Annual Report and Financial Statements
For the year ended 31 July 2021

Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as the members of the Senior Management Team and were represented by the following in 2020-2021 and up to the date of this report:

Penny Wycherley – Interim Principal and Chief Accounting Officer until October 2021
Graham Morley – Interim Chief Executive Officer from November 2021
Denise Cheng-Carter – Interim Chief Finance Officer
Pat Denham – Interim Vice Principal – Learning & Quality until October 2021
Teresa Cole – Managing Director, Highbury Foundation and Adult Learning
Helen Brennan – Managing Director, Student Central until August 2021
Craig Mincher – Managing Director, Employer & Commercial Services until May 2021
Sarah Warren – Managing Director, Faculty of Learning for Young People

Board of Governors

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

Paola Schweitzer was Clerk to the Corporation for the year.

Professional advisers

Financial statements auditors and reporting accountants:
Mazars LLP
Chartered Accountants and Statutory Auditor
Floor 5, Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

Internal auditors:
Southern Internal Audit Partnership
The Castle
Winchester
Hampshire
SO23 8UJ

Bankers:
Barclays Bank
Southampton City 2 Branch
50-52 London Road
Southampton
Hampshire
SO15 2SF

Svenska Handelsbanken AB
Portsmouth Branch
Ground Floor
1000 Lakeside North Harbour
Western Road
Portsmouth
PO6 3EN

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

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

Legal Status

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

The Corporation was incorporated as Highbury College. The Registered Office is Highbury College, Tudor Crescent, Portsmouth, Hampshire, PO6 2SA.

In March 2020, the Board of Governors for Highbury College agreed a purpose statement to underpin the strategic and operational leadership and management of the College. This statement has been welcomed by stakeholders including the staff, learners, Solent Local Enterprise Partnership, Portsmouth City Council and the University of Portsmouth. Following consultation with governors and senior managers, five high level objectives were agreed by Corporation in October 2020.

Highbury College Purpose Statement
To contribute to a more prosperous and equitable Portsmouth and its surrounding areas through the provision of technical, vocational, and professional education (from Level 1-5) that meets the needs of learners, communities, and employers.

1. Key Strategic Objective One: **Provision**
To contribute to a more prosperous and equitable Portsmouth and its surrounding areas by providing technical, vocational, and professional education (from level 1-5) by planning and delivering:

- 1.1 an education and training offer which is mapped to local skills needs and integrates with other providers of education and training;
- 1.2 an education and training offer to develop skills for life including literacy, numeracy, language and digital skills, success in employment and progression to further education and training;
- 1.3 programmes in partnership with communities, employers and other education and training providers;
- 1.4 information, advice, and guidance processes which lead to the best possible programme for the individuals and signpost local and wider opportunities; and
- 1.5 events, information, and programmes which celebrate the diversity of the population and promote equality of opportunity.

2. Key Strategic Objective Two: **Quality**
To deliver excellent education and training opportunities in technical, vocational, and professional education by:

- 2.1 providing high quality learning opportunities for individuals aged 14+ that promote equality of opportunity and lead to continuously improving success rates by our learners;
- 2.2 using the views of external quality agencies to inform our own learning and development;
- 2.3 seeking out the views and aspirations of our stakeholders to inform our planning and development;
- 2.4 ensuring we provide a safe and healthy learning environment, promote safeguarding of our learners and develop their awareness of safe working practices; and
- 2.5 seeking out best practice and innovative approaches to excite and enthuse all those involved in learning.

3. Key Strategic Objective Three: **Staff**
To value and develop our staff by:

- 3.1 further improving two-way communications and involvement which recognise staff as having expertise;
- 3.2 planning and delivering an annual programme of professional development which recognises individual and organisational objectives;
- 3.3 recognising ability and developing excellence;
- 3.4 developing a culture that attracts and retains outstanding staff and inspires staff to excel; and
- 3.5 recognising and rewarding the work and commitment of staff.

4. Key Strategic Objective Four: **Partnerships**
To work collaboratively with partners and stakeholders to promote our values and purpose by:

4.1 engaging with businesses, voluntary and community organisations and agencies of government to create and deliver learning and employment opportunities;
4.2 actively supporting local agencies of government, employer and community organisations to promote learning, employment prosperity, equality of opportunity and to celebrate diversity;
4.3 working with other education and training providers to achieve business effectiveness and efficiency;
4.4 seeking to partner and co-create with other education and training providers to provide sub-regional services to meet the needs of individual learners, communities, and employers; and
4.5 embedding involvement of partners and stakeholders in our decision making and quality improvement processes.

5. Key Strategic Objective Five: **Leadership, Governance and Resources**
To ensure our organisation, financial management and infrastructure are highly effective in supporting our vision and mission by:

5.1 informed and challenging governors playing a fully supportive role;
5.2 optimising income;
5.3 robust financial management;
5.4 investing, within our financial constraints, technology, estates, and resources to support accessible, high quality and appropriate innovative learning; and
5.5 developing the College's Management Team at all levels to deliver inclusive leadership and robust performance management.

Public Benefit

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent progression into employment for learners
- Strong learner support systems
- Strong links with employers, industry, and commerce.

Financial Objectives

Maintaining a sound financial position and wellbeing continues to be a key strategic priority for the college to ensure that it:

- has adequate level of resources;
- is able to generate sufficient funds to provide for on-gong investment; and
- retains the confidence of its funding bodies, bankers and other key stakeholders.

The College's primary financial targets outlined in the financial plans 2020-23 are to:

- maintain at least 'Good' financial health as assessed by the ESFA.
- achieve a cash based operating surplus each year
- ensure strong short-term solvency
- maintain an acceptable level of debt gearing
- ensure compliance with financial covenants prescribed by the lenders

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

The Group's performance measured against the targets set for financial performance in 2020/21 were:

Financial Objective	**Target**	**Actual**
Liquidity – Adjusted Current Ratio	>= 1%	1.95%
Expenditure - Pay Costs as a % Income (exc. restructure costs)	Less than 66%	65%
Margin - EBITDA Ratio	>= 1%	0.3%
Gearing – Long-term Debt as a % of Income	Less than 40%	0.85%
Cash – Net Cash Inflow from Operating Activities	> £1m	£2,135k

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website and looks at measures such as achievement rates through the National Achievement Rate Tables (NART). FE Choices and the production of NART information were suspended nationally in 2020-21 due to the pandemic. The College has continued to use an independent survey organisation, QDP, the RCU MIDES ILR retention and attention analysis and internal data analysis to support on-going quality improvement.

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The finance record produced a financial health grading. The financial health grade for 2020/21 is 'Requires Improvement'. The College has incurred additional unplanned expenditure of £250k pre-merger cost and £333k Covid-related cost during the year.

FINANCIAL POSITION

Financial Results

The Statement of Comprehensive Income shows a deficit for the Group of (£2,215)k, excluding the gain on disposal of £1,374k in Saudi Joint Venture, (2019/20 loss: £23k). This includes an FRS 102 pension charge of £1,361k (2019/20: £691k)

The deficit for the College is £8k after providing for the intercompany bad debt provision in the year of £1422k (2019/20 deficit: £1,841k). The College received a final dividend of £3,494k from the dissolution of the Saudi Joint Venture.

The cash balance at the year-end stood at £3,609k (2019/20: £1,549k) and the net current assets are £1,909k (2019/20: net current liabilities £4,580k).

The cost of tangible fixed asset additions during the year amounted to £4,066k (2019/20: £2,334k). The Tower refurbishment project was wholly capital grant funded by the Department of Education to the value of £5,300k. The project included replacements of external cladding, insulation and windows, flat roof coverings, installation of a new fire detection system and upgrade of the fire protection of the roof structure within the level 9 ceiling void. Access to the roof space has also been considerably improved with a new staircase and circulation route within. The project was completed in August 2021.

The College has significant reliance on the funding bodies for its principal funding source, largely from recurrent grants. In 2020/21, the funding bodies provided 80% of the College's total income (80% 2019/20).

The College has three principal subsidiary companies and Highbury College (Nigeria) Limited:

	Country of Incorporation	Ownership	Activity
Highbury Apprenticeships (Birmingham) Ltd	England &Wales	100%	Apprenticeship Training
Highbury College Commercial Services Ltd	England &Wales	100%	Not trading
New Work Training Ltd	England &Wales	70%	Not trading
Highbury College (Nigeria) Limited	Nigeria	99%	Not trading

Highbury College (Nigeria) Ltd has not been consolidated into the Group's financial statements as it's considered immaterial and remains dormant.

During this financial year, the College transferred it's 50% shareholding in the Joint Venture Company, Highbury Burton Saudi Arabia Limited (HBSA) to Burton and South Derbyshire College. HBSA is registered in Saudi Arabia. Its business is to deliver a contract for the Colleges of Excellence to manage and operate a College in Jeddah. The final dividend received for the dissolution of this joint venture was £3,494k.

Impact of COVID-19

The College experienced some operational disruption due to Covid-19 and the associated lockdown during the year ended 31 July 2021. The financial impact was contained because of the lagged nature of 16-18 funding and the decision of the Education and Skills Funding Agency to reduce the funding tolerance threshold for Adult Education Budget 19+. However, some other key funding streams were not subject to the same kind of protection, and the College experienced significant disruption to its apprenticeship activity and associated income. Apprenticeship income for the 2020/21 financial year was £200k less than originally planned.

In addition to lost income, the College also experienced additional unplanned expenditure because of Covid-19. £333k of this related to the procurement of personal protection equipment (PPE) for staff and students, introduction of safety wardens and setting up of Covid testing stations on all three sites. In addition, the College spent £373k on IT equipment to support remote working and study for disadvantaged students.

The College did generate some savings as a result of the lockdown. £50k savings was made in premises and utility costs. In addition, the College furloughed a number of staff who were unable to work due to the prolonged lockdown. A total of £114k of furloughed support funding was claimed. The College also received £86k contribution from DfE for mass Covid testing.

Merger

Pre-merger activities took place during the year with costs totalling £250k, which were not budgeted for. Costs incurred included appointment of a specialist project manager, financial and legal due diligence exercises and other merger related activities.

Notwithstanding this additional expenditure, the financial health of the College as measured by the ESFA improved from 'Inadequate' in 2019/20 to 'Requires Improvement' in 2020/21.

Future Prospects

The newly merged City of Portsmouth College financial plans has been put together by consolidating the most up-to-date individual stand-alone projections for the two colleges, Highbury College and Portsmouth

College before including the FE Transformation Capital Fund – 'Connecting Futures Project' of £18,600k. Prudent and cautious assumptions have been made in drawing up these stand-alone projections, which have been overlaid with the one-off costs of merger for 2021/22 and 2022/23, and the on-going net savings arising from the merger from 2022/23 onwards. The budget and financial plans indicate that the College would move to 'Outstanding' financial health in 2024/25 having been in 'Good' financial health in 2022/23 and 2023/24. In 2021/22, the first year of merger, the College would be in 'Requires Improvement' financial health due to one-off merger related spent of £1,998k. The merger revenue costs are self-funded by both colleges without recourse to ESFA exceptional support grant.

The merged City of Portsmouth College has agreed total funding income of £19,411k for the 2021/22 financial year. The College has received additional ESFA funding of £427k towards increased Teachers Pensions' cost. Treasury has yet to confirm if this funding will continue beyond 2022.

The scale and breadth of apprenticeship has grown in both colleges in recent years. However, because of the economic impact of Covid-19 and associated lockdowns, the College expects to see apprenticeship income growth stall, or potentially reverse before increasing again.

The College will continue to develop its estates in line with its approved Estates Strategy to ensure it provides high quality teaching and learning infrastructure that is both flexible and efficient. Highbury College submitted a Stage 1 application to the FE Capital Transformation Fund in March 2021 with an estimated cost of £20m. We have had a successful outcome and have been invited to develop a detailed business case and a concept design to RIBA Stage 2 by the 8th October 2021. Portsmouth College submitted a capital funding application of £997k to develop facilities for delivering T levels in Health & Science. The proposal includes conversion of the top floor of the tower at Cosham site into a healthcare training facility. This bid has been agreed in principle and the facilities are to be available for teaching to start in September 2022.

Moving forward, and with the impact of Covid, the on-line delivery of teaching and learning is likely to become an increasingly important element of college provision. The rapid changes made to our delivery models during lockdown will increase our on-line delivery as part of established practice and will require appropriate investment in our IT infrastructure.

There will be a demographic increase particularly for school leavers across Portsmouth over the next eight years, and this will require growth in provision. This has been confirmed by the Responsive College Unit, the reputable research & market intelligence for Further Education specialist, (RCU) who have analysed and provided a report on demographics in Portsmouth and its travel to learn area. Both Colleges experienced an increase in 16-18 learner numbers at the start of 2020/21 academic year which is being repeated in 2021/22.

Governors are very confident about the College's ability to be a successful provider of education and training to its communities, and its ability to adequately resource its operations.

In addition to the risk management arrangements outlined elsewhere in this report, and the robust approach taken to risk management, arrangements are in place to monitor closely the performance of its operations, and the College will have a constant focus on growing income, controlling expenditure and achieving efficiencies to ensure that resources can be re-invested in core teaching and learning activities and income generating activities.

Going Concern

Following a full external due diligence investigation, and audit reports the Corporation considers that the newly merged City of Portsmouth College (CoPC) has adequate resources to continue in operational existence for the foreseeable future and has demonstrated this is in the detailed financial plans to July 2023. For this reason, it continues to adopt the going concern basis definition in preparing the financial statements.

The College has produced a detailed cash flow forecast to July 2023 with sensitivity analysis, and this will be subject to close and frequent monitoring. The College has no bank loans and is finalising a £1m overdraft facility with its bank, Barclays, to cover the common temporary low cash periods arising from the ESFA payment profile for March and April in 2022, 2023 and 2024. The College has recently completed the Tower Block re-cladding capital project that was wholly financed by a capital grant from the Department of Education.

The financial plan and cashflow takes into account the following ‘exceptional’ matters:

- One-off costs of £2,848k to implement the merger
- The impact of the Covid-19 pandemic in both colleges with a total adverse impact on cash of £1,449k
- The receipt by Highbury College in 2020/21 of the final dividend of £3,494k following the dissolution of the Saudi Arabia joint venture
- The repayment of both colleges’ bank loans

The College’s financial plans were shared with the Education and Skills Funding Agency (ESFA) and the Further Education Commissioner and were subject to pre-merger financial due diligence by BDO. These plans demonstrated its ability and capacity to continue with its plans for investment and generate cash from its operating activities.

The College has submitted the Connecting Futures capital project application to the DfE of £18,600k. It is proposed that the project will be financed by £12,600k from DfE and a £6,000k interest free loan from the Solent LEP. This loan will be repaid over 36-month instalments one year after the drawdown of the loan. At no time does the College go into overdraft although the College is negotiating a £1 million overdraft facility with its bank, Barclays, to cover the normal temporary cash low periods of March and April in 2022 and 2023. The College will also control the operating position to reflect reduced income wherever possible with tight management over both pay and non-pay related expenditure.

The Corporation takes assurances from these but recognise the challenges likely to impact on the newly merged college over the next three years. In particular, the bringing together of two different colleges with different cultures, the merging of systems and processes whilst maintaining high quality standards in teaching, learning and assessment. In addition, the pandemic is likely to continue to suppress some income streams such as apprenticeship and course tuition fees and at the same time increase some operating costs. Financial plans will continue to be regularly reviewed, tested, and scrutinised.

Treasury Policies and Objectives

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

The College has a separate treasury management policy in place. All borrowing requires the authorisation of the Corporation and must comply with any requirements of the Financial Memorandum with the ESFA.

Cash Flows and Liquidity

Net cash outflow from operating activities was £1,375k, (2019/20: £1,188k). The Statement of Cash Flow analyses the movements in cash flows in more detail.

The College did not operate with any overdraft facility during the financial year. The College is in the process of formalising a £1m overdraft facility with Barclays bank.

Reserves Policy

The College has no formal reserves policy but recognises the importance of reserves in the financial stability of any organisation and seeks to ensure that there are adequate reserves to support the College’s core activities. The Group reserves do not include any restricted reserves. As at the balance sheet date the Income and Expenditure reserve of the Group stands at (£9,090k) (2019/20: (£14,597k)), the overall Income and Expenditure reserves include the pension reserves deficit of (£20,482k) (2019/20: (£25,519k). It is the Corporation’s intention to increase reserves through the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2020/21, the College has delivered activity that has produced £13,166k in funding body main allocation funding (2019/20: £12,490k). The College delivered to 1,356 16-18-year olds, 53 more than the 1,303 contracted for and this, together with the profile of the curriculum with the proportion of high cost skills priority learning, raised the allocation for 16-18 year olds for 2020/21 to 1,405 learners through the lagged funding methodology. This increase is in line with the forecast by the RCU outlined above.

Curriculum Achievements

The curriculum teams reformed and reshaped the delivery of programmes and assessment due to Covid-19 and subsequent lock downs. The significant switch has been from an almost wholly classroom taught to face to face delivery model to a blended model and in some instances to wholly online delivery. There has been a huge undertaking by all staff at the college both, learner facing and back-office support. All staff at the College can only be commended for their innovation and flexibility in responding to the pandemic challenge; their primary concern has been to minimise the impact on our learners. We have learned a great deal and much of it has been positive in terms of how future delivery can be developed to respond more flexibly to the needs of learners.

Following the Inspection in 2018, College staff worked hard to improve the quality of provision and the outcomes of learning for 2018/19 showed marked improvement for learners aged 16-18 and maintained high achievement rates for adults. In 2020/21, despite the pandemic, achievement rates are forecast to be maintained for 16-18, with retention rates at 92.3% slightly above 19/20 and achievement forecast to be in line (achievement for 2019/20: 85.3% and adults at 91.8%).

Overall in 2020/21, learners are forecast to have achieved close to the 2019/20 level of 88.7%. At the time of writing awarding bodies are still notifying the College of achievement.

An Interim Ofsted visit took place on 13th and 14th October 2020. The Interim visit was to help learners, parents, employers, and government understand how providers are meeting the needs of learners and apprentices in this period, including learners with high needs and those with special educational needs and disabilities.

Some direct quotes from Ofsted report:

‘Staff have been helping learners struggling with web-based technologies during the pandemic, as well as identifying those learners who are new to College and require support with remote learning’.

‘Leaders and Managers identified the impact of the pandemic on particular groups. Learners with special educational needs and/or disabilities missed social interactions, so staff provided social activities such as example virtual parties.

‘Staff have adapted their approach to careers advice in response to learners’ concerns on future opportunities’.

‘Employers felt College staff responded quickly to minimise disruption to apprentices learning. The local authority reported that the leader at the College played a very active role in the community response to the pandemic’.

‘Managers have adapted the method they use to assure themselves that the quality of teaching remains high’.

‘Leaders keep staff and learners informed of new or increased risks resulting from the pandemic’.

Curriculum Developments

Highbury College has a very different qualification profile from the majority of General Further Education Colleges. 26% of its delivery is for learners aged 16-18, whereas the national rate is 35% of provision and for the South East is higher. The proportion of the qualifications studied by learners aged 16-18 is also significantly different to the national position with less than a third of its learners taking qualifications (31%) at Level 3 and 69% of learners aged 16-19 studying at Level 2 or below.

However, the proportion of learners doing an apprenticeship is 5% higher than the national average, with a growing proportion doing higher levels including the pharmacy technicians at Level 3/4.

Highbury College education and training offer has been mapped to local priorities and 80% of provision is for high priority skills in 2020/21. The merger with Portsmouth College will further enhance this integration. During the year specific curriculum developments include:

- An Independent Living suite for High Needs Learners
- A Small animal’s provision to support development of practical caring skills

- T-levels applications submission in Construction, Engineering and IT
- Intermediate entry to the T-level in Health programme
- Expansion of Pharmacy Technician provision.

The College has also continued to develop its' offer with a particular emphasis on post-Covid recovery and moving towards the College's new strategic objectives.

- Increased provision of Access to HE (nursing programme)
- Extension and expansion of High Needs provision
- Partnership development with The University of Portsmouth
- Mental health awareness courses at Levels 1,2 and 3
- Use of the National Skills Offer allocation to fund a range of courses in the approved priority areas at Levels 2 and 3
- Plans to respond to increased demand for construction and building services training in 2021-22

The College also continued to widen its provision supporting skills for life including

- On-line English and Math offer which has had good feedback from learners
- The expansion of our Access to HE provisions

Partnership Working
We have continued to explore the development of partnerships to serve the City of Portsmouth. The Corporation and the Leadership see this as central to the future of Portsmouth. Discussions have been on-going and include these listed below.

The University of Portsmouth: On 1 July 2021 Highbury College and the University of Portsmouth signed a Head of Terms Agreement. The partnership will support informed learning pathway developments and a range of progression and transitional initiatives.

MPTC, the outstanding national training provider delivering entry provision to the armed forces. This partnership combined working with young people and in voluntary work projects.

Links with local social enterprises to support delivery and supported internships.

Shaping Portsmouth 100 in 100 campaign for young people.

Portsmouth City Council: links with the Council have been strengthened and are raising new areas for joint work such as residential provision for those with high needs, support for troubled families and new initiatives such as Kickstart.

DWP: The College is delivering Sector Based Work Academies.

Pharmacy Technicians

The Pharmacy Technician programme was designed in partnership with seven NHS trusts and led to Highbury College being awarded national provider status in the provision of Pharmacy Technician training for the NHS last year. This license to practice programme, accredited by the General Pharmaceutical Council, ensures that medicines and prescriptions are manufactured, handled, and dispensed safely. There are now 11 NHS trusts that have provided 40 apprentices with discussion ongoing with a further seven possible sign-ups.

Sector-Based Work Academies
The sector-based work academy is designed to help meet employers' immediate and future recruitment needs. We are currently in discussions with Compass Group to launch the first academy for the hospitality and catering industry. The partnership will see the participants undertake an enhanced employability programme including Maths & English, work experience and a guaranteed interview with Compass Group. Further employers are being sought to benefit other key local industries such as railway engineering.

Commercial Provision Associated with AAT qualifications
The partnership with Mindful Education has enabled the College to enter the full fee-paying distance learner market for AAT and CIPD qualifications, with the option to extend to Team Leading and CILEX. The wholly online programme, with award winning media rich content, will be supported by the College tutors, and learners will visit their local AAT Test Centre to take the exam. This commercial provision launched in November 2020 with focused marketing targeting the local area and provide a retraining option for those seeking new roles following the increase in redundancies due to Covid-19.

T Levels
From 2022, T Levels are being opened up to enable a wider group of colleges to deliver these new qualifications. These 2-year courses, which launched in September 2020, have been developed in collaboration with employers and businesses so that the content meets the needs of industry and prepares learners for work, further training, or study. The College is set to offer Health and Science in September 2022, with applications pending to include T-levels in Construction, Engineering, and Digital skills in future years.

High Needs Development
Portsmouth has a growing population of young people with high needs and who are up to the age of 25 who wish to develop their independent lives, ideally in employment. This has already become a specialism for the College and a new initiative, “Highbury Heights” has been introduced in September 2021 using the vacant residential accommodation in the Tower to support a “half-way house” approach for young people wishing to move to independent living. Plans are also developing for internships and for a wider provision including the care of small animals, a wider main vocational offer at Level 1 and our new traineeships curriculum. The possible income from these developments at a prudent level is included within the financial forecast, given the growing need within Hampshire and the City.

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 an 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 2020/21, the College paid 90 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

Highbury College successfully merged with Portsmouth College on 1st August 2021 to form City of Portsmouth College. This was a ‘Type B’ merger whereby Portsmouth College’s Corporation was dissolved, and all its assets and liabilities transferred to Highbury College.

The merged college is a general Further Education college and will provide vocational and academic education and training, from first steps course to university level foundation degrees and specialised services for business and education in the community.

For the 2021/22 academic year, Portsmouth College and Highbury College will partially retain their individual identities. In September 2022, a new City of Portsmouth College brand is due to be launched.

Resources:

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

Tangible resources include the Highbury Campus, Highbury North Harbour Centre and Arundel Centre.

Financial
As at the 31 July 2021, the College Group had £9,090k of net liabilities including a £20,482k pension liability, bank debt of £563k ordinarily repaid on 2 August 2021, and deferred income from capital grants of £23,746k. Net Assets exclusive of the pension liabilities and the deferred income from capital grants were £35,138k.

People
The College employed an average of 369 people (expressed as head counts) of whom 104 were on teaching contracts during 2020/21.

Reputation
The College enjoys a high profile and has built a good reputation within Portsmouth and beyond.

Principal Risks and Uncertainties:

The College's ability to achieve its purpose and strategic objectives will be affected by its capacity to mitigate the risks and uncertainties that it faces. The leadership team has introduced and established systems of internal control including financial, operational and risk management, which are designed to protect the College's assets and reputation.

The College's risk environment is monitored regularly by college managers, the senior leadership team and Governors to ensure that any emerging risks are identified, prioritised and mitigated, and opportunities are maximised. The most significant risk and the strategic risks are reported to the Corporation as part of the risk management process. The level of risk to the College's operation and future has continued to decline with improvements made within the College and the implementation of the Condition Improvement project. The RAG rating gives a direction of travel. The broad top three risks facing the College together with our mitigation responses are outlined below:

1. Poor achievement rate on apprenticeships leading to below Minimum Level of Performance (MLP) linked to Notice to Improve (NTI)

- Review status of each apprentice and identify issues
- External review of processes for collecting and using data and check for accuracy and workloads. Review to inform ESFA action plan
- Speak with other General Further Education colleges to understand the wider impact of Covid-19 on apprenticeship achievement in 2019/20
- Implement and report to the ESFA our action plan in conjunction with the Quality Improvement Plan to monitor progress for necessary improvements
- Apprenticeship management dashboard to be shared with Senior Management Team fortnightly
- Restructure of apprenticeship management to provide greater oversight and improved intervention impact and learner outcomes

Apprenticeship achievements has improved to 66.1%, and now above Minimum Level of Performance of 60%.

2. Merger discussions and implementation leads to 'planning blight' process failures and limits achievement of purpose

- Structural and Prospects Appraisal
- Specialist Financial advice, with timeline of legal and financial due diligence processes
- Experienced project/CEO critical path and robust project management
- Shadow Board formed and in place
- Full merger risk register in place

Highbury College and Portsmouth College successfully merged on 1 August 2021.

3. Failure to develop or oversee the College's Strategic Direction

- Develop operational plan and targets with involvement from staff
- Updates on actions against delivery plan provided at each Board meeting

The College's Strategic direction has continued to be developed throughout the year despite the challenges posed by the pandemic.

STAKEHOLDER RELATIONSHIPS

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

- Learners
- Staff
- Education sector funding bodies
- FE Commissioner
- Local employers (with specific links)
- Local Authorities
- Government Offices
- The Local Enterprise Partnership
- The local community
- Other FE institutions
- Trade unions

- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with each of them.

Equal opportunities and employment of disabled persons

Highbury College is committed to ensuring equality of opportunity for all who learn and work at the College. We respect and positively value differences in race, gender, gender reassignment, sexual orientation, pregnancy and maternity, marriage and civil partnerships, religious belief, ability, class, and age. We strive vigorously to remove conditions which place people at a disadvantage, and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis.

The College’s Equal Opportunities Policy and Single Equality Scheme, including its Race Relations and Transgender policies are published on the College’s website.

The College values equality and celebrates diversity and welcomes applications from people with disabilities. Through its Human Resources Policies and Procedures, the College seeks to ensure that:

- Full and fair consideration is given to applications for employment from applicants with disabilities, having regard for any reasonable adjustments that are required.
- The College continues to support and assist staff who have a disability during their employment through making reasonable adjustments such as changing working hours or work patterns, additional equipment, appropriate training, or retraining.
- Staff with disabilities have equitable opportunities for training, career development and promotion.

Disability Statement

Disability Statement – Policy

Highbury College is committed to equality of opportunity for all learners, including those with learning difficulties and/or disabilities. The College aims to provide appropriate support to enable learners to benefit from their studies and intends to continue developing such provision within the guidelines of the Equality Act 2010 and previously the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005.

The aim of Highbury College is that learners with learning difficulties or disabilities should be fully included wherever possible. For those who are not ready for inclusion, the College also offers a range of entry and foundation courses and other personalised provision. Learners with learning difficulties or disabilities are interviewed in the same way as any other learner with an additional confidential interview on the same day with a specialist member of staff, to discuss individual support needs.

Disability Statement - Educational Support

The Learning Support Service employs staff with experience in working with learners and apprentices who have difficulties with English, mathematics, language, study skills, social emotional and behavioural issues, or specific learning difficulties such as dyslexia. 1:1 and small group support is delivered at all levels including Entry and Foundation on discrete and other programmes. Support needs are identified through initial and diagnostic assessments. All support is delivered in rooms that are accessible to learners with mobility difficulties.

The College employs a team of specialists (the SEN team) who work alongside teachers to provide support for learners and apprentices with learning difficulties and/or disabilities. A team of learning assistants also supports groups and individual learners in classrooms, workshops and Study Centres. British Sign Language communicators are available for learners with hearing impairment.

The Leadership Team of Highbury College is committed to provide a safe and healthy workplace and to protect the health and safety of all staff, learners and any other persons that may be affected by the College’s activities. Using the process of risk assessments, the College will make reasonable adjustments to working practices or premises so that best practice can be employed to provide appropriate support for learners with learning difficulties or disabilities.

Disability Statement – Complaints Procedure

Highbury College has a formal complaints procedure, which is explained to learners via the Student/Apprentice handbook which is explained during induction. Where a learner with disabilities or learning difficulties wishes to make a complaint and needs assistance with this, support will be given. Feedback forms for informal student feedback are also available for informal comments. The College also undertakes a range of independent surveys to collect qualitative feedback.

Disability Statement - Examinations and Assessments

Where learners require special arrangements for examinations or assessments e.g. extra time, reader, or writer, this can be discussed in confidence. The first stage of an internal assessment is to meet with a specialist member of the College staff. The College will liaise with the Exam Board or Lead Assessment Body, and where an external assessment is required, e.g. an Educational Psychologist assessment, the College is able to make arrangements for this with current learners. Special arrangements are at the sole discretion of the Exam Board or Lead Assessment Body. If a separate room, additional invigilator, or reader/writer are approved by the examining body, the College is able to provide these for current learners.

Disability Statement – Physical Access

Much of Highbury is accessible to people with disabilities and it is College policy to use, wherever possible, accessible rooms for groups, which include a learner or learners with disabilities.

Trade Union Facility Time

In 2020/21, there was only one employee of the College who held a position as a trade union official and facility time was approved for that representative

Disclosure of information to auditors

The Governors 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 7 December 2021 and signed on its behalf by:

Signed ……………………………………………
Paul Quigley, Chair of Governing Body

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. The Statement covers the period from 1 August 2020 to 31 July 2021 and up to the date of approval of the annual report and principal statements.

The College endeavours to conduct its business:

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

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

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities it takes account of the English Colleges' Code of Good Governance issued by the Association of Colleges, which it formally adopted in July 2020. In the opinion of the Governors, the College complies with the provisions of the Code. The Code was considered by Search & Governance Committee at its meeting on 02 March 2021 where governors noted that the College performed well against the Code.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, 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.

Statement of Corporate Governance and Internal Control (continued)

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

Name	Date of Initial Appointment	Term of Office	Resignation/ End of Term of Office	Status of Appointment	Committees Served	Attendance in 2020/21
Jafor Ahmed*	Dec-12	4 years (3rd term)	31-Jul-24	Independent		N/A
Shahalam Ali*	Sep-19	4 years (1st term)	30-Sep-23	Independent		N/A
Nazir Ahmed	12-Nov-19	4 years (1st term)	06-Oct-20	Staff	L&Q	33%
Prue Amner	09-Dec-20	4 years (1st term)	08-Dec-24	Independent	L&Q	100%
Claire Attika	23-Nov-20	4 years (1st term)	31-July-21	Staff	F&E	100%
Stephen Burke	14-May-19	4 years (1st term)	04-Mar-21	Independent	L&Q and S&G	86%
Lily Camacho	26-Jan-21	1 year	31-July-21	Student	-	40%
Bernie Collins*	Jan-17	4 years (1st term)	31-Jul-24	Independent		N/A
Mark Cooper**	25-May-21	2 months	31-Jul-21	Independent	-	50%
	Dec-20	4 years (1st term)	31-Dec-24	Independent		N/A
Vanessa Cooter	06-Oct-20	4 years (1st term)	31-July-21	Staff	L&Q	77%
Max Craft	27-Mar-12	4 years (3rd term)	31-Jul-21	Independent	S&G, F&E and Rem	88%
Ashley Cullen	22-Sep-20	4 years (1st term)	21-Sep-24	Independent	Audit	100%
Phoenix Dewhurst	26-Jan-21	1 year	31-July-21	Student	-	25%
Robin Dickens	16-Mar-20	4 years (1st term)	31-July-21	Independent	F&E	81%
Martin Doel Chair of Corporation until 31-Oct-20 Chair of S&G	01-Jan-20	4 years (1st term)	31-Oct-20	Independent	S&G	100%
Adele Hodgson**	25-May-21	2 months	31-Jul-21	Independent	-	0%
	Jul-18	4 years (1st term)	31-Jul-22	Independent		N/A
Lena Itangata	05-May-20	4 years (1st term)	22-Apr-21	Independent	Audit	20%
Tim Jackson	22-Sep-20	4 years (1st term)	21-Sep-24	Independent	L&Q & Rem	100%
Tim Mason Vice-Chair of Corporation Chair of L&Q Chair of Rem	20-Mar-18	4 years (1st term)	19-Mar-22	Independent	L&Q, F&E & Rem	100%

Name	Date of Initial Appointment	Term of Office	Resignation/ End of Term of Office	Status of Appointment	Committees Served	Attendance in 2020/21
Rob Nitsch	05-May-20	4 years (1st term)	04-May-24	Independent	Audit and S&G	95%
Mark Pembleton Vice-Chair of Corporation Chair of Audit	27-Nov-18	4 years (1st term)	26-Nov-22	Independent	Audit	87%
Paul Quigley Chair of Corporation from 01-Nov-20 Chair of F&E Chair of S&G	28-Jan-20	4 years (1st term)	27-Jan-24	Independent	F&E, S&G and Rem	100%
John Royston-Ford	20-Mar-18	4 years (1st term)	01-Oct-20	Independent	L&Q and Rem	100%
Jeanette Smith*	Mar-18	4 years (1st term)	31-Mar-22	Independent		N/A
Mike Stoneham	17-Aug-21	4 years (1st term)	16-Aug-25	Independent		N/A
Paul Walton	Nov-20	4 years (1st term)	30-Nov-24	Independent		N/A
Penny Wycherley	05-Dec-19		31-Oct-21	Interim Principal/CEO	S&G	94%

***** Former Portsmouth 6th Form College governors who joined the City of Portsmouth College board on merger with Highbury College on 01 August 2021. The date of initial appointment indicates when they were first appointed to the Portsmouth College board.
** Mark Cooper and Adele Hodgson were appointed to Highbury College Corporation from 25 May 2021 to 31 July 2021 to support the merger process and more specifically, the appointment of a Chief Finance Officer. On merger they joined the City of Portsmouth College board.

F&E = Finance & Estates Committee
L&Q = Learning & Quality Committee
S&G = Search & Governance Committee
Rem = Remuneration Committee

Ms Paola Schweitzer acted as Clerk to the Corporation in 2020/21.

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 is scheduled to meet four times a year, although met more in 2020/21 to meet business needs.

The Corporation conducts some of its business through Committees. Each Committee has terms of reference, which have been approved by the full Corporation.

Current Committees are Audit, Finance & Estates, Learning & Quality, Search & Governance and Remuneration. In addition, the financial statements are considered at a joint Audit and Finance & Estates Committee meeting. Full minutes of all meetings are available from the Clerk to the Corporation at: paola.schweitzer@highbury.ac.uk

Statement of Corporate Governance and Internal Control (continued)

City of Portsmouth College
Highbury Campus
Tudor Crescent
Portsmouth
PO6 2SA

Minutes are also available online at www.highbury.ac.uk.

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. Governors review their Declaration of Interest annually prior to the academic year and updates are made throughout the year as necessary. The register is available for inspection at the above address with a summary available on the College website. The Register of Interests is reviewed annually by Audit Committee and is supported by a Conflicts of Interest policy. All Corporation/Committee meetings have Declarations of Interest as a standing agenda item.

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

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

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College are separate.

The Corporation had a busy year with a Structure and Prospects Appraisal (SPA) initiated in February 2020 and culminating in the recommendation to merge with Portsmouth 6th Form College in October 2020. A Type B merger was carried out, whereby Portsmouth 6th Form College transferred its assets and liabilities to Highbury College on 01 August 2021 at which point Highbury College changed its name to City of Portsmouth College. The City of Portsmouth College is a General Further Education college. As a result of this activity, Corporation had six Special Meetings in 2020/21 (it met a total of 11 times).

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. Potential new members are interviewed by Search & Governance Committee, which makes a recommendation to the Corporation. There were two exceptions to this in 2020/21: Mark Cooper and Adele Hodgson who were appointed directly by Corporation without an S&G recommendation in the interests of supporting the merger, and more specifically the appointment of a Chief Finance Officer (a senior postholder). Members of the Corporation are appointed for a term of office not exceeding four years. The total period of membership is normally limited to two four-year terms of office. This is not the case with one governor who was originally appointed to the Portsmouth 6th Form College Corporation in December 2012 and is now on the City of Portsmouth College Corporation until 31 July 2024. The Corporation is responsible for ensuring that appropriate training is provided as required.

Statement of Corporate Governance and Internal Control (continued)
Corporation Performance

The Search & Governance Committee reviews the Corporation's performance annually and this is reported to the Corporation. Performance is assessed against Governance Performance Indicators. Performance against the Governance Performance Indicators for 2020/21 can be seen the table as follows:

Area	Performance Indicator			Evidence	Comments
Attendance	1)	a)	80% attendance at all main Corporation meetings in the year	Corporation meeting minutes	Achieved (82% attendance at all Corporation meetings).
		b)	80% attendance at all Committee meetings in year (by the Committee)	Committee meeting minutes	Achieved (100% at Remuneration Committee, 94% at Learning & Quality Committee; Finance & Estates Committee; 91% Search & Governance Committee; 89% joint Audit and Finance & Estates Committee).
		c)	All scheduled Corporation and Committee meetings are quorate	Corporation/Committee meeting minutes	All scheduled Corporation & Committee meetings were quorate
Guiding and monitoring the strategic direction of the College	2)	The Corporation to consider the strategic direction of the College once each year		Corporation meeting minutes	College purpose and objectives agreed by Corporation on 06 October 2020.
	3)	Key strategic objectives and financial performance of the College to be formally monitored by the Corporation each term		Corporation meeting minutes & Annual Accounts	Corporation received reports on progress against the strategic plan/objectives on 16 March 2021 (Min 3095) and 06 July 2021 (Min 3132). Corporation considered management accounts at each of its four scheduled meetings (06 October 2020, Min 3027, 08 December 2020 Minute 3058, 16 March 2021 Min 3096 & 06 July 2021 Min 3124). Financial Statements 2019/20 agreed by Corporation on 26 January 2021 (Min 3079).
	4)	Monitor achievement of College annual targets for retention and achievement.		Corporation meeting minutes	Retention and achievement reported through Principal's Report at every scheduled Corporation meeting.
Senior post holders/Clerk	5)	Annual appraisal of Principal and Clerk undertaken by Chair.		Chair's report to Corporation	SPH and Clerk appraisals considered by Remuneration Committee (26 October 2020). Appraisal with Clerk conducted by Chair on 14 December 2020 and reported to Remuneration Committee on 08 March 2021.
Equality of Opportunity	6)	Monitoring reports are presented to the Corporation as appropriate.		Corporation/Committee meeting minutes	Equality, Diversity & Inclusion/Single Equality Scheme considered by Learning & Quality Committee 03 March 2021 (Min 53).

Area	Performance indicator		Evidence	Comments
Risk Management	7)	The Corporation approves the annual Risk Management Action Plan. The Audit Committee monitors the implementation of the Plan.	Corporation/Committee meeting minutes	Revised risk register agreed by Corporation on 08 December 2020. Audit Committee monitored the register at each of its meetings in 2020/21, with individual risks monitored by the relevant Committee.
Audit Arrangements	8)	The Corporation receives Annual Report from Audit Committee.	Corporation Minutes	Corporation received Audit Committee's Annual Report to Corporation on 26 January 2021 (Min 3078).
		The Audit Committee and Auditors comply the with Audit Code of Practice.	Audit Committee minutes and Audit/Inspection reports.	Audit Committee minutes (25 November 2020, 26 April 2021 & 21 June 2021) and Annual Report to Corporation summarise activity, including internal and external audit reports, and compliance with Audit Code of Practice.

There is an Induction Programme to support new governors in their role at the College, with further training and development opportunities taking place in line with the annually agreed Board Development Plan (includes regular Prevent and Safeguarding training).

In 2020/21 the Clerk completed the *Technical Aspects of the Governance Professional – Intermediate Level Programme* run by the Education & Training Foundation and takes part in regular training and development activities through the Association of Colleges etc. The Clerk continues to be mentored by an experienced National Leaders for Governance (NLG) Clerk.

Statement of Corporate Governance and Internal Control (continued)

Remuneration Committee

Throughout 2020/21, the College's Remuneration Committee comprised three/four members of the Corporation including the Chair of Corporation. The Principal and staff and student governors were not members of the Committee. The Committee met three times in 2020/21. All meetings were quorate.

In accordance with its Terms of Reference, the Committee considered the remuneration and contract of senior postholders including the interim principal/CEO designate, Chief Finance Officer and Clerk. Details of remuneration for the year ended 31 July 2021 are set out in note 7 of the financial statements.

Audit Committee

During 2020/21, the Audit Committee comprised three/four members. The Chair of the Corporation, interim Principal/CEO designate, staff and student governors and Finance & Estates Committee members were not members of the Committee. The Committee met three times in 2020/21. All meetings were quorate.

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

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations, and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

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

Audit Committee oversees the College's policies on fraud and irregularity and whistleblowing. There were no instances of fraud, irregularity or whistleblowing in 2020/21. Audit Committee considers the Register of Interests annually.

Finance & Estates Committee

The Finance & Estates Committee comprises four members including the Chair of Corporation. Audit Committee members were not members of the Committee. The Committee met four times in 2020/21. All meetings were quorate.

The Committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to determine and advise the Corporation on all financial and estates matters, in particular matters of budget monitoring and setting and recommendations for capital investment. The Committee receives management accounts at every meeting. Other matters considered by the Committee include subcontracting arrangements, Human Resources and health and safety. The Committee annually reviews the College's Financial Regulations prior to Corporation approval.

There was a joint **Audit Committee and Finance & Estates Committee** meeting on 12 January 2021 to consider the 2019/20 financial statements.

Search & Governance Committee

Search & Governance Committee comprises four/five members including the Chair of Corporation and the interim Principal/CEO designate. The Committee met five times in 2020/21. All meetings were quorate.

The Committee advises the Corporation on Corporation and Committee membership, human resources (this responsibility has now transferred to Finance & Resources Committee) and general governance matters.

In 2020/21 the Committee appointed three new members to Corporation (a further two governors from Portsmouth 6th Form College were directly appointed by Corporation to support the merger process). The

Committee carried out an annual skills audit, agreed the Board Development Plan and reviewed Corporation/Committee confidential material.

Learning & Quality Committee

Learning & Quality Committee comprises four/five members. The Committee met four times in 2020/21. All meetings were quorate. Meetings were attended by College staff as appropriate to the agenda.

The Committee advises Corporation on the quality of the College's curriculum offer and receives regular updates on quality and curriculum planning processes, enrolment, retention, achievement, success rates and destination targets within the context of the College's strategic priorities and the Quality Improvement Plan. In addition, the Committee considers learner voice, equality and diversity, safeguarding and prevent policies.

Scope of Responsibility

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

The Corporation has delegated the day to day responsibility to the Principal as Accounting Officer for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum 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 designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Highbury College for the year ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

A new risk management process was put in place in March 2020. The risk register was revised in the autumn term and agreed by the Corporation in December 2020, following a recommendation from Audit Committee. Headline risks from the College's risk register were considered at all scheduled Corporation meetings in 2020/21. Audit Committee considers the risk register as a standing agenda item and other Committees consider risks from the headline risk register associated with their areas. The Corporation is of the view that there is a formal robust ongoing process for identifying, evaluating and managing the College's significant risks.

The Risk and Control Framework

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation. This is scrutinised by the Finance & Estates Committee.
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts.
- setting targets to measure financial and other performance.
- clearly defined capital investment control guidelines; and
- 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 post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At least annually, the Internal Auditors provide the Corporation with a report on internal audit activity in the College.

The report includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls, and governance processes.

Review of Effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of her 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/Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Corporation approves the Risk Management Process annually and receives an annual report on progress as well as details of risk management monitoring through the minutes of the Audit and other Committees. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

Going Concern

After considering the financial risks and uncertainties facing the College outlined on Page 13, and after making appropriate enquiries, the Corporation considers that the College has adequate access to 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. Further information behind this judgement can be found on Page 8 of the Strategic report and accounting policies disclosures on page 37.

Approved by order of the Members of the Corporation on 7 December 2021 and signed on its behalf by:

Signed ……………………………………………………………………

Paul Quigley, Chair of Governing Body

Signed G R Morley. ……………………………………………………………………

Graham Morley, Accounting Officer

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

The Corporation has considered its responsibility to notify the ESFA of material irregularity, impropriety, and non-compliance with ESFA's terms and conditions of funding, under the College's grant funding agreements and contracts with the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry and to the best of its knowledge, the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreements and contracts with the ESFA.

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

See Statement of Corporate Governance, Internal Control section above.

Approved by order of the members of the Corporation on 7 December 2021 and signed on its behalf by:

Signed ……………………………………………………………………………
Paul Quigley, Chair of Governing Body

Signed G R Morley. ……………………………………………………………………………
Graham Morley, Accounting Officer

Statement of the Responsibilities of the Members of the Corporation

The members of the Corporation are required to present audited financial statements for each financial year.

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

In preparing the financial statements the Corporation is required to:

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and enable it to ensure that the financial statements are prepared in accordance with relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the Education and Skills Funding Agency are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Financial Memorandum with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time.

Approved by order of the members of the Corporation on 7 December 2021 and signed on its behalf by:

Signed ………………………………………………………………

Paul Quigley, Chair of Governing Body

Independent auditor’s report to the members of Highbury College

Opinion

We have audited the financial statements of Highbury College (the ‘College’) and its subsidiaries (the ‘group’) for the year ended 31 July 2021 which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Cash Flow Statement 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 2021 and of the Group’s and College’s deficit of expenditure over income 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.

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

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

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 26, 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. Based on our understanding of the College and its industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the ESFA funding agreements, the OFS regulatory framework, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements.

We evaluated the Members of the Corporation and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the Members of the Corporation and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Group and the College which were contrary to applicable laws and regulations, including fraud.

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

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

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

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

Other required reporting

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

In our opinion, in all material respects:

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

- Matters on which we are required to report by exception

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

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated.

Use of the audit report

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

Mazars LLP

Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor, Merck House
Seldown Lane
Poole
Dorset
BH15 1TW

Date**:** 8 December 2021

Consolidated and College Statement of Comprehensive Income

	Notes	Year ended 31 July 2021 Group £'000	Year ended 31 July 2021 College £'000	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000
INCOME					
Funding body grants	1	13,852	13,602	13,264	12,945
Tuition fees and education contracts	2	1,530	1,530	1,217	1,217
Other grants and contracts	3	1,172	1,172	928	928
Other income	4	771	751	2,670	1,136
Endowment and investment income					
Total Income		**17,325**	**17,055**	**18,079**	**16,226**
EXPENDITURE					
Staff costs	6	12,240	12,095	11,610	11,422
Restructuring costs	6	31	26	84	84
Other operating expenses	7	5,114	6,314	5,121	4,837
Depreciation	10	1,775	1,742	1,594	1,563
Buildings impairment	10	-	-	1,214	1,214
Interest and other finance costs	8	380	380	428	428
Total expenditure		**19,540**	**20,557**	**20,051**	**19,548**
(Deficit) before other gains and losses		**(2,215)**	**(3,502)**	**(1,972)**	**(3,322)**
Share of operating surplus/(deficit) in joint venture/associate		0	3,494	1,949	1,481
(Deficit)/surplus before tax		**(2,215)**	**(8)**	**(23)**	**(1,841)**
Taxation	9	-	-	-	-
(Deficit)/surplus for the year		**(2,215)**	**(8)**	**(23)**	**(1,841)**
Gain on disposal of Joint Venture		1,374	-	-	-
Unrealised loss on revaluation of assets	10	-	-	(1,659)	(1,659)
Actuarial gain/(loss) in respect of pensions schemes	23	6,348	6,348	(7,688)	(7,688)
Total comprehensive Income for the year		**5,507**	**6,340**	**(9,370)**	**(11,188)**
Represented by:					
Unrestricted comprehensive income		5,507	6,340	(9,370)	(11,188)
		5,507	**6,340**	**(9,370)**	**(11,188)**
(Deficit)/Surplus for the year attributable to:					
Group		(2,215)	(8)	(23)	(1,841)

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total excluding Non-controlling interest	Non-Controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Balance at 1 August 2019	**(6,779)**	**1,659**		**(5,120)**	**(107)**	**(5,227)**
(Deficit) from the income and expenditure account	(1,682)			(1,682)		(1,682)
Other comprehensive income	(7,688)			(7,688)		(7,688)
Impairment Charge to Revaluation reserve	1,659	(1,659)				
Balance at 31 July 2020	**(14,490)**	**0**		**(14,490)**	**(107)**	**(14,597)**
Surplus/(deficit) from the income and expenditure account	(2,215)			(2,215)		(2,215)
Gain on disposal of JV	1,374			1,374		1,374
Other comprehensive income	6,348			6,348		6,348
Total comprehensive income for the year	**5,507**			**5,507**		**5,507**
Balance at 31 July 2021	**(8,983)**	**0**		**(8,983)**	**(107)**	**(9,090)**

Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total excluding Non-controlling interest	Non-Controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
College						
Balance at 1 August 2019	**(6,194)**	**1,659**		**(4,535)**		**(4,535)**
(Deficit) from the income and expenditure account	(1,841)			(1,841)		(1,841)
Other comprehensive income	(7,688)			(7,688)		(7,688)
Impairment Charge to Revaluation reserve		(1,659)		(1,659)		(1,659)
Total Comprehensive income for the year	**(9,529)**	**(1,659)**		**(11,188)**		**(11,188)**
Balance at 31 July 2020	**(15,723)**	**-**		**(15,723)**		**(15,723)**
(Deficit) from the income and expenditure account	(8)			(8)		(8)
Other comprehensive income	6,348			6,348		6,348
Total comprehensive income for the year	**6,340**			**6,340**		**6,340**
Balance at 31 July 2021	**(9,383)**	**-**		**(9,383)**		**(9,383)**

Balance Sheets as at 31 July 2021

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Fixed assets					
Tangible fixed assets	10	33,245	33,153	31,011	30,889
Intangible fixed assets	10	127	112	53	36
Investments in joint venture	11	-	1,204	4,607	1,221
		33,372	**34,469**	**35,671**	**32,146**
Current assets					
Trade and other receivables	12	1,915	3,495	2,286	5,509
Cash and cash equivalents	17	3,609	3,597	1,549	1,528
		5,524	**7,092**	**3,835**	**7,037**
Less: Creditors – amounts falling due within one year	13	(3,615)	(6,573)	(8,415)	(9,218)
Net current assets/(liabilities)		**1,909**	**519**	**(4,580)**	**(2,181)**
Total assets less current liabilities		**35,281**	**34,988**	**31,091**	**29,965**
Less: Creditors – amounts falling due after more than one year	14	(23,889)	(23,889)	(20,169)	(20,169)
Provisions					
Defined benefit obligations	23	(20,484)	(20,484)	(25,519)	(25,519)
Total net liabilities		**(9,090)**	**(9,383)**	**(14,597)**	**(15,723)**
Unrestricted reserves					
Income and expenditure account		(8,983)	(9,383)	(14,490)	(15,723)
Revaluation reserve		-	-	-	-
Non-controlling interest		(107)	-	(107)	-
Total unrestricted reserves		**(9,090)**	**(9,383)**	**(14,597)**	**(15,723)**
Total reserves		**(9,090)**	**(9,383)**	**(14,597)**	**(15,723)**

Balance Sheets as at 31 July 2021 (continued)

The financial statements on pages 28 to 59 were approved and authorised for issue by the Corporation and were signed on its behalf on 7 December 2021 by:

Signed ……………………………………………………………………….
Paul Quigley, Chair of Governing Body

Signed ……………………………………………………………………….
Graham Morley, Accounting Officer

Consolidated Cash Flow Statement

	Notes	2021	2020
		£'000	**£'000**
Cash inflow from operating activities			
Surplus/(deficit) for the year		(2,215)	(23)
Adjustment for non-cash items			
Depreciation	10	1,518	1,626
Buildings impairment	10	-	1,214
Deferred capital grants released to income	1	(795)	(774)
(Increase)/decrease in debtors	12	371	(467)
Increase/(decrease) in creditors due within one year	13	(2,969)	(93)
Increase/(decrease) in creditors due after one year	14	-	-
Share of operating surplus of JV	11	-	(3,427)
Pension finance cost	23	350	363
Pensions costs less contributions payable	23	961	328
Adjustment for investing or financing activities			
Interest payable	8	30	65
Gain on disposal of JV		1,374	-
Net cash flow from operating activities		**(1,375)**	**(1,188)**
Cash flows from investing activities			
Proceeds from sale of fixed assets	10	-	-
Dividend from JV	11	4,278	1,478
Investment from JV	11	-	-
Grants receipts	14	4,511	1,778
Payment made to acquire fixed assets	10	(3,841)	(2,344)
		4,948	**912**
Cash flows from financing activities			
Interest paid	8	(30)	(65)
Payments on Finance Leases	14	86	35
New Loans	13	(188)	(250)
ESFA Loans	13	(1,381)	1,381
Repayments of amounts borrowed		-	-
		(1,513)	**1,101**
Increase/(decrease) in cash and cash equivalents in the year		**2,060**	**825**
Cash and cash equivalents at beginning of the year	17	1,549	724
Cash and cash equivalents at end of the year	17	3,609	1,549

Notes to the Accounts

1. Accounting Policies

Statement of Accounting Policies

The work to resolve historic fixed asset records have been completed. Therefore, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020 to 2021 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

The following exemptions have been taken in these financial statements.

- Revaluation as deemed cost – at 31 July 2019, the College had retained the carrying values of freehold properties as being deemed cost and measured at fair value. There was an impairment review done as at 1 August 2019.

- 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 1.12 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, and 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 subsidiaries, Highbury College Commercial Services Limited, Highbury Apprenticeships (Birmingham) Ltd and New Work Training Limited. Highbury College (Nigeria) Limited has not been included in the consolidation as it is deemed immaterial.

Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

All financial statements are made up to 31 July 2021.

Notes to the Accounts (continued)

Going concern

The activities of the College, together with the factors likely to affect its future development and performance, are set out in the Strategic report. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

1 Management Approach to a Going Concern Assessment

1.1 The following areas have been included in assessing the College's ability to operate as a going concern:

a. Overview of the 2021/22 and 2022/23 budget, and forecast
b. Review of cash flow forecasts, including monthly cash requirements
c. Compliance with covenants for the bank loan facilities and sensitivity analysis
d. Defined benefit pensions impact
e. Events after the reporting period

2 Overview of the 2021/22 and 2022/23 Budget and Forecast

2.1 The annual budget for 2021/22 was approved by the Corporation in July 2021 predicting an operating deficit of £1,777k improving to an operating surplus of £228k in the following year before FRS 102 pension adjustments.

2.2 A type 'B' merger between Highbury College (HC) and Portsmouth College (PC) took place on 1st August 2021, whereby PC has been dissolved and all its assets and liabilities transferred across to HC. The merged college has been named City of Portsmouth College (CoPC) and this has been approved by the Secretary of State.

2.3 A detailed financial plan covering the period 20/21 to 23/24 has been previously produced to demonstrate both colleges' financial positions as a stand-alone institution. It provides the base financial position with which to merge the College's financial projections. These plans have been used as the basis of the financial due diligence exercise recently completed by BDO.

3 Review of Cash Flow Forecasts

3.1 Cash is forecast to outturn at £3,236k in 20/21. The cash flow indicates that from 21/22 onwards the College will have an average 29 cash days. At no time does the College go into overdraft, though for prudence a £1million bank overdraft facility is being put in place with 'Barclays' to cover the normal temporary cash low periods of March and April in 2022 and 2023.

3.2 Average cash days is forecast to be 29 days in 21/22, with a low point of 8 cash days in March 22. Average cash days is forecast to be 17 days in 22/23 with a low point of 1 cash day in March 23.

3.3 The College will control the operating position to reflect reduce income wherever possible, and tight management over both pay and non-pay related expenditure. There is a provision of £1,250k of capital spent in both financial years to progress the College's Estates Strategy.

4 Compliance with Covenants for the Bank Loan Facilities and Sensitivity Analysis

4.1 The loan facility with Handelsbanken matured on 2 August 2021. The full repayment of the loan took place upon its maturity. There will be no requirement for any further loans.

4.2 The College has been realistic in its assumptions around its financial forecasts. The risk register identifies significant risks to the College's plans and the sensitivity analysis are drawn from the risk register, where planning assumptions could be affected.

Significant financial risks affecting planning assumptions are identified as

- Risks to income/participation
- Covenant breach

Notes to the Accounts (continued)

- Inadequate financial health
- Inadequate cash levels
- Expenditure is not appropriately managed

As part of the forecast, the College assessed the risk associated with each of its main income streams:

<table>
<tr><th>Income Stream</th><th>% of Total Income</th><th>% of Total Income</th></tr>
<tr><td>Apprentices</td><td>10%</td><td rowspan="3">24%</td></tr>
<tr><td>HE/FE Tuition Fees</td><td rowspan="2">14%</td></tr>
<tr><td>Commercial</td></tr>
<tr><td>16-18</td><td>55%</td><td rowspan="4">76%</td></tr>
<tr><td>AEB</td><td>13%</td></tr>
<tr><td>High Needs</td><td>4%</td></tr>
<tr><td>Advance Learner Loans</td><td>4%</td></tr>
</table>

76% of the College's budgeted income is RAG rated 'Green' with 24% rag rated 'Amber'. This risk has not changed since the budget approval and therefore, the sensitivity analysis and variables modelled into the original budget still stand.

With regards to current year recruitment the College is expecting to be 100 more in the 16-19 forecast enrolments and is in line with profile for Adult Education Budget enrolments for the first term.

The College has exceeded Advanced Learner Loan allocations and has over-recruited on Access courses, predominately in the Health & Social Care areas.

Apprenticeship enrolment is quite buoyant. This has been prudently forecast and reflected in the cash forecasts. As seen from *Table 1,* apprenticeship income stream remains a high risk for the College and is being monitored regularly.

5 Defined Benefit Pensions Impact – Local Government Pension Scheme (LGPS)

The FRS 102 adjustment in 2020/21 decreased our LGPS deficit by £5.04 million to a total of £20.5 million (2019/20: £25.5 million). These adjustments are non-cash movements and therefore has no impact on the College's ability to carry on trading.

6 Events After the Reporting Period

Highbury College and Portsmouth College merged on 1 August 2021.

CoPC submitted a Stage 2 FE Transformation Capital application to the DfE on 8th Oct. The Project costs £18.6 m to be financed by £12.6m grant from DfE and £6m interest free loan from Solent LEP. Should the project be approved the average cash days for the duration of the project is 16 days.

7 Conclusion

In consideration of the above, the Governing Body has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future and is not aware of any material uncertainties which would prevent the College from continuing as a going concern. Thus it continues to adopt the going concern basis of accounting in preparing the annual financial statements.
In addition to the above analysis, there is no pending litigation that would result in a significant cost to the College or significant reputational damage such that would alter the going concern assessment.

Notes to the Accounts (continued)

Recognition of Income

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

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

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

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

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

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

Post-employment benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and by the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit schemes.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a projected unit credit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Hampshire Local Government Pension Scheme (LGPS)

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

Notes to the Accounts (continued)

difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

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 Group. Any unused benefits are accrued and measured as the additional amount the Group 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 Group annually. An estimate of the expected future cost of enhancement to the ongoing pension of a former member of staff is charged in full to the 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 ESFA.

Tangible Fixed Assets

(a) *Land and Buildings*

Land and buildings are stated at deemed cost at the date of transition to FRS102 less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Inherited freehold buildings are depreciated over their expected useful economic life to the Group of 40 years. Buildings constructed since incorporation are depreciated over 50 years.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred income account 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. An impairment review was carried out as at 1 August 2019.

Assets under construction are accounted for at cost, based on the value of architect's certificates and other direct costs incurred to 31st July. 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.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the Group, in which case it is capitalised and depreciated over the shorter of twenty years or the remaining lease term.

(b) *Equipment*

Equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy with the related grant being credited to a deferred income account and released to the

Notes to the Accounts (continued)

Statement of Comprehensive Income over the expected useful economic life of the related equipment as follows:

Motor Vehicle and Electronic Equipment	4 - 6 years
Other General Equipment	10 years
Heavy Duty Equipment	15 years

Leased Assets

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

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

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

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

Investments

Investments in subsidiaries

Interest in subsidiaries are assessed for impairment in the individual financial statements.

Investments in Joint Ventures (JV)

Investments in JVs are recognised initially in the consolidated Balance Sheet at the transaction price and subsequently adjusted to reflect the group's share of total comprehensive income and equity of the JV less any impairment.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the JV recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the JV. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in a JV are recorded as a provision only when the College has incurred legal or constructive obligations or has made payments on behalf of the JV.

Interest in JVs are assessed for impairment in the individual financial statements.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the Statement of Comprehensive Income 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 Corporation due to strategic significance.

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

Notes to the Accounts (continued)

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, 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 tax and VAT in the same way as any commercial organisation.

Cash and cash equivalents

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

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

Provisions and contingent liabilities

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

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

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

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

Agency Arrangements

The College acts as an agent in the collection and payment of certain Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to learners are excluded from the income and expenditure account and are shown separately in note 25, except for the 5 per cent of the grant received, which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

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.

Notes to the Accounts (continued)

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:

- 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.
- Determine whether inter-company balances held at College level should be impaired. These decisions are based on the expected future financial performance of the subsidiary, performance against the business plans to date and the viability of the subsidiary going forward.
- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued)

1. Funding Council Grants	**Year ended 31 July 2021**		**Year ended 31 July 2020**	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Recurrent grants				
Education and Skills Funding Agency – adult	2,944	2,944	2,853	2,853
Education and Skills Funding Agency – 16-18	7,655	7,655	6,655	6,655
Education and Skills Funding Agency – Apprenticeships	2,054	1,804	2,836	2,517
Higher Education Funding Council	54	54	146	146
Covid related Funding	92	92		
Teachers' pension Contribution Grant	258	258		
Releases of government capital grants	795	795	774	774
Total	**13,852**	**13,602**	**13,264**	**12,945**

2. Tuition fees and education contracts	**Year ended 31 July 2021**		**Year ended 31 July 2020**	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Adult education fees	505	505	565	565
Apprenticeship fees and contracts				
Fees for FE loan supported courses	898	898	398	398
Fees for HE loans supported courses	63	63	159	159
International learners' fees			28	28
Total tuition fees	**1,466**	**1,466**	**1,150**	**1,150**
Education contracts	65	65	67	67
Total	**1,530**	**1,530**	**1,217**	**1,217**

3. Other grants and contracts	**Year ended 31 July 2021**		**Year ended 31 July 2020**	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Other grants and contracts	1,051	1,051	928	928
Coronavirus Job Retention Scheme Grant	121	121	-	-
Total	**1,172**	**1,172**	**928**	**928**

Notes to the Accounts (continued)

4. Other Income

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Catering and residences	-	-	90	90
Other income generating activities	609	609	512	512
Other investment income	-	-	1,481	-
Miscellaneous income	162	142	587	534
Total	**771**	**751**	**2,670**	**1,136**

5. Investment Income

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Other investment income	-	3,494	1,949	1,481
Other interest receivable	-	-	-	-
	-	3,494	1,949	1,481

6. Staff Numbers and Costs

Staff Numbers

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

	2021	**2021**	**2020**	**2020**
	Group	**College**	**Group**	**College**
	No.	**No.**	**No.**	**No.**
Teaching staff	117	114	133	109
Non-teaching staff	267	267	258	267
	384	**381**	**391**	**376**

Staff costs for the above persons	**2021**	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	8,776	8,647	8,738	8,569
Social security costs	718	704	685	669
Other pensions costs	2,746	2,744	2,187	2,184
Payroll sub total	**12,240**	**12,095**	**11,610**	**11,443**
Fundamental restructuring costs - contractual	31	26	84	84
	12,271	**12,121**	**11,695**	**11,507**

Notes to the Accounts (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the College and are represented by the Senior College Team which comprises the Principal, Chief Finance Officer, Vice Principal and the Directors.

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

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	8	10

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:

	Senior post-holders		Other staff	
	2021	2020	2021	2020
£40,001 to £55,000	1	1	1	3
£55,001 to £60,000		4		1
£60,001 to £65,000	2		2	
£65,001 to £70,000		1		
£70,001 to £75,000	2	2		
£75,001 to £80,000				
£80,001 to £85,000				
£85,001 to £90,000				
£90,001 to £105,000	2	1	1	
£105,001 to £110,000				
£110,001 to £115,000				
£115,001 to £120,000				
£120,001 to £130,000	1			
£130,001 to £150,000				
£150,001 to £160,000		1		

Key management post holder emoluments are made up as follows:

	2021 £'000	2020 £'000
Salary – gross of salary sacrifice and waived emoluments	642	768
Employers National Insurance (or Social Security contributions)	80	105
Benefits in kind	9	48
	731	**921**
Pension contributions	89	127
Total emoluments	**820**	**1,048**

Notes to the Accounts (continued)

The Vice Principal accommodation will be paid for the year to include council tax and utilities, the total amount paid in the year was £9,217.83 (2020: £357).

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

The below compensation includes amounts payable to the 1 Accounting Officer during the year (who is also the highest paid officers):

	2021	**2020**
	£'000	**£'000**
Stella Mbubaegbu (Aug 19 – Apr 20)		
Salaries	-	117
Pay in lieu of Notice	-	50
National Insurance	-	18
	-	185
Pension contributions	-	27
	-	212

	2021	**2020**
	£'000	**£'000**
Penny Wycherley		
Salaries	105	72
National Insurance	13	9
	118	81
Pension contributions	29	14
	147	95
Total Emoluments	**147**	**307**

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 institution 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 officers basic pay divided by the median pay of all other corporation employees (all on a full-time equivalent basis was 4.5 (2019: 6).

Notes to the Accounts (continued)

7. Other operating expenses

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Teaching costs	2,255	2,211	1,862	1,815
Non-teaching costs	984	2,361	1,432	1,377
Premises costs	1,875	1,742	1,795	1,616
Amortisation of intangible assets	-	-	32	30
Total	**5,114**	**6,314**	**5,121**	**4,838**

Other operating expenses include:	**2021 £'000**	**2020 £'000**
Auditor's remuneration		
Financial statements audit*	60	44
Internal audit**	35	35
Depreciation	1,775	1,594
Hire of assets under operating leases	953	928

8. Interest payable – Group and College

	2021	**2021**	**2020**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
On banks, overdrafts and other loans:	30	30	65	65
	30	30	65	65
On finance leases				
Net interest on defined pension liability (note 22)	350	350	363	363
Total	**380**	**380**	**428**	**428**

9. Corporation Tax

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

Notes to the Accounts (continued)

10. Tangible fixed assets (Group)

	Group			
	Land and buildings Freehold	**Equipment**	**Assets in the Course of Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2020	48,053	1,938	2,239	52,230
Additions	134	845	3,087	4,066
Disposals		(362)		(362)
At 31 July 2021	**48,187**	**2,421**	**5,326**	**55,934**
Depreciation				
At 1 August 2020	**20,032**	**1,187**		**21,219**
Charge for the year	1,533	298		1,831
Elimination in respect of disposals		(362)		(362)
At 31 July 2021	**21,565**	**1,123**	**-**	**22,688**
Net book value at 31 July 2021	**26,621**	**1,297**	**5,326**	**33,244**
Net book value at 31 July 2020	**28,021**	**751**	**2,239**	**31,011**

Notes to the Accounts (continued)

10. 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 2020	47,877	1,677	2,239	51,793
Additions	133	845	3,087	4,065
Disposals	0	(362)	0	(362)
At 31 July 2021	**48,010**	**2,160**	**5,326**	**55,496**
Depreciation				
At 1 August 2020	19,938	966	0	20,904
Charge for the year	1,513	287	0	1,800
Elimination in respect of disposals	0	(362)	0	(362)
At 31 July 2021	**21,451**	**891**	**0**	**22,342**
Net book value at 31 July 2021	**26,559**	**1,268**	**5,326**	**33,153**
Net book value at 31 July 2020	**27,939**	**711**	**2,239**	**30,889**

Notes to the Accounts (continued)

10. Intangible fixed assets (Group)

	Software £'000	Total £'000
Cost or valuation		
At 1 August 2020	**143**	**143**
Additions	124	124
Disposals	-	-
At 31 July 2021	**267**	**267**
Amortisation	**90**	**90**
At 1 August 2020		
Charge for the year	50	50
Elimination in respect of disposals	-	-
At 31 July 2021	**140**	**140**
Net book value at 31 July 2021	**127**	**127**
Net book value at 31 July 2020	**53**	**53**

10. Intangible fixed assets (College)

	Software £'000	£'000
Cost or valuation		
At 1 August 2020	**121**	**121**
Additions	124	124
Disposals	-	-
At 31 July 2021	**245**	**245**
Amortisation		
At 1 August 2020	**86**	**86**
Charge for the year	47	47
Elimination in respect of disposals		
At 31 July 2021	**133**	**133**
Net book value at 31 July 2021	**112**	**112**
Net book value at 31 July 2020	**35**	**35**

Notes to the Accounts (continued)

11. Non-Current Investments

	Group 2021 £'000	Group 2020 £'000	College 2021 £'000	College 2020 £'000
Investments in subsidiary companies	-	0	1204	1,204
Investments in associate companies	0	4,607	-	17
Total	**-**	**4,607**	**1,204**	**1,221**

The College owns 100% of the issued ordinary shares of 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, but the amount remained unpaid.

Highbury Apprenticeships (Birmingham) Limited commenced trading in November 2014. The business specialises in provision of IT training.

The principal business activity of the Highbury College Commercial Services Limited was to manage on site student accommodation on behalf of the College. This activity has now been transferred to the College and Highbury College Commercial Services Limited is not currently trading.
The College has a shareholding in a Saudi Arabian registered company operating as Highbury Burton Saudi Arabia Ltd. The principal activity of the company is to manage and operate an education institution in the Kingdom of Saudi Arabia. The College has a holding of 50% of the shares with voting rights attached to those shares on a share per share basis.

The company has issued performance bonds (PB) as a condition of the contract with the Saudi Colleges of Excellence to manage and run the female College in Jeddah. Highbury College's share of the bond is limited to 50% and a value of SAR 12.885m (£2.7m).

During the year the College has divested from its Saudi joint venture.

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 is 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.

12. Trade and other receivables	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade receivables	588	588	396	324
VAT	183		89	-
Amounts owed by group undertakings:				
Subsidiary undertakings	-	3,218	-	3,410
Provision for doubtful debt	-	(1,422)	-	-
Prepayments and accrued income	569	534	1,302	1,276
Amounts owed by the ESFA	575	577	499	499
Total	**1,915**	**3,495**	**2,286**	**5,509**

Notes to the Accounts (continued)

13. Creditors: amounts falling due within one year	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	563	563	750	750
ESFA loans			1,381	1,381
Payments received in advance	553	559	395	398
Trade payables	258	214	912	870
Amount owed to group undertakings	-	3,000	-	3,319
Pension creditors	111	111	110	110
Obligations under finance leases	43	43	133	133
Other taxation and social security	246	246	210	210
Accruals and deferred income	1,046	1,042	3,276	799
Deferred income – government capital grants	795	795	960	960
VAT repayments	-	-	288	288
Total	**3,615**	**6,573**	**8,415**	**9,218**

Finance Leases are now reported under FRS102 requirements, the correction to carrying value of lease obligation being £186k.

At the balance sheet date, the College had a £563k loan with Svenska Handelsbanken AB, repaid on 2nd August 2021.

14. Creditors: amounts falling due after one year	Group	College	Group	College
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Obligations under finance leases	143	143	139	139
Deferred income - government capital grants	23,746	23,746	20,030	20,030
Total	**23,889**	**23,889**	**20,169**	**20,169**

Notes to the Accounts (continued)

15. Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	563	563	750	750
Total	**563**	**563**	**750**	**750**

(b) Finance leases

The new finance lease obligations to which the institution are committed are:	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	43	43	133	133
Between two and five years	143	143	139	139
Total	**186**	**186**	**272**	**272**

(c) Net debt reconciliation

	Aug-20	Cash flows	Acquisition &Disposals of Subs	New finance leases	Other non-cash changes	July 21
Cash and bank and in hand	1,549	2,060				3,609
Bank Overdrafts						
Obligations under finance leases	272	(143)		57		186
Bank Loans	750	(182)				568
Total	**2571**	**1735**	**0**	**57**	**0**	**4363**

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

16. Provisions

	Group and College Defined benefit obligations	Actuarial (Gain)	Total
	£'000	£'000	£'000
At 1 August 2020	**25,519**	**(5,307)**	**20,482**
Total	**25,519**	**(5,037)**	**20,482**

Defined benefit obligations relate to the liabilities under the College's membership of the **Local Government pension Scheme.** Further details are given in Note 22.

17. Cash and Cash Equivalents

	At 1 August 2020	Cash flows	At 31 July 2021
	£'000	£'000	£'000
Cash and cash equivalents	1,549	2,060	3,609
Total	**1,549**	**2,060**	**3,609**

18. Financial instruments

	Group 2021	College 2021	Group 2020	College 2020
Financial instruments				
Other debtors	1,346	1,165	984	823
Owed by group subs	-	3,218	-	3,410
Accrued income	569	534	1,301	1,276
	1,915	**4,917**	**2,285**	**5,509**
Bank loans	563	563	750	750
Payments received in advance	553	559	391	391
Other creditors	357	3,357	2,479	4,233
Accruals	1,046	1,042	807	801
Finance lease contracts	186	186	272	272
	2,705	**5,707**	**4,699**	**6,447**

19. Capital commitments

	Group and College	
	2021	2020
	£'000	£'000
Commitments contracted for at 31 July	**300**	**2,720**

Notes to the Accounts (continued)

20. Lease Obligations

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

	Group and College	
	2021	**2020**
Future minimum lease payments due	**£'000**	**£'000**
Land and buildings		
Not later than one year	831	783
Later than one year and not later than five years	3,002	3,001
Later than five years	827	1,304
	4,660	**5,088**
Other		
Not later than one year	43	133
Later than one year and not later than five years	143	139
Later than five years	-	-
	186	272
Total lease payments due	**4,846**	**5,360**

21. Contingent liabilities

There are no contingent liabilities.

22. Events after the reporting period

Highbury College successfully merged with Portsmouth College on 1st August 2021 to form City of Portsmouth College. This was a 'Type B' merger whereby Portsmouth College's Corporation was dissolved, and all its assets and liabilities transferred to Highbury College.

The merged college is a general Further Education college and will provide vocational and academic education and training, from first steps course to university level foundation degrees and specialised services for business and education in the community.

For the 2021/22 academic year, Portsmouth College and Highbury College will partially retain their individual identities. In September 2022, a new City of Portsmouth College brand is due to be launched.

23. Pensions and similar 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.

Notes to the Accounts (continued)

Total pension cost for the year

	2021 £'000	2020 £'000
Teachers' Pension Scheme: contributions paid	884	813
Local Government Pension Scheme: contributions paid	1,340	1,268
FRS 102 (28) charge	961	328
Charge to the Statement of Comprehensive Income	2,301	1,596
Total Pension Cost for Year	**3,185**	**2,409**

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 and other educational establishments, including colleges. 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 and the results published on 5th March 2019. The key results of the valuation were:

- new employer contribution rates were set at 23.68% of pensionable pay with effect from September 2019 and will remain in place until 2023.
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218.1m, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196.1m giving a notional past service deficit of £22m (2012 valuation deficit £15m); and
- the employer cost cap of 10.9% of pensionable pay has been paused until there is certainty about the value of pensions to employees from April 2015 onwards.

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 £884k (2020: £813k).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Hampshire Local Authority. The total contribution made for the year ended 31 July 2021 was £1,340k, of which employer's contributions totalled £1,140k and employees' contributions totalled £200k. The proposed contribution rates for future years are 23.6 % for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Notes to the Accounts (continued)

Principal Actuarial Assumptions

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

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.60%	3.30%
Future pensions increase	2.60%	2.30%
Discount rate for scheme liabilities	1.70%	1.40%
Inflation assumption (CPI)	2.60%	2.30%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2021 years	At 31 July 2020 years
Retiring today		
Males	23.10	23.00
Females	25.50	25.50
Retiring in 20 years		
Males	24.80	24.70
Females	27.30	27.20

23. Local Government Pension Scheme (Continued)

	Fair value at 31 July 2021 £'000	Fair value at 31 July 2020 £'000
Equities	22,817	18,256
Bonds	6,739	6,904
Property	2,443	2,025
Cash	394	531
Other	7,014	5,477
Total market value of assets	**39,407**	**33,193**
Actual return on plan assets	**(5,837)**	**(1,460)**

Notes to the Accounts (continued)

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

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

	2021 £'000	2020 £'000
Fair value of plan assets	39,407	33,193
Present value of plan liabilities	(57,992)	(56,676)
Present value of unfunded liabilities	(1,899)	(2,036)
Net pensions (liability)/asset (Note 17)	**(20,484)**	**(25,519)**

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:	**2021** **£'000**	**2020** **£'000**
Amounts included in staff costs		
Current service cost	2,216	1,557
Past service cost	-	39
Total	**2,216**	**1,596**
Amounts included in investment income		
Net interest income	350	363
	350	**363**
Amounts recognised in other Comprehensive Income		
Return on pension plan assets	5,037	765
Experience gains/(losses) arising on defined benefit obligations	1,311	(8,453)
Amount recognised in Other Comprehensive Income	**6,348**	**(7,688)**

23. Pensions and Similar Obligations (continued)

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

	2021 **£'000**	**2020** **£'000**
Surplus/(deficit) in scheme at 1 August	**(25,519)**	**(17,140)**
Movement in year:		
Current service cost	(2,216)	(1,557)
Employer contributions	1,253	1,268
Past service cost	-	(39)
Net interest on the defined (liability)/asset	(350)	(363)
Actuarial gain/(loss)	6,348	(7,688)
Net defined benefit (liability) at 31 July	**(20,484)**	**(25,519)**

Notes to the Accounts (continued)

Asset and Liability Reconciliation	**2021**	**2020**
	£'000	**£'000**
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	**58,712**	**48,580**
Current service cost	2,216	1,557
Interest cost	817	1,058
Contributions by Scheme participants	231	233
Experience gains on defined benefit obligations	(1,008)	8,453
Changes in financial assumptions	-	-
Estimated benefits paid	(1,107)	(1,208)
Past service cost		39
Curtailments and settlements	30	
Defined benefit obligations at end of period	**59,891**	**58,712**

Reconciliation of Assets		
Fair value of plan assets at start of period	**33,193**	**31,440**
Interest on plan assets	467	695
Return on plan assets	5,370	765
Employer contributions	1,123	1,268
Contributions by Scheme participants	231	233
Estimated benefits paid	(977)	(1,208)
Fair value of plan assets at end of period	**39,407**	**33,193**

24. Related Party Transactions

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

Collab Group is a membership body of further education Colleges and College groups for which the College paid a membership subscription of £15k in the year (2020: £15k). There was £nil outstanding at the year end.

The total expenses paid to or on behalf of the Governors during the year was £718 (2020: £357). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and other events in their official capacity. The number of Governors in receipt of expenses was 1 (2020: 1).

The Chair of Governors has received remuneration as approved by the charity commissioner of £14k during the year (2020: £17k).

Key Management compensation disclosure is given in note 7.

Notes to the Accounts (continued)

25. Amounts disbursed as agent

Learner Support Funds

	2021 £'000	2020 £'000
Funding body grants – [identify grant]	445	363
	445	363
Distributed to learners	(338)	(278)
Administration costs	(17)	(14)
Balance unspent as at 31 July, included in creditors	**90**	**71**

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.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF HIGHBURY COLLEGE AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE DEPARTMENT FOR EDUCATION

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

In accordance with the terms of our engagement letter dated 5 October 2020, and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Highbury College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of Highbury College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed, and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

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

- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached year
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College’s whistleblowing policy.

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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed: Mazars LLP

Mazars LLP

Date: 8 December 2021