Group has £22.21m of net assets, and almost no debt. Tangible resources include the main College sites at Highbury Campus and at the Sixth Form Campus. The value of fixed assets total £49.44m at 31 July 2023.

People

The College Group employs 684 people (expressed as average headcount including sessional and casual staff), of whom 251 are teaching staff.

Reputation

The College Group works hard to maintain a good reputation with the local community and has an excellent reputation regionally and nationally in many areas of its provision. Maintaining a quality brand is essential for the College Group's success in attracting students and external relationships.

Streamlined Energy and Carbon Reporting

The College continues to be committed to reducing its carbon emissions and has taken further measures in the year to improve energy efficiency including: (1) the reduction in opening hours at the North Harbour Campus to reduce energy consumption; (2) reduction in College vehicle use with all of the Sixth Form Campus vehicles disposed of, two Highbury Campus based vehicles SORN'd for the year and only one of the two minibuses utilised; (3) changes to building management systems ensuring that they more closely monitor and control the operation of the plant and equipment utilised for heating and ventilation; and (4) embedding of a senior management role for procurement to formalise and closely monitor procurement operations.

Qualification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2022 UK Government's Conversion Factors for Company Reporting.

Intensity ratio

The chosen intensity measurement ratio is [Floor Area – m2].

The College's greenhouse gas emissions and energy use for the period:

UK Greenhouse used to calculate emissions (kWh)	1 August 2021 to 31 July 2022	1 August 2022 to 31 July 2023
Energy consumption used to calculate emissions (kWh)	5,929,259	5,764,704
Scope 1 emissions in metric tonnes CO2e		
Gas consumption	645.60	640.77
Owned transport	17.10	7.35
Total	662.72	648.12
Scope 2 emissions in metric tonnes CO2e		
Purchased electricity	536.82	426.34
Scope 3 emissions in metric tonnes CO2e		
Business travel in employee owned vehicles	9.95	12.37
Total gross emissions in metric tonnes CO2e	1,209.47	1,086.83
Intensity ratio		
Metric tonnes CO2e per floor area (m2)	0.030	0.027

Principal Risks and Uncertainties

The College has undertaken work during the year to further develop and embed the system of internal control, including risk management, which is designed to protect the College Group's assets and reputation. The College has strategic and operational risk registers in place with mitigating action plans that are regularly monitored by management to manage defined risks. These are particularly focused on financial sustainability; the student experience; and the quality of education. The College's most significant strategic risks relate to:

1	Recruitment and retention of staff.
2	Fit for purpose estate and facilities.
3	Failure of key information systems and loss of data.
4	The student experience and failure to achieve student satisfaction.
5	Staff morale.
6	Apprenticeship provision.
7	Failure to properly plan and manage major capital projects.

A strategic risk register is maintained at the College level, which is updated regularly by the Strategic Risk Management Board and reviewed at each meeting of the Audit Committee. The risk register identifies key risks; the likelihood of those risks occurring and preventing the College's key strategic priorities from being achieved; 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.

The College also maintains an operational risk register at departmental level. The College has an Operational Risk Management Board, which undertakes a comprehensive review of operational risks to which the College is exposed. The Board meets termly and identifies systems, procedures, controls and specific actions to prevent identified risks materialising and adversely impacting on the College.

2 Strategic Report of the Members of the Corporation continued...

Stakeholder Relationships

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

- Current, future and past students
- Education sector funding bodies
- FE Commissioner
- Staff and trade unions, including the National Education Union and Unison
- Employers, who are mostly Small and Medium Sized Enterprises (SMEs)
- Local authorities, including Portsmouth City Council
- Local Enterprise Partnerships (LEPs), including Solent LEP
- Hampshire Chamber of Commerce, the lead for the Hampshire Local Skills Improvement Plan (LSIP)
- The local community
- Other FE and HE institutions, including the University of Portsmouth and all local schools and colleges
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College internet and intranet sites and through meetings and events.

The College considers good communication with its staff to be important. The College held many staff briefings, in person and virtually. The College circulates weekly electronic newsletters and messages from the Principal & Chief Executive Officer (CEO), keeping all staff informed of activity in their area or any essential updates. The College encourages staff and student involvement through membership of formal committees and informal groups. There is a monthly Joint Consultative Committee (JCC) with trade union representatives meeting with the Principal & CEO, the Chief Operating Officer (COO), and the Director of People Strategy and Organisational Development. Staff elect two Staff Members (also known as Governors) to the Corporation. The 'Student Voice' has regular meetings at which staff and management are present. Students elect two Student Members (also known as Governors) to the Corporation.

Equality

The College is committed to ensuring equality of opportunity for all who learn and work at City of Portsmouth College. We respect and value positively differences in race: gender; sexual orientation; disability; religion or belief and age. All forms of prejudice and discrimination are unacceptable and will not be tolerated at the College. This is monitored by the Curriculum and Quality Management Group where progress against Equality and Diversity Impact Measures (EDIMs) is monitored on a planned basis. The College's Equality, Equity, Diversity and Inclusion Policy is regularly reviewed to ensure that it is reflective of the College position and any legislative changes and this is published on the College's website and staff intranet. The College ensures that its curriculum departments scrutinise and put in place actions in their own areas in response to any EDIM achievement gaps. This ensures that interventions are relevant, local and focused.

The College seeks to ensure that it meets its public sector equality duty to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity, and foster good relations between people who share a protected characteristic and those who do not. In particular:

1. Equality, Equity, Diversity and Inclusion are central to all that we do, and fundamental to our mission and values. The College has prepared appropriate polices and action plans, which are monitored by the Curriculum and Quality Management Group. The Equality, Equity, Diversity and Inclusion Policy has been developed and is reviewed to ensure that it meets the requirements of the Equalities Act 2010.

2. The College ensures that all staff receive training in equality and diversity and are updated as necessary. Students receive training at induction and opportunities to celebrate diversity are promoted throughout the year. All teaching and assessment materials are regularly monitored to ensure that they promote equality and diversity.

3. It is a legal requirement under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for all organisations to publish by 31 March every year on their websites and on a government website, the gender pay gap between male and female employees, based on the difference between their average earnings. This is a key step in addressing the gender pay gap and ensuring that the workplace works for everyone. The benefits of being committed to reducing the gender pay gap includes developing a reputation for being a fair and progressive employer, attracting a wider pool of potential recruits for vacancies, and the enhanced productivity that can come from a workforce that feels valued and engaged in a culture committed to tackling inequality.

4. The College is a 'Disability Confident Employer' and has committed to the principles and objectives of the Disability Confident scheme. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to support the employee and ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. This is in recognition of the support that is provided for disabled job applicants, and for staff with disabilities, and is regularly reassessed against this standard. As part of this commitment, the College has agreed the following:

    a) Actively looking to attract and recruit disabled people.

    b) Providing a fully inclusive and accessible recruitment process.

    c) Offering an interview to disabled people who meet the minimum criteria for the job.

    d) Flexibility when assessing people so disabled job applicants have the best opportunity to demonstrate that they can do the job.

    e) Proactively offering and making reasonable adjustments as required.

    f) Encouraging our suppliers and partner firms to be Disability Confident.

The College's Curriculum and Quality Management Group and the Learning and Quality Committee ensure that effective systems to monitor and evaluate equality and diversity practice are in place by:

1. Setting and monitoring equality and diversity performance indicators.

2. Monitoring and analysing data on student applications, enrolment, retention and achievement in terms of age, ethnicity, gender and disability with a view to comparing trends and highlighting and improving or narrowing the gap of any imbalances identified.

3. Monitoring and analysing student progression and destinations in terms of age, ethnicity, gender and disability, including progression within the College, progression into other educational institutions and, where possible, progression to employment.

4. Monitoring and analysing staff recruitment, grievance and disciplinary, staff progression and gender pay gap in terms of age, gender, and disability.

5. Monitoring and analysing the take-up of staff training and development opportunities.

6. Ensuring College policies in relation to equality and diversity are regularly monitored, reviewed and updated, in line with legal requirements.

7. Producing an Annual Equality and Diversity Report for approval by the Corporation and publication on the College website.

Support for students with learning difficulties and/or disabilities

The College welcomes students with learning difficulties and/or disabilities. The Children and Families Act 2014 sets out the requirement for schools and colleges to make available the local SEND offer to prospective and existing students and their families.

The College provides on-going tailored support to make sure that students are successful in their learning. Students with learning difficulties or disabilities have a choice of pathways:

1. Mainstream courses with learning support.

2. Courses for students who have mild to moderate learning difficulties and/or disabilities and those who have no formal qualifications or are not in education.

3. Discrete SEND provision in Foundation Prospects for students with Social, Emotional and Mental Health needs. This provision is located at the Arundel Campus.

4. Discrete SEND provision in Foundation Prospects for students with moderate learning difficulties in a supported learning environment at the Highbury Campus.

5. Discrete SEND provision for Foundation Prospects students with more complex difficulties focussing on independent living and life skills which is based at the Sixth Form Campus.

6. Supported Employment and Further Education Pathways are also available if appropriate for the young person.

7. Discrete Prince's Trust provision for SEND.

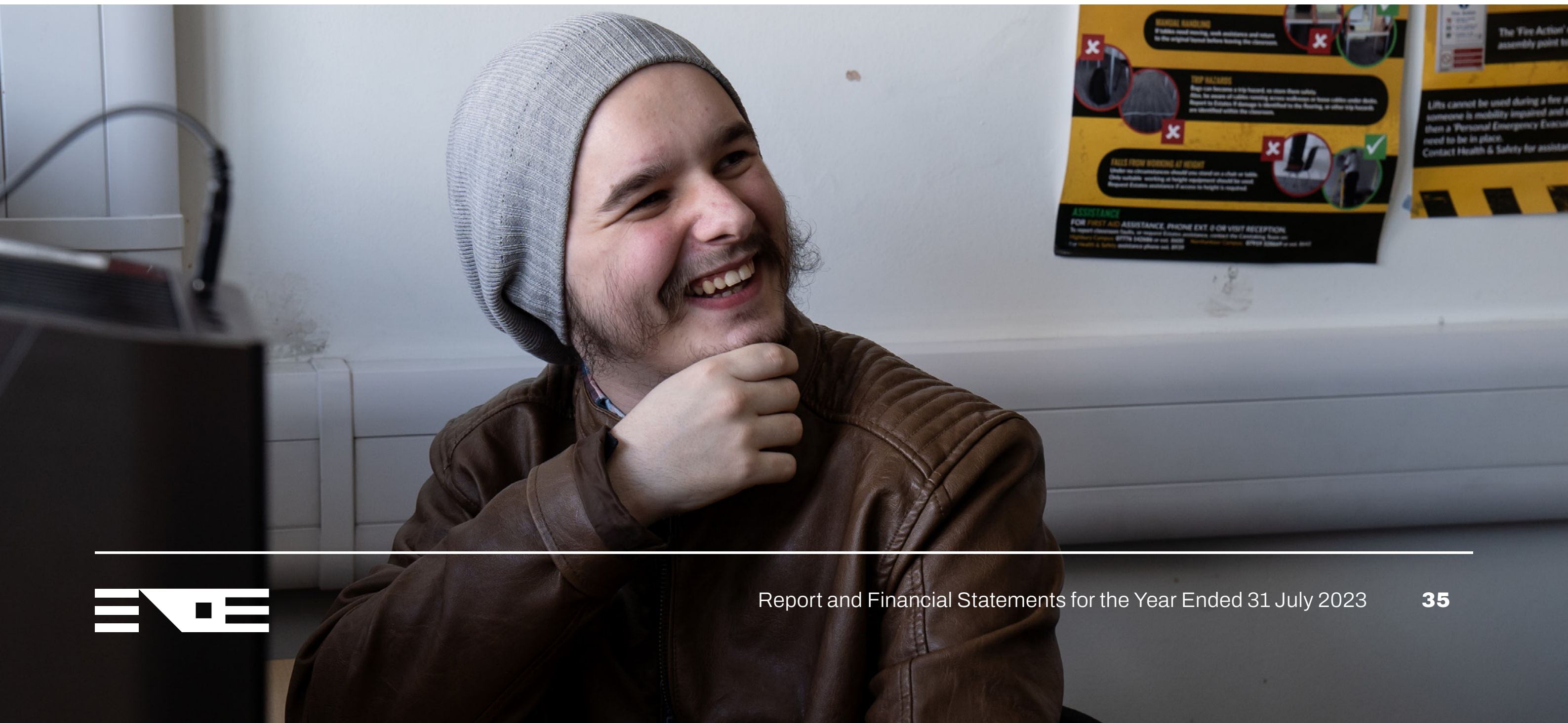
8. SEND Classroom in the heart of industry.

2 Strategic Report of the Members of the Corporation continued...

Support for students with learning difficulties and/or disabilities continued

To meet individual needs, some or all of the following may be provided to our students:

1. Small group support for language, literacy and numeracy outside of normal class.
2. Specialist software or adapted handouts and course notes.
3. Specialist interventions including: Dyslexia, Dyspraxia, Speech & Language, Emotional, Literacy Support Assistance, Behaviour support and Mental Health support.
4. Mentoring.
5. Learning support assistant for in class or 1:1 support.
6. Sign Supported English communicator accessed from external agencies.
7. Access arrangements for exams such as a reader, scribe or extra time.
8. If students have a medical condition or physical disability, a care plan will be drawn up to share with the staff that work with them.
9. Access to the College Nurse and Counsellors.
10. Financial support and/or bursaries may be available.
11. Health & Wellbeing.
12. Study Centre support.
13. Maths & English coaches.
14. Sensory Rooms.
15. SEND Transition Coach.



Disability Statement

The College seeks to achieve the general and specific duties set down in the Equality Act 2010, and in particular makes the following commitments:

1. Following assessment, students may have access to assistive software such as Dragon, Read and Write Gold and Inspiration. CPens and laptops can also be made available. There is adjustable height furniture and other aids which can be used by students with learning difficulties/disabilities.

2. The admissions policy for all students is advertised on the College website and is clearly displayed in our Advice and Guidance area. Appeals against a decision not to offer a place are dealt with under the Complaints Policy. All students disclosing a learning difficulty or disability will attend an Identification of Needs meeting to ensure all required support is offered.

3. There are a number of learning support assistants who provide in-class support. Specialist Support Tutors are also employed who support learners with specific difficulties, particularly those accessing Level 2 and Level 3 programmes of study. This may be on a 1:1 or small group basis in addition to class times.

4. There is a programme of staff development to ensure that staff are aware of appropriate support for students who have learning difficulties and/or disabilities.

5. Courses and their entry requirements are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.

6. Counselling and welfare services are described in the College Prospectus and other materials distributed to students at induction, together with the College's Complaints and Disciplinary Procedure.

Gender Pay Gap Reporting

It is an annual legal requirement under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for the College to publish the gender pay gap between male and female employees, based on the difference between their average earnings. The following table includes 2022-23 results with comparators:

	2022-23	2021-22	2020-21	2019-20	2018-19
Mean Gender Pay Gap	16.95%	13.83%	18.90%	Not reported due to Covid	17.00%
Median Gender Pay Gap	38.52%	27.37%	38.20%		30.80%
Mean Bonus Gender Pay Gap	0%	0%	0%	Not reported due to Covid	0%
Medium Bonus Gender Pay Gap	0%	0%	0%		0%

Mean calculates the difference between the average hourly rate of pay that male and female employees receive (total of all hourly rates divided by number of individuals).

Median calculates the difference between the 'middle-rate' of hourly pay that male and female employees receive (the hourly rate that appears halfway within an ascending list of all hourly rates).

In line with the regulations, the College must also report on the proportion of male and female employees in each of the four pay bands, where the lower quartile represents the lowest salaries, and the upper quartile represents the highest salaries. The proportion of males/females in each quartile is as follows for 2022-23 with comparators:

Quartile Data	Male				Female			
	2022-23	2021-22	2020-21	2018-19	2022-23	2021-22	2020-21	2018-19
Lower Quartile	14.81%	19.15%	15.46%	26.47%	85.19%	80.85%	84.54%	73.53%
Lower Middle Quartile	19.02%	24.73%	22.45%	17.82%	80.98%	75.27%	77.55%	82.18%
Upper Middle Quartile	36.20%	44.09%	42.42%	38.61%	63.80%	55.91%	57.58%	61.39%
Upper Quartile	41.72%	41.49%	47.47%	51.49%	58.28%	58.51%	52.53%	48.51%

The data shows that lower paid staffing groups are predominantly female. In management and academic roles, staffing has a higher percentage of females compared to males. However, there is a greater gap between the support staffing group with 77% being female compared to 22% being male. Approximately 50% of the support roles are Term Time Only, which typically attracts females with families.

The College is committed to equality of opportunity for all and is in the process of reviewing pay scales to align to the AoC harmonised grades. It is anticipated that this will help improve the gender pay gap. We are also reviewing recruitment processes, including flexible working, to improve the position further. We continue to ensure that all staff complete equality and diversity training. The theme of equality, equity, diversity and inclusion is embedded into all study and apprenticeship programmes, promoting equal opportunity and dispelling gender stereotypes.

The College publishes Its annual gender pay gap report on its website.

Prevent Duty

In July 2015, a legal duty was placed on colleges, amongst others, to show "due regard to the need to prevent people from being drawn into terrorism." The College has put in place safeguards in recognition of this and has included the matter on its risk register so that it can be monitored regularly by the Corporation.

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.

Facility time is paid time taken by a relevant union official for trade union duties when acting as a representative of the union, for example, accompanying a worker to a hearing, attending union training courses etc. The government's explanation outlined that these requirements were designed to promote transparency and public scrutiny of facility time and to encourage public sector employers to moderate the amount of money spent on facility time in light of that scrutiny.

Below is the facilities time data for City of Portsmouth College:

Trade union facility time data – 1 August 2022 to 31 July 2023
Your organisation City of Portsmouth College (COPC)
Employees in your organisation 50 to 1,500 employees
Trade union representatives and full-time equivalents Trade union representatives: 2 FTE trade union representatives: 2
Percentage of working hours spent on facility time 0% of working hours: 0 representatives 1 to 50% of working hours: 2 representatives 51 to 99% of working hours: 0 representatives 100% of working hours: 0 representatives
Total pay bill and facility time costs Total pay bill: £17,908,477.07 Total cost of facility time: £11,140.50 Percentage of pay spent on facility time: 0.06%
Paid trade union activities Hours spent on paid facility time: 223.5 Hours spent on paid trade union activities: 0 Percentage of total paid facility time hours spent on paid TU activities: 0%

Disclosure of Information to Auditors

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

Approved by order of the Members of the Corporation on 12 December 2023 signed on its behalf by:

Signed:

Date: **12 December 2023**

Rob Nitsch

Chair

City of Portsmouth College Corporation

3 Statement of Corporate Governance and Internal Control

Governance Statement

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

The ESFA requires colleges to comply with either the AoC's college governance code, the UK corporate code or the charity governance code.

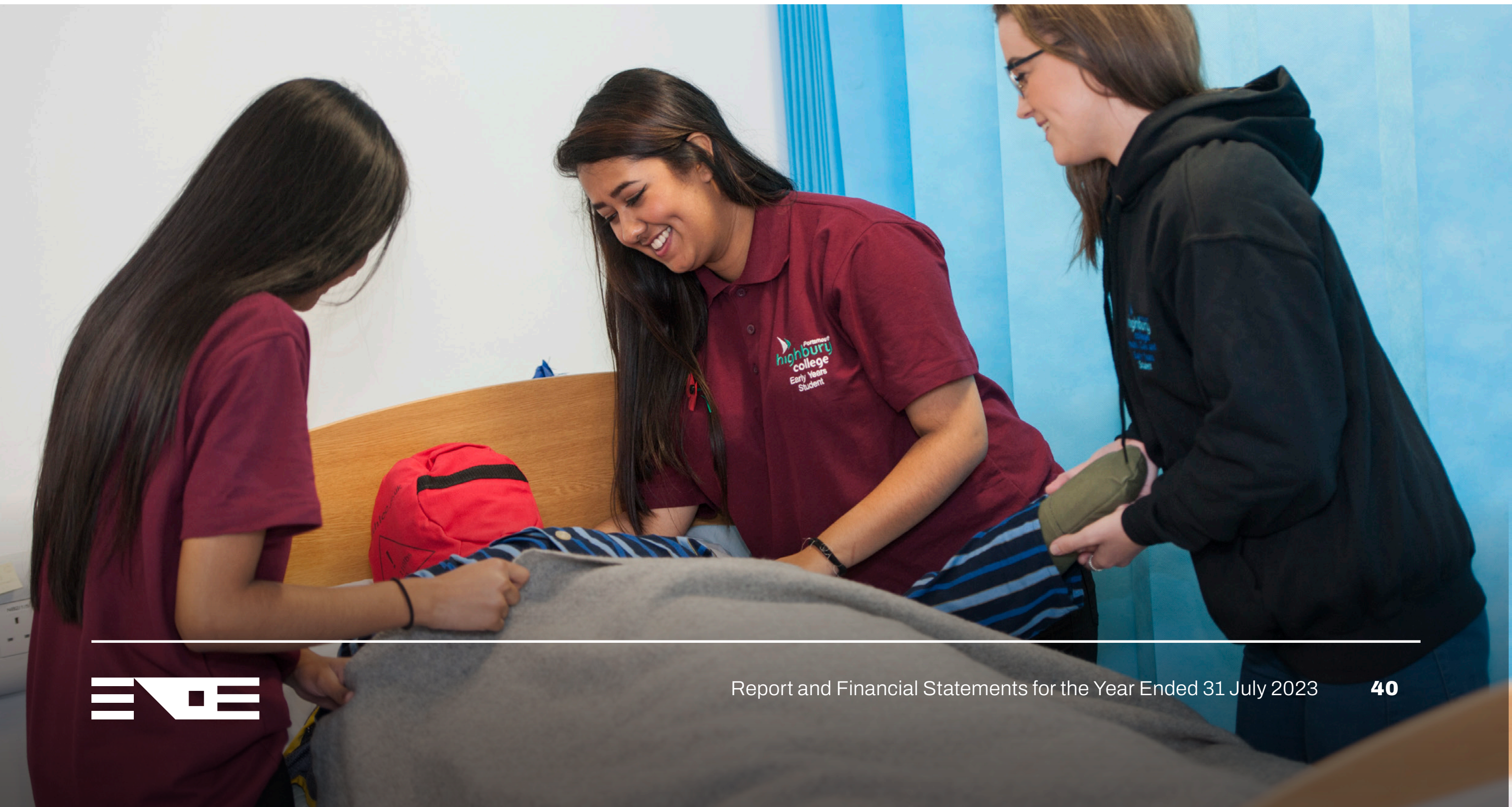
The College endeavours to conduct its business:

A. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and

B. in full accordance with the guidance to colleges from the Association of Colleges in 'The Code of Good Governance for English Colleges' ('the Code').

In the opinion of the Members, the College complies with all the provisions of the Code and it has complied throughout the year ended 31 July 2023. An external review of the Corporation's governance will be undertaken in 2023-24 in line with external requirements. This review will be undertaken by an independent reviewer with actions addressed through an action plan. The Corporation 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, which it formally adopted in July 2020.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Members, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.



The Corporation

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

FE Corporation 2022-23

Name	Status of appointment	Committees served	Initially appointed	Re-appointed	Term of office expires / resigned	Attendance record in 2022-23
Shahalam Ali	Independent	F&R	Sep-19	Re-appointed on 25 July 2023 for contiguous 2nd term	30-Sep-27	9/12
Prue Amner	Independent	L&Q, Audit, S&G	09-Dec-20		08-Dec-24	24/24
Noodles Bainbridge	Student	L&Q	13-Dec-22		13-Jul-23	1/5
Liz Bryne	Independent	L&Q	20-Mar-23		19-Mar-27	1/4
Huw Chapman	Independent	F&R	01-Jan-23		31-Dec-26	6/7
Mark Cooper	Independent	S&G, L&Q	Dec-20		31-Dec-24	15/20
Ashley Cullen	Independent	Audit	22-Sep-20		21-Sep-24	8/11
Alex Dartmouth	Independent	F&R	21-Jul-22		20-Jul-26	10/12
Graham Goddard	Independent	Audit, E&S	21-Jul-22		20-Jul-26	13/13
Katie Hill	Staff	F&R	04-Oct-21		31-Jul-23	10/10
Tim Jackson	Independent	E&S, F&R, L&Q, Remuneration, S&G	22-Sep-20		21-Sep-24	24/24
Lyndsey Mason	Staff	L&Q	14-Mar-23		13-Mar-27	3/5
Samantha Miller	Staff	L&Q	05-Oct-21		31-Dec-22	4/5
Anne Murphy	Independent	F&R	20-Mar-23		19-Mar-27	5/5
Shirley Nellthorpe	Independent	Audit, L&Q	21-Jul-22		20-Jul-26	13/14
Rob Nitsch	Independent	F&R, S&G, Remuneration	05-May-20		04-May-24	18/20
Paul Quigley	Independent	F&R, Remuneration	28-Jan-20		31-Dec-22	6/6
Katy Quinn	Principal & CEO	S&G	06-Jun-22		N/A	14/15
Liz Rix	Independent	Audit	04-Apr-23		03-Apr-27	2/4
Jacob Short	Student	E&S	13-Dec-22		31-Jul-23	1/4
Mike Stoneman	Independent	Remuneration, L&Q, E&S	17-Aug-21		16-Aug-25	11/17
Pauline Tiller	Independent	Audit, E&S	15-Jan-22		14-Jan-26	15/15

Ms Paola Schweitzer has been Director of Governance from 1 August 2022 to the present.

The governance framework

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

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

The Corporation conducts its business through a number of committees. Each committee has documented terms of reference, which have been approved by the full Corporation. These committees are: Finance and Resources; Learning and Quality; Remuneration; Estates and Sustainability; Search and Governance; and Audit.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website COPC.ac.uk or from the Director of Governance at the College's registered address:

City of Portsmouth College (COPC)
Tudor Crescent
Portsmouth
PO6 2SA

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

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

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

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

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

Appointments to the Corporation

Any new Member appointments to the Corporation are a matter for the consideration of the Corporation as a whole, acting on the recommendations of the Search and Governance Committee. The Committee is responsible for the selection and nomination of any new Member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for terms of office not exceeding a maximum of two terms of four years, in accordance with the Code.

Corporation performance

It is good governance practice that the Corporation reviews its own performance on a regular basis. It is also a recommendation in the Code. Members self-assessed their performance for 2022-23 and identified key strengths and areas for development. The proposed self-assessment grade was 'Good' and a Governance Improvement Plan will address areas for development in 2023-24.

The College produces Governance KPIs, which are derived from an annual Review of Governance taken to the Search & Governance Committee each Autumn term. The following table summarises performance in 2022-23:

Area		Performance Indicator	Evidence	Comments
Attendance	1	80% attendance at all main Corporation meetings in the year *	Corporation meeting minutes	Achieved (87%).
		80% attendance at all committee meetings in year *	Committee meeting minutes	Achieved by Audit (84%), Estates & Sustainability (82%), Finance & Resources (93%), Remuneration (100%) and Search & Governance (85%). PI not met by Learning & Quality Committee (75%).
		All scheduled Corporation and committee meetings are quorate.	Corporation/ committee meeting minutes	All meetings were quorate (part of a Learning & Quality Committee meeting was not quorate).
Guiding and monitoring the strategic direction of the College	2	Corporation to consider the strategic direction of the College once each year.	Corporation meeting minutes	Strategic plan agreed by Corporation on 4 October 2022 following consideration at Governor Strategy Day 22 September 2022.
	3	Key strategic objectives and financial performance of the College to be formally monitored by Corporation each term.	Corporation meeting minutes and annual accounts	Corporate dashboard considered by Corporation at all four of its scheduled meetings.
	4	Monitor achievement of College annual targets for retention and achievement.	Corporation meeting minutes	Retention and achievement data captured in corporate dashboard considered by Corporation.
Senior Postholders	5	Annual appraisal of Principal and Director of Governance undertaken by Chair.	Chair's report to Corporation	Appraisals for all senior postholders are undertaken and reported to Remuneration Committee 5 July 2023 and Corporation on 25 July 2023.
Equality of Opportunity	6	Monitoring reports are presented to the Corporation as appropriate.	Corporation/ committee meeting minutes	Equality, Equity, Diversity & Inclusion (EED&I) Policy agreed by Corporation 25 July 2023. Targets to be developed and then monitored by Learning & Quality Committee.
Risk Management	7	Corporation approves annual Risk Management Action Plan. Audit Committee monitors implementation of the Plan.	Corporation/ committee meeting minutes	Risk management policy agreed by Corporation 14 March 2023. Strategic risk register considered at Audit Committee and Corporation meetings.
Audit Arrangements	8	Corporation receives Annual Report from Audit Committee.	Corporation minutes	Annual report received by Corporation 12 December 2023.
	9	Audit Committee and Auditors comply with Audit Code of Practice.	Audit Committee minutes and audit/ inspection reports	Audit Committee minutes and Annual Report to Corporation summarise activity, including internal and external audit reports, and confirm compliance with Audit Code of Practice.

***Good = >80% Average = 70-79% Poor = <69%**

Members have undertaken training and development activities throughout 2022-23 and up to the present day, including induction meetings and safeguarding training (including an update on 'Keeping Children Safe in Education' changes introduced in September 2022). Members reviewed the College's vision, mission and objectives, an exercise that required consideration of College, local government and Local Enterprise Partnership data. Members keep abreast of sector developments through the Principal & CEO's termly report to the Corporation and the weekly Association of Colleges (AoC) newsletter. The Director of Governance remains up to date with changes in the sector through regular FE Governance Professional network meetings; Eversheds briefings; and as an active member of the online FE Clerks' Network.

Remuneration Committee

Throughout the year ended 31 July 2023, the College's Remuneration Committee comprised: The Chair of the Corporation; the Vice Chair of the Corporation; and one other independent Member. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal & CEO and other senior post holders.

The College complies with the AoC Senior Staff Remuneration Code for Colleges.

Details of remuneration for the year ended 31 July 2023 are set out in Note 7 to the financial statements.

Audit Committee

The Audit Committee comprises up to five members of the Corporation (excluding the Accounting Officer and the Chair). The Committee has authority to appoint additional external co-opted members as necessary. The Committee operates in accordance with documented terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance.

The Audit Committee meets four times a year 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 funding bodies as they affect the College's business.

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

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented. The Audit Committee also advises the Corporation on the appointment of the internal auditors, the reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal Control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is 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 at the College for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control environment

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:

A. comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;

B. regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;

C. setting targets to measure financial and other performance;

D. clearly defined capital investment control guidelines; and

E. the adoption of formal project management disciplines, where appropriate.

The 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. As a minimum annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity at the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Risks faced by the Corporation

The College adopts an enterprise risk management approach to ensure that strategic priorities are achieved. A number of risk registers are maintained and regularly reviewed to determine additional management interventions. The College's strategic risk register currently has 25 risks. The most significant strategic risks with the highest net risk analysis relate to:

1. Recruitment and retention of staff.
2. Fit for purpose estate and facilities.
3. Failure of key information systems and loss of data.
4. The student experience and failure to achieve student satisfaction.
5. Staff morale.
6. Apprenticeship provision.
7. Failure to properly plan and manage major capital projects.

Control weaknesses identified

The College's internal auditors raised two high priority recommendations during the year to address inconsistencies in the records held for employees relating to their pre-employment checks; and completeness of HR records in the Single Central Register. These control weaknesses have been addressed by management. The Audit Committee is satisfied that the actions taken are sufficient to address the control weakness.

Responsibilities under funding agreements

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

The Corporation is made aware of its contractual responsibilities under all funding agreements at the time of budget setting each year and any changes to these responsibilities from the prior year. There are processes in place to ensure that any failure to meet these contractual responsibilities are raised at the earliest opportunity and addressed. There were no reported instances during the year of failure to meet any contractual responsibilities under funding agreements and contracts.

Statement from the Audit Committee

The Audit Committee has advised the Corporation that it has an effective framework for governance and risk management in place. The Audit Committee believes that the Corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit Committee in 2022-23 and up to the date of the approval of the financial statements include: internal and external audit reviews and reports; other independent reviews and reports; financial statements; risk management; and health and safety.

3 Statement of Corporate Governance and Internal Control continued...

Review of effectiveness

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

A. the work of the internal auditors;

B. the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and

C. comments made by the College's external/ financial statements auditors, the reporting accountant for regularity assurance, and the appointed funding auditors in their management letters and other reports.

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

The 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, 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 October 2023 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the Senior Management Team and internal audit and taking account of events since 31 July 2023.

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

Approved by order of the Members of the Corporation on 12 December 2023 and signed on its behalf by:

Signed: ....

Date: **12 December 2023**

Rob Nitsch

Chair

City of Portsmouth College Corporation

Signed: ....

Date: **12 December 2023**

Katy Quinn

Principal & CEO

City of Portsmouth College Corporation

4 Statement of Regularity, Propriety and Compliance

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

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

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

Signed:

Date: **12 December 2023**

Katy Quinn

Accounting Officer

City of Portsmouth College Corporation

Statement of the Chair of Corporation

On behalf of the Corporation, I confirm that the Accounting Officer has discussed their statement of regularity, propriety and compliance with the Corporation and that I am content that it is materially accurate. The Members of the Corporation, as charity trustees, are required to present audited financial statements for each financial year.

Signed:

Date: **12 December 2023**

Rob Nitsch

Chair

City of Portsmouth College Corporation

5 Statement of Responsibilities of the Members of the Corporation

Within the terms and conditions of the Corporation's grant funding agreements and contracts with the Education and Skills Funding Agency (ESFA) and the Office for Students (OfS), 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', the 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 the deficit of income over expenditure for that period.

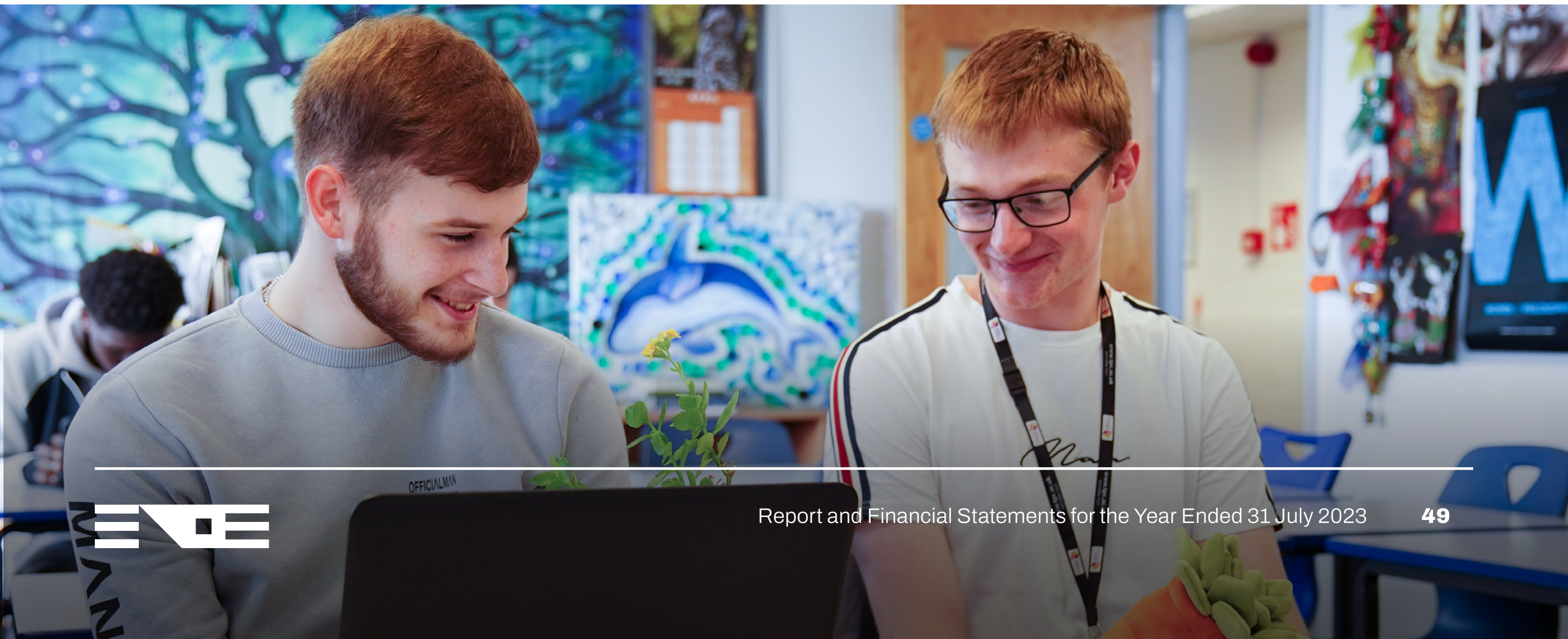
In preparing the financial statements, the Corporation is required to:

- 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; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Corporation will continue in operation.

The Corporation is also required to prepare a Members' Report, which describes its aims and how it is achieving them, including 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 Corporation 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 websites; the work carried out by auditors does not involve consideration of these matters and, accordingly, 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.



5 Statement of Responsibilities of the Members of the Corporation continued...

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 ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA, or any other public funder, including that any transactions entered into by the Corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, Members of the Corporation are responsible for securing 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 12 December 2023 and signed on its behalf by:

Signed: ....

Date: 12 December 2023

Rob Nitsch

Chair

City of Portsmouth College Corporation

6 Independent Auditor's Report on the Financial Statements

Opinion

We have audited the financial statements of City of Portsmouth College (the 'College') and its subsidiaries (the 'Group') for the year ended 31 July 2023 which comprise the Group and College Statement of Comprehensive Income and Expenditure, the Group and College Statement of Changes in Reserves, the Group and College Balance Sheet, the Group Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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 Group's and College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students' Accounts Direction

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

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

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

- the College's grant and fee income, as disclosed in the note to the accounts, has been materially misstated.

Responsibilities of the Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 49, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 College through discussions with governors and other management, and from our commercial knowledge and experience of the 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 College, including Keeping Children Safe in Education under the Education Act 2002, Ofsted, ESFA and OfS regulatory requirements, 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; and
- 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 College'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; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

Audit response to risks identified

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

- performed analytical procedures to identify any unusual or unexpected relationships;
- reviewed all transactions listed;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims

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 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.

A further description of our responsibilities is available on the Financial Reporting Council’s website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter dated 25 April 2023. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are engaged to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Signed: Alliotts LLP
Alliotts LLP (Dec 13, 2023 15:25 GMT)

Date: 13 December 2023

Alliotts LLP

Chartered Accountants and Statutory Auditor

Friary Court, 13-21 High Street, Guildford, Surrey, GU1 3DL

7 Independent Reporting Accountant's Report on Regularity

to the Corporation of City of Portsmouth College (COPC) and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 25 April 2023 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 City of Portsmouth College during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

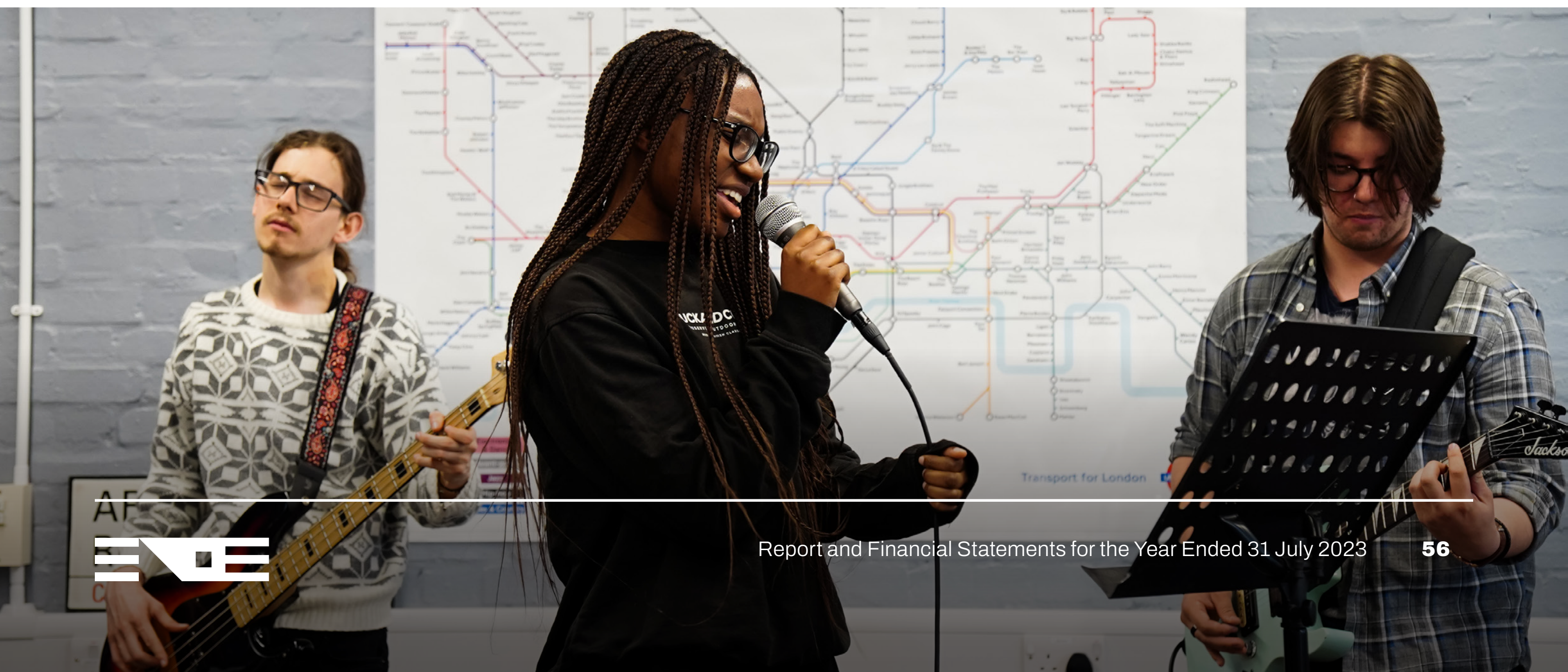
The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

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

Respective responsibilities of City of Portsmouth College and the reporting accountant

The Corporation of City of Portsmouth 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 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.



7 Independent Reporting Accountant's Report on Regularity continued...

Approach

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

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

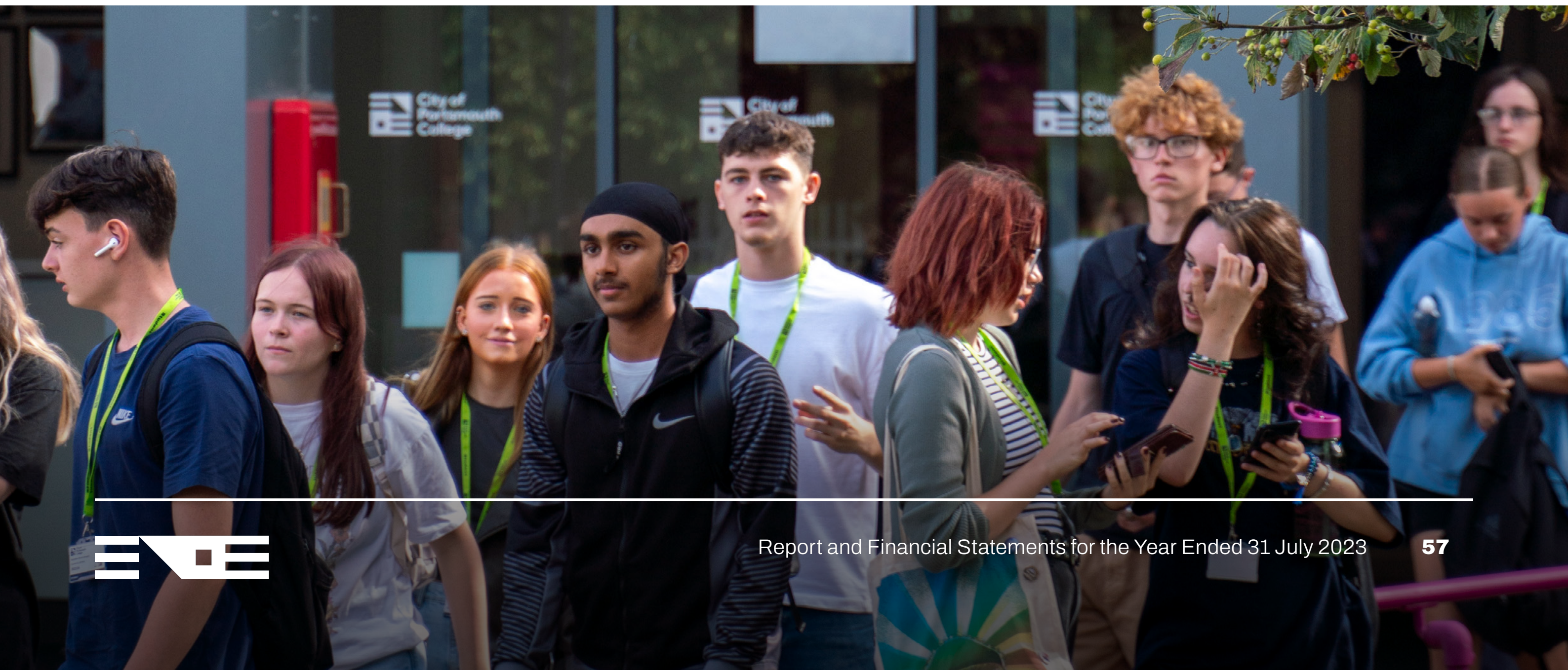
A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Corporation's income and expenditure. The work undertaken to draw to our conclusion includes:

- Documenting the framework of authorities which govern the activities of the College;
- 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 authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College 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.

This list is not exhaustive and we perform additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Code.

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



Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament, that the financial transactions do not conform to the authorities which govern them nor have been improper.

Use of our report

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

Signed: Alliotts LLP
Alliotts LLP (Dec 13, 2023 15:25 GMT)

Date: **13 December 2023**

Alliotts LLP

Chartered Accountants and Statutory Auditor

Friary Court, 13-21 High Street, Guildford, Surrey, GU1 3DL

8 Consolidated and College Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2023 Group £'000	Year ended 31 July 2023 College £'000	Year ended 31 July 2022 Group £'000	Year ended 31 July 2022 College £'000
INCOME					
Funding body grants	2	25,429	25,429	23,879	23,879
Tuition fees and education contracts	3	1,600	1,600	1,523	1,523
Other grants and contracts	4	1,738	1,738	1,557	1,557
Other income	5	2,015	1,854	1,613	1,613
Endowment and investment income	6	44	44	3	3
Total income		**30,827**	**30,665**	**28,574**	**28,574**
EXPENDITURE					
Staff costs	7	18,939	18,939	20,296	20,250
Restructuring costs	7	42	42	117	115
Other operating expenses	8	9,701	9,548	9,145	9,217
Depreciation and amortisation	12/13	2,401	2,370	2,397	2,364
Impairment charge	12/13	42	0	0	0
Interest and other finance costs	10	215	215	437	437
Total expenditure		**31,340**	**31,115**	**32,392**	**32,383**
(Deficit) before other gains and losses		**(514)**	**(450)**	**(3,818)**	**(3,810)**
(Deficit)/surplus before tax		**(514)**	**(450)**	**(3,818)**	**(3,810)**
Profit/(loss) on disposal of fixed assets		(63)	(63)	0	0
(Deficit)/surplus before tax		**(577)**	**(513)**	**(3,818)**	**(3,810)**
Taxation	11	0	0	0	0
(Deficit)/surplus for the year		**(577)**	**(513)**	**(3,818)**	**(3,810)**
Gain on disposal of Joint Venture		0	0	0	0
Fair value of net assets acquired	26	0	0	8,199	8,199
Actuarial gain in respect of pensions schemes	25	6,173	6,173	21,330	21,330
Total comprehensive income for the year		**5,596**	**5,660**	**25,711**	**25,720**
Represented by:					
Unrestricted comprehensive income		**5,596**	**5,660**	**25,711**	**25,720**
(Deficit)/Surplus for the year attributable to:					
Group		(577)	(513)	(3,818)	(3,810)

9 Consolidated and 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
Group					
Balance at 1 August 2021	**(8,983)**	**0**	**(8,983)**	**(107)**	**(9,090)**
Investments write off	(4)	0	(4)	0	(4)
(Deficit) from the income and expenditure account	(3,818)	0	(3,818)	0	(3,818)
Other comprehensive income:					
Acquired from merger with Portsmouth College	8,199	0	8,199	0	8,199
Actuarial gain in respect of pension scheme	21,330	0	21,330	0	21,330
Balance at 31 July 2022	**16,724**	**0**	**16,724**	**(107)**	**16,617**
(Deficit) from the income and expenditure account	(577)	0	(577)	0	(577)
Other comprehensive income:					
Actuarial gain in respect of pension scheme	6,173	0	6,173	0	6,173
Total comprehensive income for the year	**5,596**	**0**	**5,596**	**0**	**5,596**
Balance at 31 July 2023	**22,320**	**0**	**22,320**	**(107)**	**22,213**

Consolidated and College Statement of Changes in Reserves continued...

	Income and Expenditure account	Revaluation reserve	Total excluding Non-controlling interest	Non-Controlling interest	Total
	£'000	£'000	£'000	£'000	£'000
College Balance at 1 August 2021	**(9,383)**	**0**	**(9,383)**	**0**	**(9,383)**
(Deficit) from the income and expenditure account	(3,810)	0	(3,810)	0	(3,810)
Other comprehensive income: Acquired from merger with Portsmouth College	8,199	0	8,199	0	8,199
Actuarial gain in respect of pension scheme	21,330	0	21,330	0	21,330
Balance at 31 July 2022	**16,337**	**0**	**16,337**	**0**	**16,337**
(Deficit) from the income and expenditure account	(513)	0	(513)	0	(513)
Other comprehensive income: Actuarial gain in respect of pension scheme	6,173	0	6,173	0	6,173
Total comprehensive income for the year	**5,660**	0	**5,660**	0	**5,660**
Balance at 31 July 2023	**21,997**	**0**	**21,997**	**0**	**21,997**

10 Balance Sheets as of 31 July 2023

	Notes	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Fixed assets					
Tangible fixed assets	12	49,397	49,397	48,427	48,366
Intangible fixed assets	13	46	46	91	79
Investments in joint venture	14	0	4	0	1,204
		49,442	**49,447**	**48,519**	**49,649**
Current assets					
Trade and other receivables	15	2,620	4,113	2,769	4,319
Cash and cash equivalents	20	4,805	4,802	3,199	3,189
		7,425	**8,915**	**5,968**	**7,509**
Less: Creditors – amounts falling due within one year	16	(5,079)	(6,790)	(5,308)	(8,259)
Net current assets/(liabilities)		**2,346**	**2,125**	**660**	**(751)**
Total assets less current liabilities		**51,788**	**51,572**	**49,178**	**48,899**
Less: Creditors – amounts falling due after more than one year	17	(29,575)	(29,575)	(26,529)	(26,529)
Provisions					
Defined benefit obligations	25	0	0	(6,032)	(6,032)
Total net assets/(liabilities)		**22,213**	**24,677**	**16,617**	**16,337**
Unrestricted reserves					
Income and expenditure account		22,320	21,997	16,724	16,337
Revaluation reserve		0	0	0	0
Non-controlling interest		(107)	0	(107)	0
Total unrestricted reserves		**22,213**	**21,997**	**16,617**	**16,337**
Total reserves		**22,213**	**21,997**	**16,617**	**16,337**

The financial statements on pages 59 to 92 were approved and authorised for issue by the Corporation and were signed on its behalf on 12 December 2023 by:

Signed: ....

Date: 12 December 2023

Katy Quinn

Accounting Officer

City of Portsmouth College Corporation

Signed: ....

Date: 12 December 2023

Rob Nitsch

Chair

City of Portsmouth College Corporation

11 Consolidated Cash Flow Statement

	Notes	2023	2022
		£'000	£'000
Cash inflow from operating activities			
Surplus/(deficit) for the year	SOCI	(577)	(3,818)
Adjustment for non-cash items			
Depreciation	12/13	2,401	2,397
Impairment	12/13	42	0
Deferred capital grants released to income	2	(1,232)	(1,130)
(Increase)/decrease in debtors	15	(390)	(1,298)
Increase/(decrease) in creditors due within one year	16	219	1,628
Increase/(decrease) in creditors due after one year	17	(32)	0
Pension finance cost	25	205	413
Pensions costs less contributions payable	25	(64)	1,785
Adjustment for investing or financing activities			
Interest payable	10	2	9
Gain on disposal of JV		63	0
Loss on disposal of fixed assets		639	(13)
Cash flows from investing activities			
Acquired from the merger with Portsmouth College	26	0	1,765
Grants receipts	16/17	4,560	127
Payment made to acquire fixed assets	12	(3,507)	(1,562)
		1,053	**330**
Cash flows from financing activities			
Interest paid	10	(2)	(9)
Payments on Finance Leases	18	(34)	(106)
Repayments of amounts borrowed	16	0	(563)
ESFA Loans	16	(49)	(49)
		(85)	**(727)**
(Decrease)/increase in cash and cash equivalents in the year		**1,606**	**(410)**
Cash and cash equivalents at beginning of the year	20	3,199	3,609
Cash and cash equivalents at end of the year	20	4,805	3,199

12 Notes to the Financial Statements

for the Period from 1 August 2022 to 31 July 2023

Note 1. Statement of Principal Accounting Policies

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

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the SORP); the College Accounts Direction for 2022 to 2023; and the Financial Reporting Standard 102 (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

The following exemptions have been taken in these financial statements.

- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition.
- The College has taken advantage of the exemptions provided in FRS 102 and the 2019 FE HE SORP and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of Accounting

The consolidated 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.

The consolidated financial statements are presented in Sterling, which is also the functional currency of the College. All monetary values are rounded to the nearest whole £1,000 except where otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiary companies City of Portsmouth College Enterprises Limited, formerly known as Highbury Apprenticeships (Birmingham) Limited. ; Highbury College Commercial Services Limited; and New Work Training Limited. However, the two dormant subsidiaries, Highbury College Commercial Services Limited and New Work Training Limited, were in the process of being dissolved during the financial year and a strike off application was submitted to Companies' House in May 2023. The strike off process is still in progress. Highbury College (Nigeria) Limited has not been included in the consolidation as it is deemed immaterial, controlled by the Group, for the financial year to 31 July 2023.

Control is achieved where the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and surpluses are eliminated fully on consolidation. All financial statements are made up to 31 July 2023. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

Going Concern

The consolidated financial statements are prepared on a going concern basis. The College Group is reliant on the continuing support of the external funding bodies and its banks in order to continue to operate on this basis.

The activities of the College Group, together with the factors likely to affect its future development and performance, are set out in the Strategic Report of the Members of the Corporation. The financial position of the College Group, its cashflow, liquidity and borrowings are described in the financial statements and accompanying Notes.

The College Group currently has around £6.1m of cash balances at 21 November 2023; and around £24.8m of reserves as at 31 July 2023. The College Group's forecasts and financial projections indicate that it will be able to operate for the foreseeable future. Accordingly, the College Group has a reasonable expectation that it has adequate resources 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.

Income Recognition

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

Income from Levy-funding and ESFA funding for apprenticeships attracting co-investment is measured in line with best estimates of provision delivered in the year.

Non-recurrent grants from the ESFA or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

The recurrent grant from the Office for Students (OfS) represents the funding allocations attributable to the current financial year and is recognised within the Statement of Comprehensive Income.

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

Income from tuition fees including employer funding for co-investment funded apprenticeships is stated gross of any expenditure which is not a discount and is recognised within the Statement of Comprehensive Income in the period in which it is received. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from the sale of goods or services is recognised within the Statement of Comprehensive Income when the goods or services are supplied to the external customers, or the terms of the contract have been satisfied.

All income from short-term deposits is recognised in the Statement of Comprehensive Income in the period in which it is earned. Investment income is recognised within the Statement of Comprehensive Income on a receivable basis.

Capital Grant Funding

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

The SORP identifies two types of government grant as being other capital grants and revenue grants. It also allows a choice of accounting policy for these grants, namely the accrual model or the performance model, although it specifies that grants for land must be accounted for under the performance model.

Under the accrual method, income and other capital grants are recognised in income on a systematic basis over the period in which the related costs are recognised (income) or over the expected useful life of the asset (capital). Under the performance method, income and capital grants are recognised in income when performance-related conditions are met.

The College has mainly adopted the accrual method of accounting for capital grants.

Agency Arrangements

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

Accounting for Post-Employment Benefits

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

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.
As stated in Note 25, 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 scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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 the income statement are the current service costs and the costs of scheme introductions, benefit changes, settlements, and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised in the income statement 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 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.

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 Statement of Comprehensive Income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the Balance Sheet using the enhanced pension spreadsheet provided by the funding bodies.

Finance Leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Assets held under finance leases are recognised initially at their fair value of the leased asset (or if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the income statement. Any lease premiums or incentives relating to leased signed after 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 1 August 2014.

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 rate of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income and expenditure in the period in which they arise.

Termination Benefits

The College has a redundancy procedure for staff approved by the Corporation. Termination decisions are made by the Accounting Officer unless submitted to the Corporation due to strategic significance.

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.

Non Current Assets – Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings

Inherited freehold buildings and buildings acquired since incorporation are stated in the Balance Sheet at valuation on the basis of depreciated replacement cost. Land and buildings acquired, and building improvements made, since incorporation are included in the Balance Sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of 60 years. The period of depreciation for freehold buildings was increased from 50 years to 60 years last year (in the year ended 31 July 2022) to reflect the longer economic benefit that the College is going to experience from its investment into ongoing capital projects. The impact of this change in policy to the income and expenditure account was positive last year because of a reduction in the depreciation charge by £351k. In the reporting year, the policy remains the same. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 60 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as set out above. The related grants are credited to a deferred capital grant account and are released to the Statement of Comprehensive income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

Assets Under Construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2023. They are not depreciated until they are brought into use. Where purchases are made as part of a wider project, there is no cost limit below which items are written off to the Statement of Comprehensive Income rather than being capitalised.

Equipment

Non-computer equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. Computer equipment costing less than £500 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority (LEA) is included in the balance sheet at deemed cost. The period of depreciation for computer equipment was increased from 4 years to 5 years last year (in the year ended 31 July 2022) to reflect the longer economic benefit that the College is experiencing from these assets. The impact of this change in policy to the income and expenditure account was positive last year because of a reduction in the depreciation charge by £47k. In the reporting year the policy continues to be the same. Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- Motor Vehicle and Electronic Equipment 5 - 6 years.
- Other General Equipment 10 years.
- Heavy Duty Equipment 15 years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet. Where equipment is acquired with the aid of grants designated for capital purposes, it is capitalised and depreciated in accordance with the above policy, with the related grant being treated as a liability in the Balance Sheet and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Maintenance of Premises

The costs of routine corrective maintenance are recognised in the Statement of Comprehensive Income in the period that it is incurred.

Investments

Investments in subsidiaries

Interest in subsidiaries is assessed for impairment in the individual financial statements of the College.

Cash and Cash Equivalents

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

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

Cash flows comprise increases or decreases in cash.

Provisions and Contingent Liabilities

Provisions are recognised in the financial statements when:

A. the College has a present obligation (legal or constructive) as a result of a past event;

B. it is probable that a transfer of economic benefits will be required to settle the obligation; and

C. 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.

Taxation

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

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

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

Financial Instruments

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

Financial Assets and Liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

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

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

Derecognition of Financial Assets and Liabilities

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

Intangible Assets

Intangible assets are measured initially at cost. The asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life over which period the asset will be amortised is 10 years, beginning from the first full financial year after which the College has acquired the asset. If the asset is linked to a contractual period, the asset will be amortised in accordance with the duration of the contract.

Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

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

- To prepare the financial statements on the basis of acquisition accounting rather than merger accounting.
- To acquire the assets of Portsmouth College on the basis of fair value.
- 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 Group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme (LGPS) defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in Note 25, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Note 2. Funding body grants

	Year ended 31 July 2023		Year ended 31 July 2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
ESFA – adult education budget	4,568	4,568	3,879	3,879
ESFA – 16-18	16,825	16,825	15,965	15,965
ESFA – Apprenticeships	2,253	2,253	2,396	2,396
Office for students	28	28	54	54
Specific grants				
Covid related funding	0	0	28	28
Teachers' pension scheme contribution grant	523	523	427	427
Releases of government capital grants	1,232	1,232	1,130	1,130
Total	**25,429**	**25,429**	**23,879**	**23,879**

Note 3. Tuition fees and education contracts

	Year ended 31 July 2023		Year ended 31 July 2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	644	644	150	150
Fees for FE loan supported courses	725	725	894	894
Fees for HE loans supported courses	51	51	64	64
International learners' fees	181	181	357	357
Total tuition fees	**1,600**	**1,600**	**1,465**	**1,465**
Education contracts	0	0	58	58
Total	**1,600**	**1,600**	**1,523**	**1,523**

Note 4. Other grants and contracts

	Year ended 31 July 2023		Year ended 31 July 2022	
	Group £'000	**College** £'000	**Group** £'000	**College** £'000
Other grants and contracts	1,738	1,738	1,557	1,557
Corona virus Job Retention Scheme Grant	0	0	0	0
Total	**1,738**	**1,738**	**1,557**	**1,557**

Note 5. Other income

	Year ended 31 July 2023		Year ended 31 July 2022	
	Group £'000	**College** £'000	**Group** £'000	**College** £'000
Other income generating activities	1,286	1,125	704	704
Miscellaneous income	729	729	909	909
Total	**2,015**	**1,854**	**1,613**	**1,613**

Note 6. Investment income

	Year ended 31 July 2023		Year ended 31 July 2022	
	Group £'000	**College** £'000	**Group** £'000	**College** £'000
Other investment income	0	0	0	0
Other interest receivable	44	44	3	3
Total	**44**	**44**	**3**	**3**

Note 7. Staff costs – Group and College

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

	2023 Group No.	2023 College No.	2022 Group No.	2022 College No.
Teaching staff	251	251	242	241
Non-teaching staff	433	433	490	490
	684	**684**	**732**	**731**

Staff costs for the above persons	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Wages and salaries	14,603	14,603	14,280	14,240
Social security costs	1,244	1,244	1,221	1,216
Other pensions costs	3,092	3,092	4,795	4,794
Payroll sub total	**18,939**	**18,939**	**20,296**	**20,250**
Restructuring costs - contractual	12	12	81	79
Restructuring costs – non contractual	30	30	36	36
Total staff costs	**18,981**	**18,981**	**20,413**	**20,365**

Other pension costs include a credit of £64k for S28 FRS 102 adjustments, as the pension servicing costs were lower in the year end actuarial pension report as compared to the net pension contributions paid. The Corporation does not have any salary sacrifice arrangements in place

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Leadership Team (ELT) which comprises the Principal & CEO; Deputy Principal & CEO (Curriculum & Quality); and the Chief Operating Officer (COO).

Staff costs include compensation paid to key management personnel for loss of office. There are none for 2022-23.

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

	2023 No.	2022 No.
The number of key management personnel including the Accounting Officer was:	3	7

Staff costs – Group and College continued...

The number of key management post holders and other staff who received annual emoluments, excluding pension and NI contributions but including benefits in kind, in the following ranges was:

	Key management personnel		Other staff	
	2023	2022	2023	2022
£20,001 to £25,000		1		
£40,001 to £45,000		1		
£45,001 to £50,000		1		
£50,001 to £55,000				
£55,001 to £60,000		1		
£60,001 to £65,000				2
£65,001 to £70,000			3	2
£70,001 to £75,000			2	1
£75,001 to £80,000		2		
£90,001 to £95,000				
£95,001 to £100,000		1		
£100,001 to £105,000				
£105,001 to £110,000	1			
£120,001 to £125,000	1			
£155,001 to £160,000	1			

The above bandings are disclosed on a paid basis and are impacted by in year joiners' and leavers' part year emoluments.

Key management post holder compensation is made up as follows:

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

	2023	2022
	£'000	£'000
Basic salary	390	419
Employers National Insurance	51	54
Benefits in kind	0	0
	441	**473**
Pension contributions	70	45
Total key management personnel compensation	**511**	**518**

Staff costs – Group and College continued...

The below compensation includes amounts paid to the Principal & CEO who is the Accounting Officer and the highest paid member of staff. Their pay and remuneration are as follows:

	2023	2022
	£'000	£'000
Katy Quinn		
Basic salary	160	24
National Insurance	0	3
Pension contributions	38	6
	198	**33**

	2023	2022
	£'000	£'000
Graham Morley		
Basic salary	0	76
National Insurance	0	11
Pension contributions	0	0
	0	**87**

	2023	2022
	£'000	£'000
Penny Wycherley		
Basic salary	0	47
National Insurance	0	6
Pension contributions	0	16
	0	**69**

	2023	2022
Total emoluments	**198**	**189**

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

The remuneration package of key management staff, including the Principal & CEO, is subject to annual review by the Remuneration Committee of the Corporation, who use benchmarking information to provide objective guidance.

The Principal & CEO reports to the Chair of the Corporation, who undertakes an annual review of her performance against the College's overall objectives using both qualitative and quantitative measures of performance.

The pension contributions in respect of the Accounting Officer are in respect of employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as for other employees. The Members of the Corporation other than the Accounting Officer and the staff Members did not receive any payment from the Corporation other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

The Accounting Officer's salary based on current benchmarking falls into the upper quartile of similar colleges. This reflects the level of responsibility the role requires in order to enable all our learners to succeed whilst overcoming human, political, demographic, financial, economic and social issues within the locality and education sector. The salary has been approved by the College's Remuneration Committee.

Pay multiple

The Accounting Officer's basic pay divided by the median pay of all other Corporation employees (all on a full-time equivalent basis was 6.2 (2022: 6.3).

Compensation for loss of office paid to former key management personnel

	2023	2022
	£	£
Compensation paid to the former post-holders	0	35,100
Estimated value of other benefits. Including provisions for pension benefits	0	0

Note 8. Other operating expenses

	Year ended 31 July 2023		Year ended 31 July 2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	3,711	3,711	3,550	3,534
Non-teaching costs	2,948	2,947	2,656	2,876
Premises costs	3,041	2,890	2,939	2,807
Total	**9,701**	**9,548**	**9,145**	**9,217**
Other operating expenses include:				
Auditor's remuneration:				
Financial statements audit	38		70	
Internal audit	47		31	
Hire of assets under operating leases	886		841	

Note 9. Write-offs, losses, guarantees, letters of comfort, compensation

Write-offs totalled £28k for the year ended 31 July 2023, which were classed as bad debts. The College has not entered into, or maintains, any guarantees. The College has not entered into any indemnities which are not in the normal course of business. The College issued a letter of support for one of its active subsidiaries, COPC Enterprises Ltd. The College made no compensation payments.

Note 10. Interest and other finance costs

	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On banks, overdrafts, and other loans	2	2	9	9
	2	2	9	9
On finance leases	8	8	15	15
Net interest on defined pension liability (Note 25)	205	205	413	413
Total	**215**	**215**	**437**	**437**

Note 11. Corporation Tax

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

Note 12. Tangible fixed assets (Group)

	Land and buildings Equipment	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2022	68,975	3,422	1,080	73,477
Additions	226	1,414	1,867	3,507
Disposals	(178)	(103)	0	(281)
Transfers	2,389	223	(2,612)	0
At 31 July 2023	**71,412**	**4,956**	**335**	**76,703**
Depreciation				
At 1 August 2022	23,432	1,617	0	25,049
Charge for the year	1,767	601	0	2,368
Impairment	20	10	0	30
Elimination in respect of disposals	(132)	(9)	0	(141)
At 31 July 2023	**25,087**	**2,219**	**0**	**27,306**
Net book value at 31 July 2023	**46,325**	**2,737**	**335**	**49,397**
Net book value at 31 July 2022	**45,542**	**1,805**	**1,080**	**48,427**

Tangible fixed assets transferred on merger from Portsmouth College were adjusted to fair value as at 31 July 2021 (the date of merger). For fixtures, fittings and equipment fair value was considered to be the net book value immediately prior to the merger. Freehold land and buildings were valued at market value on an existing use basis. The valuation of land and buildings was undertaken by Gerald Eve LLP, a firm of independent chartered surveyors on 1 August 2021. The net gains on adjustment of fair value of these assets was £7,193k.

Note 12. Tangible fixed assets (College only)

	Land and buildings Freehold	Equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2022	68,798	3,161	1,080	73,040
Additions	226	1,414	1,867	3,507
Disposals	(178)	(103)	-	(281)
Transfers	2,389	223	(2,612)	0
At 31 July 2023	**71,235**	**4,695**	**335**	**76,266**
Depreciation				
At 1 August 2022				
	23,298	1,375	0	24,673
Charge for the year	1,745	592	0	2,337
Elimination in respect of disposals	(132)	(9)	0	(141)
At 31 July 2023	**24,911**	**1,958**	**0**	**26,869**
Net book value at 31 July 2023	**46,324**	**2,737**	**335**	**49,397**
Net book value at 31 July 2022	**45,500**	**1,786**	**1,080**	**48,366**

Note 13. Intangible fixed assets (Group)

	Software	Total
	£'000	£'000
Cost or valuation		
At 1 August 2022	**267**	**267**
Additions	0	0
At 31 July 2023	**267**	**267**
Amortisation for Intangibles		
At 1 August 2022	**176**	**176**
Charge for the year	33	33
Impairment	12	12
At 31 July 2023	**221**	**221**
Net book value at 31 July 2023	**46**	**46**
Net book value at 31 July 2022	**91**	**91**

Note 13. Intangible fixed assets (College)

	Software	Total
	£'000	£'000
Cost or valuation		
At 1 August 2022	**245**	**245**
Additions	0	0
At 31 July 2023	**245**	**245**
Amortisation for Intangibles		
At 1 August 2022	**166**	**166**
Charge for the year	33	33
At 31 July 2023	**199**	**199**
Net book value at 31 July 2023	**46**	**46**
Net book value at 31 July 2022	**79**	**79**

Note 14. Non-current investments

	Group	Group	College	College
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Investments in subsidiary companies	0	0	4	1,204
Total	**0**	**0**	**4**	**1,204**

The College owns 100% of the issued ordinary shares of City of Portsmouth College Enterprises Limited (formerly Highbury Apprenticeships (Birmingham) Limited) and 100% of the issued ordinary shares of Highbury College Commercial Services Limited, both companies being incorporated in England and Wales. Throughout the period, the College owned 1,200,000 ordinary shares in Highbury College Commercial Services Limited although the amount remained unpaid. A provision for intercompany bad debt was already provided.

City of Portsmouth College Enterprises Limited commenced trading in November 2014 and specialised in provision of IT training which is no longer provides through the company.

Non-current investments continued...

The principal business activity of Highbury College Commercial Services Limited was to manage on-site student accommodation on behalf of the College. This activity stopped and Highbury College Commercial Services Limited is not trading. An application was submitted to Companies' House in May 2023 to strike off Highbury College Commercial Services Limited, which is in progress.

The College acquired a 70% holding in the company New Work Training Limited in April 2016 for a sum of £0.2m. The company's business was to establish an apprenticeship jobs board platform that would both create a commercial opportunity providing services to other organisations whilst also driving apprenticeship growth through the College from the Sussex region. Difficult trading conditions and the need for investment led to the Company ceasing operations in 2017-18 and has since been dormant.
An application was submitted to Companies' House in May 2023 to strike off New Work Training Limited, which is in progress.

Note 15. Trade and other receivables

	Group 2023	College 2023	Group 2022	College 2022
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	685	685	882	882
VAT	164	0	211	0
Prepayments and accrued income	688	605	915	880
Amounts owed by the ESFA	1,083	1,083	761	761
Amounts owed by group undertakings:				
Subsidiary undertakings	0	3,383	0	3,439
Provision for doubtful debt	0	(1,643)	0	(1,643)
Total	**2,620**	**4,113**	**2,769**	**4,319**

Note 16. Creditors: amounts falling due within one year

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Bank loans and overdrafts	0	0	0	0
ESFA loans	46	46	49	49
Payments received in advance	1,061	1,037	952	952
Trade payables	495	449	1,165	1,121
Amount owed to group undertakings	0	1,803	0	3,000
Pension creditors	340	340	397	397
Obligations under finance leases	32	32	34	34
Other taxation and social security	303	303	391	391
Accruals and deferred income	1,284	1,262	1,174	1,169
Deferred income – government capital grants	1,219	1,219	1,125	1,125
Deferred income – government revenue grants	0	0	9	9
Amounts owed to the ESFA	87	87	12	12
Other Creditors < 1yr	212	212	0	0
Total	**5,079**	**6,790**	**5,308**	**8,259**

Note 17. Creditors: amounts falling due after one year

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
ESFA loans	28	28	74	74
Obligations under finance leases	14	14	46	46
Deferred income - government capital grants	26,913	26,913	26,365	26,365
Deferred income - lease premium	40	40	44	44
Other Creditors > 1yr	2,580	2,580	0	0
Total	**29,575**	**29,575**	**26,529**	**26,529**

Note 18. Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
In one year or less	0	0	0	0
Total	**0**	**0**	**0**	**0**

(b) ESFA loans

ESFA loans are repayable as follows:

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
In one year or less	46	46	49	49
Between one and two years	9	9	46	46
Between two and five years	19	19	28	28
Total	**74**	**74**	**123**	**123**

(c) Finance leases

The net finance lease obligation to which the College is committed are:

	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
In one year or less	32	32	34	34
Between one and two years	14	14	32	32
Between two and five years	0	0	14	14
Total	**46**	**46**	**80**	**80**

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

Note 19. Provision

	At 1 August 2022	Expenditure in the period	Actuarial (Gain)	At 31 July 2023
	£'000	£'000	£'000	£'000
Group and College defined benefit (obligations)/ assets	(6,032)	(141)	6,173	0
Total	**(6,032)**	**(141)**	**6,173**	**0**

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

Note 20. Cash and cash equivalents (Group)

	At 1 August 2022	Cash flows	At 31 July 2023
	£'000	£'000	£'000
Cash and cash equivalents	3,199	1,606	4,805
Total	**3,199**	**1,606**	**4,805**

Note 21. Capital commitments

	Group and College	
	2023	2022
	£'000	£'000
Commitments contracted for at 31 July	**844**	**918**

Note 22. Lease obligations

	Group and College 2023	2022
Future minimum lease payments due	£'000	£'000
Land and buildings		
Not later than one year	831	831
Later than one year and not later than five years	2,167	2,809
Later than five years	0	189
	2,998	**3,829**
Other		
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	0	0
	0	**0**
Total lease payments due	**2,998**	**3,829**

The College Group has sublet the premises at part fourth floor, Quayside Tower, Birmingham under the sublease agreement to APCYMRU Ltd.

The merged former Portsmouth College granted a lease to Goals Soccer Centres Plc in 2010 for 50 years at a current annual rent of £55,262 which is reviewed every five years linked to RPI. A pre-lease agreement required Goals Soccer Centres Plc to build a soccer centre on the College land which they now maintain under the terms of the lease. The College, along with other local education providers, are able to use the facility without charge during the normal College day as part of a town planning S106 agreement.

Note 23. Contingent liabilities

The College is in discussion with another UK college regarding a potential outstanding Capital Gains Tax (CGT) liability in Saudi Arabia. The College does not believe that there is any outstanding liability.

Note 24. Events after the reporting period

There are no events after the reporting period.

Note 25. Defined benefit obligations

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

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

Total pension cost for the year

		2023		2022
		£'000		£'000
Teachers' Pension Scheme: contributions paid		1,502		1,369
Local Government Pension Scheme:				
Contributions paid	1,654		1,626	
FRS 102 (28) charge	(64)		1,785	
Charge to the Statement of Comprehensive Income		1,590		3,411
Total pension cost for year		**3,092**		**4,780**

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 2016. The valuation report was published by the Department for Education 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.

Teachers' Pension Scheme continued

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

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

The pension costs paid to TPS in the year amounted to £1,502k (2022: £1,369k)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hampshire County Council. The total contribution made for the year ended 31 July 2023 was £2,025,000, of which employer's contributions totalled £1,654,000 and employees' contributions totalled £371,000. The agreed contribution rates for future years are 26.1% for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2023 by a qualified independent actuary

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	4.00%	3.60%
Future pensions increase	2.60%	2.60%
Discount rate for scheme liabilities	5.05%	3.40%
Inflation assumption (CPI)	3.00%	2.60%
Commutation of pensions to lump sums	0%	0%

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

	At 31 July 2023	At 31 July 2022
	years	years
Retiring today		
Males	22.10	22.90
Females	24.70	25.40
Retiring in 20 years		
Males	22.60	24.70
Females	25.70	27.10

Local Government Pension Scheme continued...

CPI assumption

Pension Increase Orders are used to set the level of pension increases with effect from 1 April of each year, with reference to the change in CPI inflation over the 12 months to the previous September, which was announced in October. This was 10.1% and was considerably higher than the CPI assumption set by employers as at 31 July 2022. Although Pension Increase Orders have always been set with reference to the September CPI for the last 10 years and the September RPI for the preceding 20 years, they are not automatically set and they are only known with absolute certainty when the Pension Increase Order is enacted by Parliament, which is usually in April of the following year. Similarly, the likely level of the forthcoming Pension Increase Order 2023 was not known at 31 July 2022. Consequently, no adjustment was made last year to recognise the possible 2023 Pension Increase Order within the CPI assumption. However, it has been included for the year ended 31 July 2023.

	Fair value at 31 July 2023	**Fair value at 31 July 2022**
	£'000	£'000
Equities	27,372	26,654
Bonds	14,846	6,861
Property	2,784	3,755
Cash	1,392	371
Other	0	8,715
Total market value of assets	**46,394**	**46,356**
Actual return on plan assets	**(2,209)**	**(1,825)**

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

	2023	**2022**
	£'000	£'000
Fair value of plan assets	46,394	46,390
Present value of plan liabilities	(42,513)	(50,885)
Present value of unfunded liabilities	(1,202)	(1,537)
Net pensions asset / (liability) (Note 19)[(1)]	**2,679**	**(6,032)**

(1) See below for Pension asset recognition

Local Government Pension Scheme continued...

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

	2023	2022
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,808	3,533
Past service cost	25	34
Total	**1,833**	**3,567**
Amounts included in investment income		
Net interest income	205	413
	205	**413**
Amounts recognised in Other Comprehensive Income		
Return/(loss) on pension plan assets	(2,243)	(2,636)
Experience gains/(losses) arising on defined benefit obligations	11,095	23,966
FRS 102 asset ceiling	(2,679)	0
Amount recognised in Other Comprehensive Income	**6,173**	**21,330**

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

	2023	2022
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	**(6,032)**	**(20,484)**
Movement in year:		
Current service cost	(1,808)	(3,533)
Employer contributions	1,897	1,784
Past service cost	(25)	(34)
Net interest on the defined (liability)/asset	(205)	(413)
Actuarial gain/(loss)	8,852	21,330
Net transfer from Portsmouth College	0	(4,682)
Net defined benefit/ (liability) at 31 July(1)	**2,679**	**(6,032)**

(1) See below for Pension asset recognition

Local Government Pension Scheme continued...

(1) The actuarial report for the Local Government Pension Scheme at 31 July 2023 shows an actuarial gain which has resulted in a pension asset of £2,679k. However the College has not recognised this pension asset in the Balance Sheet in respect of the defined benefit pension plan (and enhanced pensions benefits), and therefore it is shown as a nil balance in the Balance Sheet and the actuarial gain has also been reduced by this amount.

As management do not consider that the College will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, the surplus has not been recognised in these financial statements in line with paragraph 28.22 of FRS102.

Asset and liability reconciliation

Changes in the present value of defined benefit obligations

	2023	2022
	£'000	£'000
Defined benefit obligations at start of period	**52,421**	**59,891**
Current service cost	1,808	3,533
Interest cost	1,791	1,224
Contributions by Scheme participants	375	366
Experience gains on defined benefit obligations	(11,095)	(23,935)
Changes in financial assumptions	0	0
Estimated benefits paid	(1,611)	(1,230)
Past service cost	34	34
Curtailments and settlements	0	0
Liabilities assumed from Portsmouth College	0	12,538
Defined benefit obligations at end of period	**43,723**	**52,421**

Reconciliation of Assets	2023	2022
	£'000	£'000
Fair value of plan assets at start of period	**46,390**	**39,407**
Interest on plan assets	1,586	845
Return/(loss) on plan assets	(2,243)	(2,636)
Employer contributions	1,897	1,782
Contributions by Scheme participants	375	366
Estimated benefits paid	(1,611)	(1,230)
Assets assumed from Portsmouth College	0	7,856
Fair value of plan assets at end of period	**46,394**	**46,390**

Note 26. Merger of Highbury College and Portsmouth College

On 1 August 2021, Highbury College merged with Portsmouth College, the newly formed entity being City of Portsmouth College. The merger was classed as Type B merger with the Portsmouth College Corporation being dissolved and all trade, assets and liabilities transferring to City of Portsmouth College on 1 August 2021. The transaction has been treated as a gift in substance in line with FRS 102 s19 and Public Benefit Entity 34.77 to Public Benefit Entity 34.79 . Due to the integration of the two Colleges' systems and structure, it was impracticable to analyse income and expenditure for Portsmouth College on its own in the financial year ended 31 July 2022.

The net assets acquired as at 1 August 2021 were as follows:

	Book value at 31 July 2021	Fair value adjustment	Total value on merger
	£'000	£'000	£'000
Tangible fixed assets			
Freehold land and buildings	8,347	7,193	15,540
Fixtures, fittings and equipment	441	0	441
	8,788	**7,193**	**15,891**
Current assets			
Stock	3	0	3
Trade and other receivables	444	0	444
Investments	500	0	500
Cash and cash equivalents	1,265	0	1,265
	2,212	**0**	**2,212**
Less: Creditors – amounts falling due within one year	(1,730)	0	(1,730)
Net current liabilities	**482**	**0**	**482**
Total assets less current liabilities	9,270	7,193	16,463
Less: Creditors – amounts falling due after one year	(3,582)	0	(3,582)
Provisions			
Defined benefit obligations	(4,682)	0	(4,682)
Total net assets	**1,006**	**7,193**	**8,199**
Unrestricted reserves			
Income and expenditure account	(1,026)	9,225	8,199
Revaluation reserve	2,032	(2,032)	0
Total reserves	**1,006**	**7,193**	**8,199**

Note 27. Related party transactions

Owing 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 such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Corporation during the year was £39 (2022: £325). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Corporation meetings and other events in their official capacity. The number of Members in receipt of expenses was 1 (2022: 2).

Key Management compensation disclosure is given in Note 7.

Note 28. Amounts disbursed as agent

Learner Support Funds

	2023	2022
	£'000	£'000
Funding body grants	943	932
	943	**932**
Acquired from Portsmouth College on acquisition	0	116
Distributed to learners	(836)	(632)
Administration costs	(37)	(34)
Balance unspent as at 31 July, included in creditors	**542**	**472**

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.

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