

SOUTH AND CITY COLLEGE BIRMINGHAM

**Report and Financial Statements
for the year ended 31 July 2021**

SOUTH and CITY COLLEGE BIRMINGHAM
Financial Statements for the Year Ended 31 July 2021

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Strategic Report

NATURE, OBJECTIVES AND STRATEGIES:

The Governing Body presents its annual report together with the financial statements and auditor's report for South and City College Birmingham 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 South and City College Birmingham. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Mission

The College's mission statement is as follows:

"To provide outstanding education and training, which is primarily vocational, in response to the needs of learners and employers."

Public Benefit

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

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

- High quality teaching;
- Widening participation and tackling social exclusion;
- Excellent employment record for students;
- Strong student support systems;
- Links with employers, industry and commerce and
- Links with the West Midlands Combined Authority (WMCA) and Local Enterprise Partnerships (LEPs).

Implementation of strategic plan

The strategic aims of the College are outlined below:

- Achieve ambitious outcomes for every student through excellent teaching, learning and assessment;
- Raise aspirations, provide effective support and secure high levels of progression into employment and further or higher education;
- Engage with employers and other key stakeholders to develop an innovative curriculum which enhances the College's reputation for meeting local and regional skills;
- Ensure financial resilience and stability;
- Provide students with the best facilities and resources to support their learning and attainment;
- Set high expectations for all our staff and foster a culture of continuous improvement and innovation;
- Continue to advance equality, diversity and inclusion in everything we do.

Strategic Report (*continued*)

NATURE, OBJECTIVES AND STRATEGIES (*continued*)

The College set itself broad objectives and achievement of those objectives is addressed below.

- *Achieve high standards in terms of student outcomes.*
Due to the Covid-19 lockdown in March, many students were unable to complete their course, particularly in vocational areas and English for speakers of other languages (ESOL). This has impacted upon student outcomes, and this has been recognised by the Education and Skills Funding Agency (ESFA), which has stated that Success Rates will not be published for 2020/21.
- *Achieve all ESFA and WMCA funding targets.*
The WMCA has stated that they will treat 2020/21 as an exceptional year and will not claw-back funds where a college could demonstrate that, prior to lockdown, it was on course to deliver its funding allocation, which reduced the College's clawback of WMCA claw-back to £349,000. The ESFA lowered its tolerance amount, so that Colleges achieving 90% of their allocation amount did not have any claw-back of funding, which has reduced the College's claw-back of ESFA funding to £155,000.
- *Maintain a strong financial position.*
In 2020/21 the operating surplus is £484,000 and a cash balance of has £13,502,000 as at 31/07/21.
- *Improve the College's physical environment, both in terms of buildings and equipment.*
The College's expenditure on new equipment and improvements to its estate was £5,490,000 in 2020/21, which has brought about significant improvements to the College's operational capacity. Capital grants directly received from the ESFA of £2,521,000 and indirectly via the Institute of Technology of £1,228,000 partly funded this capital expenditure, with the remainder being funded from the College's own resources.

Financial objectives

The 2020/21 financial objectives for the College reflected the circumstances that existed during the year, which inevitably led to a loss of income and increased costs. These objectives, which the College achieved were:

- Earnings Before Interest, Taxes and Amortisation (EBITA) of at least £1.8m.
- Containing Capital expenditure to £800,000 unless additional cash is generated via sale of buildings and/or the receipt of additional capital grants.
- Cash in hand days of no less than 40 (cash divided by operating expenses per day).
- Agreeing temporary bank covenants for 2020/21 that reflect the exceptional circumstances.

FINANCIAL POSITION

Financial results

The College produced an operating deficit of £3,572,000 (2019/20 – surplus of £585,000). In accordance with FRS 102, an actuarial calculation of net interest on the College's share of the pension fund's assets / liabilities is included in interest payable. For 2020/21 the actuary calculated a net interest charge of £1,168,000 and this has been added to *Interest and Other Financial Costs*. In addition to this, the actuary calculated that the current servicing costs of the pension deficit exceeded contributions by £2,871,000 and this along with an Administration cost of £16,000 are included under pay costs. If these adjustments are excluded from the operating position, the College's operating position for 2020/21 is a surplus of £484,000 (2019/20 – surplus £2,120,000).

FRS102 also requires that any actuarial gains or losses are included within *Total Comprehensive Income* for the year. For 2020/21 a positive actuarial adjustment of £12,303,000 (2019/20 – negative actuarial adjustment of £37,339) has been made. The main reason for this increase is that the value of assets, particularly equities, were increased in the Actuaries report.

The Group's reserves at 31 July 2021 show a negative position of £45,540,000, with a negative Income and Expenditure (I&E) reserve of £51,204,000. The I&E reserve incorporates the pension liability of £80,046,000 and without this liability the I & E reserve would be £28,842,000 positive.

Strategic Report *(continued)*

FINANCIAL POSITION *(continued)*

The College held cash and cash equivalents of £13,502,000 as at 31 July 2021. The College wishes to continue to accumulate cash balances to create a contingency fund.

Tangible fixed asset additions during the year amounted to £5,490,000.

The College has significant reliance on the ESFA and WMCA for its principal funding sources, largely from recurrent grants. In 2020/21 these organisations provided 89.7% (2019/20 – 86.3%) of the College's total income.

The College has two subsidiary companies, FESSA (Projects) Limited and Urban Enterprises (Bournville) Limited. All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. The College decided not to utilise either subsidiary as a trading company, as the administration costs of the companies outweighed any cost advantages. Therefore, there are no trading results to report for 2020/21.

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 presented in the Financial Statements and accompanying notes.

The College currently has £16.2m of loans outstanding with bankers on terms negotiated in 2018 and a £3.5m loan outstanding with ESFA. Because of the impact of the pandemic on the College's income, there was some possibility that the College might not be able to stay within the constraints of its current covenants for 2020/21. However, the College's loan providers recognised the exceptional circumstances relating to 2020/21 and have formally agreed not to test both Leverage and Cash Cover covenants for this year only. As a result, the College will not breach any financial covenants for 2020/21.

The College has produced a financial plan that forecasts the College will achieve a 'Good' financial health rating, keep strong cash balances throughout the year, meet its bank covenants and be able to meet its financial obligations for 2021/22.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason continues to adopt the going concern basis in the preparation of its financial statements.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the Financial Memorandum previously agreed with the Skills Funding Agency (now ESFA). All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

Cash and cash equivalents held by the College increased by £1,520,000. This increase was due to the College's strong operating position generating sufficient cash to exceed operating costs and loan servicing costs and capital expenditure.

The College currently has £16,208,000 of loans outstanding with banks. In addition to this, it drew down loan funding of £4,700,000 from the ESFA in December 2018 and the balance of this loan was £3,525,000 at 31/07/2021. The loan from the ESFA is a commercial loan with financial covenants. It is repayable over ten years and until 1st April 2020 the College paid commercial interest rates on this loan. From 1st April 2020, the College has paid interest rates based upon Public Works Loan Board (PWLb) rates. The College's forecasts and financial

Strategic Report *(continued)*

FINANCIAL POSITION *(continued)*

projections indicate that it will be able to operate within these loan structures for the foreseeable future.

Due to the extraordinary and challenging circumstances for 2020/21, both Lloyd, Barclays and ESFA have formally agreed not to test most of the bank covenants and the College met these financial covenants for 2020/21.

Liquidity

The College had a current ratio of 0.92 at the end of 2020/21, (2019/20: 0.99). However, this ratio is affected by having a large noncash item, deferred capital grants, of £2,455,000 included in "amounts falling due within one year". If this noncash item is removed, the ratio becomes 1.08.

The College reduced its bank loan and ESFA long term liabilities by £2,132,000 in 2020/21 and has several mechanisms in place to manage the uncertainties in interest rates.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve (excluding the impact of the pension scheme) stands at £28,842,000 (2020: £28,226,000). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

From 1 August 2019, the adult education budget (AEB) was apportioned between ESFA and WMCA. In 2020/21 the College received £22,189,000 from the WMCA and £25,030,000 from ESFA in recurrent grants for activity it delivered, which totalled £47,219,000 (2019/20 – £48,065,000).

The College had approximately 12,300 students funded by ESFA and WMCA

Student achievements

Students continue to achieve academic success at the College, but as mentioned earlier, the March lockdown meant that a number of students were unable to complete their course. This has impacted upon student achievement rates, which has been recognised by the ESFA and Colleges will not be judged upon Success Rates for 2020/21.

Curriculum developments

The College is fully aware of the need to be constantly updating and changing its curriculum offering. In 2020/21, the College continued to design of course materials that could be delivered on-line along with the development and enhancement of IT systems to enable the College to stream lessons and tutorials. In addition to this the College developed courses which were designed to enable people to gain employment. An example of this was the use of Training Simulators to deliver plant training.

Trade Union facility time

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

Strategic Report *(continued)*

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE *(continued)*

Numbers of employees who were employed in the relevant period (2020/21)	FTE employee number
27.00	26.03

Percentage of time	Number of employees
0%	0
1-50%	27
51-99%	0
100%	0

Total cost of facility time	£86,000
Total pay bill	£45,753,000
Percentage of total bill spent on facility time	0.2%

Time spent on paid trade union activities as a percentage of total paid facility time	1.00
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Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provisions 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%. The College supports the achievement of this target.

Events after the end of the reporting period

None.

Future prospects

South and City College Birmingham's focus is on excellence when working with students, employers and communities to improve the skills and life chances of the people of Birmingham. The College expects to play a central role in the retraining of West Midlands residents who, due to the current pandemic, have become unemployed.

The College is one of the largest colleges in England and offers a wide range of courses from pre entry level to degree level courses. It also has specialist facilities at its campuses and staff that are experts in their fields. In November 2018 an Ofsted inspection graded the College as 'Good', which has cemented its reputation as one of the highest performing colleges in the region. The College is also forecast to improve its financial health so that it is rated 'Good', which gives the College a sound basis to develop new areas of curriculum that are needed to meet the demand for retraining and areas of skills shortages.

Resources

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

The College has land and buildings with a net book value of £114,968,000 (2019/20 - £113,921,000).

Expenditure on tangible fixed assets was £5,490,000, (2019/20 - £987,000) as the College continued its policy of reinvesting in equipment and facilities that benefit students.

Strategic Report *(continued)*

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE *(continued)*

The Group had cash reserves and cash equivalents of £13,502,000 at the end of the year (2019/20 - £11,982,000), which it intends to use to further resource the college.

Financial

The Group has a negative position of £45,540,000 net liabilities (2019/20 - £54,271,000). The positive change in the reserve position is due to a reduction in the defined pension obligations from £88.3m to £80.0m along with the underlying operating surplus that was achieved in 2020/21.

Bank and ESFA loans stood at £19,733,000 (2019/20 - £21,823,000).

People

The College employs 945 people (expressed as full-time equivalents), of whom 415 are teaching staff (2019/20 – 945 people and 410 teaching staff).

Reputation

The College was rated “Good” by Ofsted inspection in November 2018, which, given that it merged with Bournville College in August 2017 and Bournville College’s grade was ‘Requires Improvement’, is a considerable achievement. The College was part of a successful bid to gain capital funding to set up an Institute of Technology (IOT). There were only twelve successful bids to gain this funding and being one of few Colleges that is able to brand itself as part of an IOT enhances the College’s reputation considerably.

Maintaining a quality brand is essential for the College’s success at attracting students and developing external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

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

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

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

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

1. Covid-19 pandemic

The threat from Covid-19 may be receding nationally, but local outbreaks of Covid-19 have the potential to both reduce the College’s income and increase expenditure, which could threaten its financial stability. In the event of a resurgence in Covid locally, it is almost certain that Commercial Income, along with income from International Students, would collapse and a very high risk that income from Apprenticeships will significantly reduce, as organisations are likely to curb their recruitment of Apprentices. Further to this, there is the potential for further lockdowns, which could have a severe impact upon enrolments in all areas. The College would also incur

Strategic Report *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

additional expenditure if the Covid infections increased. Additional staffing costs will arise as staff are forced to isolate if they test positive for the virus or start to show symptoms. Also, group sizes will reduce due to the need for social distancing, which will increase the number of groups needed and this increases the staffing requirement. There will be an increase in estates costs, both staffing and non-staffing costs, as there will be a requirement for additional PPE and cleaning, along with an increased requirement for staffing to carry out procedures to reduce the risk from the virus, such as temperature checking. Expenditure on equipment for students will also increase as students will need to be provided with personalised equipment, as they will be unable to share equipment.

The College has mitigated against this risk in the following ways.

- The College has substantial cash reserves and is able to incur a substantial deficit, without any threat to its solvency.
- The College has worked closely with banks to reset its banking covenants for 2020/21 so that they reflect the expected performance for 2020/21 and is confident a similar approach could be taken in the event of increased Covid infections.

2. Government funding

The College has considerable reliance on continued government funding from ESFA and WMCA. In 2020/21, 89.7% (2019/20 – 86.3%) of the College's revenue was ultimately public funded and this level of funding is expected to continue.

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

- WMCA has priority areas to which it wants to direct more funding. If the College does not meet these priorities, it will find funding is diverted away from it.
- The College is likely to face greater competition from new academies and school sixth forms for 16-18 year old students. Whilst demographics show that Birmingham will have more 16-18 year olds in the forthcoming years, the upturn is concentrated in the inner city. Outer areas of the city will see a reduction in 16-18 year olds, which will impact upon the College's Bournville campus.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training.
- The College shares its proposed delivery plan with the WMCA and amends the plan to take account of WMCA feedback.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- Reducing the level of dependence upon public funding.
- Efficiency gains to reduce expenditure in line with income.

3. Proportion of students going into work or higher education below benchmark

A key way in which Ofsted now judges Colleges is by the proportion of students who go into employment or further education once they finish their course. In addition to this funding from the WMCA is increasingly reliant upon courses leading to employment. Therefore, the College risks a poor Ofsted and reduced funding if it cannot demonstrate that students who leave the College progress into either employment or further education, at a rate which is acceptable.

This risk is mitigated in a number of ways:

- Curriculum plans are checked by SLT to ensure they have employment or higher education outcomes built into them.
- Progression into HE & Employment included in Faculty targets.
- Relevant Industry training in response to employers' need.

4. Ensuring the College's curriculum meets the needs and aspirations of students.

Strategic Report *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Students have a wide choice in terms of FE education providers as school sixth forms, new academies and private providers compete with FE colleges for students. Where a college does not offer courses which meet the needs and aspirations of students, it will find it difficult to compete in this type of environment and struggle to maintain its current student numbers.

Therefore, the College needs to ensure that its curriculum offering is attractive to students. This risk is mitigated in a number of ways:

- Incorporation of targets for new provision within curriculum plans.
- Systems in place to test the views of students with regard to the College's curriculum offering.
- Ensuring courses offer pathways to both Employment and Higher Education.
- The College offers a Higher Education provision that is tailored to our students' needs.

5. Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Requires Improvement" by the ESFA. The continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis.
- Regular in year budget monitoring.
- Robust financial controls.
- Exploring ongoing procurement efficiencies.

6. IT system failure because of an external cyber-attack

The College was a victim of cyber-attack during 2020/21, which resulted in the College not being able to access some of its IT systems for a short period time. Since the attack, the College has taken a lot of action to prevent future attacks including enhanced threat protection, latest client anti-malware and anti-virus, improved detection and response, multi-factor authentication, geo-location lockdown, cyber security awareness training, regular phishing simulation, penetration testing, blocking of all executable or 'active' content in email attachments, encryption of databases and immutable backups.

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- FE Commissioner
- Staff;
- Local employers (with specific links);
- Local Authorities;
- West Midlands Combined Authority;
- Government Offices/Regional Development Agencies/Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- The Office for Students;
- Trade unions; and
- Professional bodies.

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

Strategic Report *(continued)*

STAKEHOLDER RELATIONSHIPS *(continued)*

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equality Policy is published on the College's Internet site.

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

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An equalities plan is published each year and monitored by managers and governors.

The College has also implemented an Equality & Diversity training programme which all staff complete online. Refresher training and training for new starters is carried out on an ongoing basis.

Disability statement

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

- a) The vast majority (over 96%) of the College's estate has been assessed as accessible to people with mobility needs. Further reasonable adjustments are made, as and when required, to support people with disabilities. The college also has a range of specialist aids, equipment and facilities in place to further support people with disabilities.
- b) The College uses Access to Work, who provide information, advice and arranges support where necessary for staff with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available from Student Services.
- d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Courses for students with learning difficulties and disabilities are listed on the College's website and various promotional material.
- g) Mentoring and welfare services are described in the student handbook, which is available to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Strategic Report *(continued)*

STAKEHOLDER RELATIONSHIPS *(continued)*

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Clive Henderson', with a long horizontal stroke extending to the right.

Clive Henderson
Chairman

College Advisers

Financial statement and regularity auditors:

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

Internal auditors:

RSM Risk Assurance Services LLP
St Phillips Point
Temple Row
Birmingham
B2 5AF

Bankers:

Lloyds Bank
114-116 Colmore Row
Birmingham
B3 3DP

Barclays Bank
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GN

Solicitors: General

SGH Martineau
No 1 Colmore Square
Birmingham
B4 6AA

Statement of Corporate Governance and Internal Control

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. This statement covers the period from 1st August 2020 to 31st July 2021 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

In the opinion of the governors, the College complies with all the provisions of the UK Corporate Governance Code insofar as it is applicable to FE Colleges, and it has complied throughout the year ended 31 July 2021. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

The Corporation

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

Governors serving on the College Board during 2020/21.

Governor	Date of appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance at Corporation Meetings 1/8/20 – 31/7/21 (9 meetings)
Alex Stephenson	Re-appointed 4 March 2020	2 years		Independent Governor	Senior Staff Remuneration Higher Education Oversight Committee Audit Committee	8
Angela Pocock	Re-appointed 5 July 2019	4 years	19 May 2021	Independent Governor	Chair: Employment & Equalities Chair: Senior Staff Remuneration Higher Education Oversight Committee	2
Audrey Bathley	Appointed 4 February 2020	3 years		Non-Teaching Governor		8
Clive Henderson	Re - appointment as Chair: 20 September 2016	4 years		Independent Governor	Chair: Corporation Search & Governance Senior Staff Remuneration	9

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	Re-appointed as governor 11 June 2021					
Dr Zahoor Mann	Re-appointed 20 February 2020	2 years		Independent Governor	Employment & Equalities Senior Staff Remuneration Audit Search & Governance Higher Education Oversights Committee	9
Gerald Bermingham	Re-appointed 12 May 2021	2 years		Independent Governor	Audit Employment & Equalities	8
Heather Jones	Re-appointed 11 June 2021	1 years		Independent Governor	Audit Senior Staff Remuneration Search & Governance	9
Ian Richards	Re-appointed 1 October 2020	4 years		Independent Governor	Employment & Equalities Chair: Higher Education Oversights Committee	9
John Gemmell	Re-appointed 10 February 2020	2 years		Independent Governor	Audit Committee (Chair until 28 April 2021) Senior Staff Remuneration	9
Lucy Jaynes	Re-appointed 10 December 2020 Appointed Vice Chair 8 October 2019	4 years		Independent Governor	Higher Education Oversights Committee Senior Staff Remuneration Employment & Equalities (Chair from 19 May 2021)	9
Marianne Coward	Re-appointed 1 August 2021	4 years		Independent Governor	-	6
Mike Hopkins	N/A	N/A		Principal	N/A	8
Nasir Awan	Re-appointed 9 July 2018	4 years		Independent Governor	Employment & Equalities	5
Pat O'Neill	Re-appointed 28 February 2018	4 years		Independent Governor	Audit Employment	9
Paul Johal	Re-appointed 7 April 2019	4 years		Independent Governor	Employment & Equalities Search & Governance Audit	9
Richard Weber (Ryszard)	Re-appointed 13 May 2017	4 years	Term of office expired 13 May 2021	Independent Governor	Search & Governance Audit Employment & Equalities Higher Education	7

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Financial Statements for the Year Ended 31 July 2021

					Oversights Committee	
Ros Boyne	Appointed 9 July 2020	3 years		Co-opted Governor to Higher Education Oversight Committee	Higher Education Oversight Committee	N/A
Samuel Elton	Appointed 3 December 2019	2 years	25 June 2021	Student Governor		1
Sarah Dolman	4 December 2018	3 years		Teaching Staff Governor		7
Shaun Pitt	Re-appointed 1 August 2021	4 years		Independent Governor	Audit Committee (Chair from 28 April 2021)	9
Shireen Avari	Re-appointed 9 April 2018	4 years		Independent Governor	Audit Employment & Equalities Chair: Search & Governance Higher Education Oversight Committee	9
Stephen McAuliffe	6 July 2021	4 years		Independent Governor	Higher Education Oversight Committee	N/A
Wade Smith	6 July 2021	1 year		Co-opted governor	Employment & Equalities	N/A

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 has met 9 times this year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Planning, Resources and Estates, Employment and Equalities, Senior Staff Remuneration, Search and Governance, Student Services, Standards, Higher Education Oversight and Audit. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.sccb.ac.uk or from the Clerk to the Corporation at:

South and City College Birmingham
Hall Green Campus
Cole Bank Road
Hall Green
Birmingham
B28 8ES

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all

Statement of Corporate Governance and Internal Control *(continued)*

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 Chairman and Accounting Officer are separate.

Appointments to the Corporation

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

Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

The Corporation carried out a detailed self-assessment of its own performance for the year ended 31st July 2020 and graded itself as "Good" on the Ofsted scale. The College did not complete a governor led self-assessment this year. However, it continues to grade itself as "Good" on the Ofsted scale and is planning to carry out the self-assessment over the coming months.

Senior Staff Remuneration Committee

Throughout the year ended 31 July 2021, the College's Senior Staff Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

Details of remuneration for the year ended 31 July 2021 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises seven members of the Corporation (excluding the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan and report their findings to management and the Audit Committee. Since 1 August 2020 health and safety, learner number systems, key financial controls, GDPR and risk management have all been subject to internal audit.

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

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

Statement of Corporate Governance and Internal Control *(continued)*

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum/Financial Agreement between South and City College Birmingham and the funding bodies. He 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 South and City College Birmingham for the year ended 31 July 2021 and up to the date of approval of the financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the year ended 31 July 2021 and up to the date of approval of the financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Governing Body.
- Regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.
- The adoption of formal project management disciplines, where appropriate.

The College has an outsourced internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

At minimum annually, the College's internal auditors provide the Governing Body with a report on internal audit activity in the College. The report includes the internal auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement of Corporate Governance and Internal Control *(continued)*

Review of effectiveness

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audits and taking account of events since 31 July 2021.

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

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:



Clive Henderson
Chairman



Mike Hopkins
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

We confirm on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are not 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 contract with 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.

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:



Clive Henderson
Chairman



Mike Hopkins
Accounting Officer

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's grant funding agreements and contracts with ESFA, the Corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period.

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

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

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

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

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the college's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA are not put at risk.

Approved by order of the members of the Corporation on 14 December 2021 and signed on its behalf by:



Clive Henderson
Chairman

Independent Auditor's Report to the Members of South and City College Birmingham

Opinion

We have audited the financial statements of South & City College Birmingham (the 'College') and its subsidiaries (the 'group') for the year ended 31 July 2021 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheet, the Consolidated Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and College's affairs as at 31 July 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 Independent Auditor's Report to the Members of South and City College Birmingham (continued)

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.

Independent Auditor's Report to the Members of South and City College Birmingham (continued)

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 20, 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.

**Independent Auditor's Report to the Members of South and City College Birmingham
(continued)**

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.



David Hoose (Dec 15, 2021 16:58 GMT)

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

Date: 15 December 2021

Independent Reporting Accountant's Assurance Report on Regularity

To: The corporation of South & City College Birmingham and Secretary of State for Education acting through Education and Skills Funding Agency ("ESFA") and the West Midlands Combined Authority

In accordance with the terms of our engagement letter dated 20th September 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by South & City College Birmingham 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 and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the corporation of South & City College Birmingham 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 South & City College Birmingham 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 South & City College Birmingham and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of South & City College Birmingham and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 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 corporation's income and expenditure.

Independent Reporting Accountant's Assurance Report on Regularity *(continued)*

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 approved policies and procedures operating during the year for each funding stream that has specific terms attached.
- 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 that govern them.

Signed:



David Hoose (Dec 15, 2021 16:58 GMT)

Mazars LLP

Date: 15/12/2021

Consolidated Statements of Comprehensive Income

For the year ended 31 July 2021

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group £000	College £000	Group £000	College £000
Income					
Funding body grants - recurring	2	55,345	55,345	55,134	55,134
Tuition fees and education contracts	3	5,199	5,199	6,770	6,770
Other grants and contracts	4	156	156	252	252
Other income	5	960	960	1,639	1,639
Investment income	6	13	13	61	61
Total Income		61,673	61,673	63,856	63,856
Expenditure					
Staff costs	7	45,753	45,753	42,379	42,379
Fundamental restructuring costs	7	0	0	61	61
Other operating expenses	9	12,846	12,846	14,131	14,131
Depreciation	12	4,587	4,587	4,589	4,589
Interest and other finance costs	10	2,059	2,059	2,112	2,112
Total expenditure		65,245	65,245	63,272	63,272
(Deficit)/Surplus before other gains and losses		(3,572)	(3,572)	584	584
Profit/(loss) on disposal of assets	12	0	0	1	1
(Deficit)/Surplus before tax		(3,572)	(3,572)	585	585
Taxation	11	0	0	0	0
(Deficit)/Surplus for the year		(3,572)	(3,572)	585	585
Unrealised surplus on revaluation of assets					
Actuarial gain/(loss) in respect of pensions schemes	23	12,303	12,303	(37,339)	(37,339)
Total Comprehensive Income for the year		8,731	8,731	(36,754)	(36,754)

SOUTH and CITY COLLEGE BIRMINGHAM
Financial Statements for the Year Ended 31 July 2021

Represented by:

Restricted comprehensive income	-	-	-	-
Unrestricted comprehensive income	8,731	8,731	(36,754)	(36,754)
	<u>8,731</u>	<u>8,731</u>	<u>(36,754)</u>	<u>(36,754)</u>
(Deficit)/Surplus for the year attributable to:				
Group	<u>(3,572)</u>	<u>(3,572)</u>	<u>585</u>	<u>585</u>
 Total Comprehensive Income for the year attributable to:				
Group	<u>8,731</u>	<u>8,731</u>	<u>(36,754)</u>	<u>(36,754)</u>

The notes on pages 31 to 55 form part of these financial statements.

Consolidated and College Statement of Changes in Reserves

For the year ended 31 July 2021

	Income and expenditure account	Revaluation reserve	Total
	£000	£000	£000
Group			
Balance at 1 August 2019	(23,447)	5,930	(17,517)
Surplus from the income and expenditure account	585	0	585
Other comprehensive income	(37,339)	0	(37,339)
Transfers between revaluation and income and expenditure reserves	133	(133)	0
	(36,621)	(133)	(36,754)
Balance at 31 July 2020	(60,068)	5,797	(54,271)
(Deficit) from the income and expenditure account	(3,572)		(3,572)
Other comprehensive income	12,303		12,303
Transfers between revaluation and income and expenditure reserves	133	(133)	0
Total comprehensive income for the year	8,864	(133)	8,731
Balance at 31 July 2021	(51,204)	5,664	(45,540)
College			
Balance at 1 August 2019	(23,336)	5,930	(17,406)
Surplus from the income and expenditure account	585	0	585
Other comprehensive income	(37,339)	0	(37,339)
Transfers between revaluation and income and expenditure reserves	133	(133)	0
	(36,621)	(133)	(36,754)
Balance at 31 July 2020	(59,956)	5,797	(54,159)
(Deficit) from the income and expenditure account	(3,572)		(3,572)
Other comprehensive income	12,303		12,303
Transfers between revaluation and income and expenditure reserves	133	(133)	0
Total comprehensive income for the year	8,864	(133)	8,731
Balance at 31 July 2021	(51,093)	5,664	(45,429)

Balance sheets as at 31 July 2021

	Notes	Group 2021 £000	College 2021 £000	Group 2020 £000	College 2020 £000
Non current assets					
Tangible fixed assets	12	119,597	119,597	118,694	118,694
		119,597	119,597	118,694	118,694
Current assets					
Stocks		42	42	35	35
Trade and other receivables	14	1,499	1,678	1,498	1,679
Investments at Bank	15	104	104	104	104
Cash and cash equivalents	20	13,502	13,502	11,982	11,980
		15,147	15,326	13,619	13,798
Less: Creditors - amounts falling due within one year	16	(16,460)	(16,528)	(13,678)	(13,746)
Net current (liabilities)/assets		(1,313)	(1,202)	(59)	52
Total assets less current liabilities		118,284	118,395	118,635	118,746
Creditors - amounts falling due after more than one year	17	(83,099)	(83,099)	(83,979)	(83,979)
Provisions					
Defined benefit obligations	19	(80,046)	(80,046)	(88,294)	(88,294)
Other provisions	19	(679)	(679)	(633)	(633)
Net liabilities		(45,540)	(45,429)	(54,271)	(54,160)
Unrestricted Reserves					
Income and expenditure account		(51,204)	(51,093)	(60,068)	(59,956)
Revaluation reserve		5,664	5,664	5,797	5,797
Total unrestricted reserves		(45,540)	(45,429)	(54,271)	(54,160)

The financial statements on pages 24 to 52 were approved by the Corporation on 14 December 2021 and were signed on its behalf on by:



Clive Henderson - Chairman



Mike Hopkins – Accounting Officer

The notes on pages 31 to 55 form part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 July 2021

	Notes	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Cash flow from operating activities			
(Deficit)/Surplus for the year		(3,572)	585
Adjustment for non-cash items			
Depreciation		4,587	4,589
(Increase)/decrease in stocks		(7)	(1)
(Increase)/decrease in debtors		(1)	(68)
Increase/(decrease) in creditors due within one year		2,739	(1,082)
Increase/(decrease) in creditors due after one year		1,252	(1,711)
Increase/(decrease) in provisions		46	26
Pensions costs less contributions payable		4,055	1,207
Adjustment for investing or financing activities			
Investment income		(13)	(61)
Interest payable		891	1,115
Net cash flow from operating activities		9,977	4,598
Cash flows from investing activities			
Investment income		13	61
Payments made to acquire fixed assets		(5,490)	(987)
		(5,477)	(925)
Cash flows from financing activities			
Interest paid		(891)	(1,115)
Repayments of amounts borrowed		(2,089)	(2,037)
		(2,980)	(3,152)
Increase/(decrease) in cash and cash equivalents in the year		1,520	521
Cash and cash equivalents at beginning of the year	20	11,982	11,461
Cash and cash equivalents at end of the year	20	13,502	11,982

Notes to the Accounts

1 Accounting policies

Statement of accounting policies

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.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

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 presented in the Financial Statements and accompanying Notes.

The College currently has £16.2m of loans outstanding with bankers on terms negotiated in 2018 and a £3.5m loan outstanding with ESFA. Due to the effects of the pandemic on the College's income, there was some possibility that the College might not be able to stay within the constraints of its current covenants for 2020/21. However, the College's loan providers recognised the exceptional circumstances relating to 2020/21 and have formally agreed not to test both Leverage and Cash Cover covenants for this year only. As a result, the College will not breach any financial covenants for 2020/21.

The College has produced a financial plan that forecasts the College will achieve a 'Good' financial health rating, keep strong cash balances throughout the year, meet its bank covenants and be able to meet its financial obligations for 2021/22.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, FESSA (Projects) Limited and Urban Enterprises (Bournville) Limited. The results of the subsidiaries during the year are included in the consolidated income and expenditure account. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2021. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities.

Notes to the Accounts *(continued)*

1 Accounting policies *(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 stream 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 income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is, therefore, not subject to contract adjustments.

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

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

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

Capital grant funding

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

Fee income

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

Investment income

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

Accounting for post-employment benefits

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

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

Notes to the Accounts *(continued)*

1 Accounting policies *(continued)*

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

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

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

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at frozen valuation or deemed cost. Land and buildings acquired since incorporation are included in the balance sheet at cost.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1999, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets

Notes to the Accounts *(continued)*

1 Accounting policies *(continued)*

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

Equipment

Equipment costing less than £500 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

All equipment assets are depreciated over their useful economic life as follows:

Motor vehicles and general equipment	-	5 years
Computer equipment	-	5 years
Fixtures and Fittings	-	10 years

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 capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

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

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Current asset investments are included in the balance sheet at the lower of cost and net realisable value.

Leased assets

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

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

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

Notes to the Accounts *(continued)*

1 Accounting policies *(continued)*

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

Inventories

Stocks are stated at the lower of their cost and net realisable value. Stock cost is measured by the first in, first out method. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period it is incurred.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore, it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, 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.

Notes to the Accounts *(continued)*

1 Accounting policies *(continued)*

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.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

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

2 Funding body 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 - Adults	656	656	2,019	2,019
Education and Skills Funding Agency - 16-18	23,869	23,869	23,983	23,983
Education and Skills Funding Agency - 14-16	505	505	455	455
West Midlands Combined Authority - Adults	22,189	22,189	21,608	21,608
Office for Students	316	316	240	240
Specific grants				
Education and Skills Funding Agency - Adults	946	946	2,501	2,501
Education and Skills Funding Agency - 16-18	3,344	3,344	1,188	1,188
Education and Skills Funding Agency - 14-16	7	7	11	11
Teacher Pension Scheme Contribution Grant	1,333	1,333	1,260	1,260
Release of government capital grants				
Buildings	1,750	1,750	1,579	1,579
Equipment	430	430	291	291
Total	55,345	55,345	55,134	55,134

3 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	292	292	412	412
Apprenticeship fees and contracts	32	32	55	55
Fees for FE loan supported courses	848	848	1,632	1,632
Fees for HE loan supported courses	2,254	2,254	2,357	2,357
International students' fees	322	322	786	786
Total Tuition fees	3,748	3,748	5,244	5,244
Education contracts	1,451	1,451	1,526	1,526
Total	5,199	5,199	6,770	6,770

Notes to the Accounts *(continued)*

Details of funding body grant and fee income

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
Grant income from the Office for Students	328	328	252	252
Grant income from other bodies	55,017	55,017	54,883	54,883
Fee income for taught awards (exclusive of VAT)	2,254	2,254	2,357	2,357
Fee for research awards (exclusive of VAT)	0	0	0	0
Fee income from non-qualifying courses (exclusive of VAT)	2,945	2,945	4,413	4,413
Total funding body grant and fee income	60,544	60,544	61,904	61,904

4 Other grants and contracts

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
European Funding	0	0	24	24
Other Grant Income	156	156	228	228
Total	156	156	252	252

5 Other income

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Catering income	346	346	531	531
Other income generating activities	16	16	208	208
Miscellaneous income	598	598	900	900
	960	960	1,639	1,639

6 Investment income

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Total other interest receivable	13	13	61	61
	13	13	61	61

Notes to the Accounts *(continued)*

7 Staff costs

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

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group Number	College Number	Group Number	College Number
Teaching staff	448	448	442	442
Non-teaching staff	629	629	639	639
	1,077	1,077	1,081	1,081

	Year ended 31 July 2021		Year ended 31 July 2020	
Staff costs for the above persons:	Group £000	College £000	Group £000	College £000
Wages and salaries	30,165	30,165	28,863	28,863
Social security costs	2,838	2,838	2,804	2,804
Other pension costs	9,689	9,689	7,580	7,580
Payroll sub-total	42,692	42,692	39,247	39,247
Contracted out staffing services	3,061	3,061	3,132	3,132
	45,753	45,753	42,379	42,379
Restructuring costs				
- Contractual	0	0	26	26
- Non-contractual	0	0	35	35
	45,753	45,753	42,440	42,440

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team which comprises the Principal, Deputy and Assistant Principals.

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

	Senior post-holders		Other staff	
	2021 No.	2020 No.	2021 No.	2020 No.
£60,001 to £65,000	0	0	5	3
£65,001 to £70,000	0	0	1	1
£70,001 to £75,000	0	1	0	1
£80,001 to £85,000	3	3	0	0
£90,001 to £95,000	2	2	0	0
£120,001 to £125,000	1	1	0	0

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£180,001 to £185,000

<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>
<u>7</u>	<u>8</u>	<u>6</u>	<u>4</u>

Notes to the Accounts *(continued)*

8 Senior post-holders' emoluments

	Year ended 31 July 2021	Year ended 31 July 2020
	Number	Number
The number of key management personnel including the Accounting Officer was:	7	8
Key management personnel compensation is made up as follows:	£000	£000
Salaries- gross of salary sacrifice and waived emoluments	742	806
Employer's NI	94	101
Benefits in kind	<u>0</u>	<u>0</u>
	836	907
Pension contributions	120	142

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid post-holder) of :

	Year ended 31 July 2021	Year ended 31 July 2020
	£000	£000
Salary	180	180
Benefits in kind	<u>0</u>	<u>0</u>
	<u>180</u>	<u>180</u>
Pension contributions	0	0

The governing body adopted AoC's Senior Staff Remuneration Code in March 2019 and assesses pay in line with its principles.

The remuneration package of Key management staff, including the Principal, is subject to annual review by the Senior Staff Remuneration Committee.

In determining the remuneration of the Principal, the Senior Staff Remuneration Committee consider the performance and the achievements of the College and the environment in which it operates. South and City College Birmingham is one of the largest General Further Education Colleges, predominantly delivering vocational courses, operating in an extremely competitive environment. The Senior Staff Remuneration Committee consider the remuneration package of the Principal to be appropriate given the seniority of the post and the success of the College in a very challenging Further Education environment.

The Principal reports to the Chairman, who undertakes an annual review of his performance against the College's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple of the median of all staff

2021 2020

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Principal's basic salary as a multiple of the median of all staff	6.84	6.56
Principal and CEO's total remuneration as a multiple of the median of all staff	6.84	6.55

Notes to the Accounts (continued)

8 Senior post-holders' emoluments (continued)

It should be noted that unlike some other colleges, South and City College Birmingham does not outsource its provisions for catering, cleaning and security. If the salaries for catering, cleaning and security are deducted from the calculation, the Principal's basic salary as a multiple of the median of all staff would be 2021: 5.87 and 2020: 4.80.

There has been no compensation for loss of office paid to former key management personnel. The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

9 Other operating expenses

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£000	£000	£000	£000
Teaching costs	1,322	1,322	1,231	1,231
Non-Teaching costs	8,213	8,213	9,122	9,122
Premises costs	3,311	3,311	3,778	3,778
Total	12,846	12,846	14,131	14,131

	Year ended 31 July 2021		Year ended 31 July 2020	
Other operating expenses include:	Group	College	Group	College
	£000	£000	£000	£000
Auditors' remuneration:				
Financial statement audit	52	52	41	41
Other services provided by the financial statements auditor	1	1	1	1
Internal audit	27	27	32	32
Pension Administration costs	16	16	70	70
Hire of assets under operating leases	413	413	459	459

The College did not have an Access and Participation Plan in place for 2020/2021 and did not charge higher education students the associated higher fees. Therefore the College is not required to make any disclosure of Access and Participation expenditure incurred in the year.

10 Interest payable

Year ended 31 July 2021	Year ended 31 July 2020
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	£000	£000
Bank loans, overdrafts and other loans	891	1,115
Finance Leases	0	0
Pension finance costs (note 24)	1,168	997
Total	2,059	2,112

Notes to the Accounts *(continued)*

11 Taxation

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

12 Tangible fixed assets (Group and College)

	Land and Buildings Freehold	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2020	145,364	32,546	177,909
Additions	3,740	1,750	5,490
Disposals	0	(12)	(12)
At 31 July 2021	149,104	34,284	183,387
Depreciation			
At 1 August 2020	31,443	27,772	59,215
Charge for year	2,693	1,894	4,587
Eliminated in respect of disposals	0	(12)	(12)
At 31 July 2021	34,136	29,654	63,790
Net book value			
At 31 July 2021	114,968	4,630	119,597
Net book value			
At 1 August 2020	113,921	4,774	118,694
Inherited	6,438	0	6,438
Financed by capital grant	62,115	595	62,710
Other	46,414	4,035	50,449
Net book value			
At 31 July 2021	114,967	4,630	119,597

Notes to the Accounts *(continued)*

12 Tangible fixed assets *(continued)*

Land and buildings for the former South Birmingham College were valued in 1999 at depreciated replacement cost by a firm of independent chartered surveyors. The land and buildings of the former City College Birmingham sites, as at 1/08/2012 were valued independently by independent chartered surveyors in 2012/13. Other tangible fixed assets inherited from the Local Education Authority at incorporation were valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

The assets were valued on incorporation. The historic cost of assets was £1,449,000. If fixed assets had not been revalued they would have been included at the following historical cost amounts:

Land and buildings with a net book value of £62,115,000 have been financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Finance Memorandum with the Council, to surrender the proceeds.

	2021	2020
	£000	£000
Cost	1,449	1,449
Aggregate depreciation based on cost	675	646
Net book value based on cost	774	803

13 Non-current investments

	College Year ended 31 July 2021 £	College Year ended 31 July 2020 £
Investments in subsidiary companies	8	8
Investments in associate companies	300	300
Total	308	308

The senior post-holders believe that the carrying value of the investments is supported by their underlying net assets

(a) Subsidiary companies

Details of the College's subsidiary companies are shown below. The company is registered in England and Wales. The holding is of ordinary shares and the shares are held by the College.

Name of company	Registered Address	Proportion of voting rights and shares held	Nature of business
FESSA Limited	Cole Bank Road, Hall Green. B28 8ES	100%	Dormant
Urban Enterprises (Bournville) Ltd	High Street Deritend, Digbeth. B5 5SU	100%	Dormant

The members believe that the carrying value of the investments is supported by their underlying net assets.

Notes to the Accounts *(continued)*

13 Non-current investments *(continued)*

(b) Associated companies

Included within investments of the College is a 16.67% interest in City of Birmingham Community College, a company limited by guarantee and registered in England and Wales. City of Birmingham Community College trades as Birmingham Community College.

City of Birmingham Community College operates as a consortium for the purposes of collaboration and there are no shares. The company was incorporated on 10th March 1999 and has since traded with a financial year end of 31 July. The College is of the opinion that their share of assets and liabilities is not material to the overall state of affairs of the College and, consequently, they have not been included as part of the consolidated financial statements.

14 Trade and other receivables

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group	College	Group	College
	£000	£000	£000	£000
Amounts falling due within one year				
Trade receivables	563	562	680	680
Amounts owed by group undertakings:				
Subsidiary undertakings	0	190	0	192
Prepayments and accrued income	936	926	818	807
Amounts owed by the Education and Skills Funding Agency	0	0	0	0
	<u>1,499</u>	<u>1,678</u>	<u>1,498</u>	<u>1,679</u>

15 Current investments

	Group Year ended 31 July 2021 £000	College Year ended 31 July 2021 £000	Group Year ended 31 July 2020 £000	College Year ended 31 July 2020 £000
Short term deposits	104	104	104	104

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

Notes to the Accounts *(continued)*

16 Creditors: amounts falling due within one year

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Bank loans (note 18a)	1,653	1,653	1,610	1,610
Payments received in advance	1,157	1,157	346	346
Trade payables	1,803	1,803	2,262	2,262
Amounts owed to group undertakings:				
Subsidiary undertakings	0	54	0	54
Other taxation and social security	8	8	1,491	1,491
HM Revenue and Customs (note 18)	242	242	335	335
Accruals	5,739	5,753	3,074	3,088
Deferred income - government capital grants	2,455	2,455	1,949	1,949
Amounts owed to the Education and Skills Funding Agency (note 18b)	470	470	470	470
Amounts owed to the Education and Skills Funding Agency	<u>2,933</u>	<u>2,933</u>	<u>2,141</u>	<u>2,141</u>
	<u>16,460</u>	<u>16,528</u>	<u>13,678</u>	<u>13,746</u>

Bank and other loans are repayable by instalments falling due between 1 August 2021 and 30 November 2029 totalling £19,743,000, are secured on a portion of the freehold land and buildings of the College.

17 Creditors: amounts falling due after more than one year

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Bank loans (note 18a)	14,556	14,556	16,218	16,218
Amounts owed to the Education and Skills Funding Agency (note 18b)	3,055	3,055	3,525	3,525
Deferred income - government capital grants	<u>65,488</u>	<u>65,488</u>	<u>64,236</u>	<u>64,236</u>
	<u>83,099</u>	<u>83,099</u>	<u>83,979</u>	<u>83,979</u>

Notes to the Accounts *(continued)*

18 Maturity of debt

(a) Bank loans

Repayable over the following periods:

	Group Year ended 31 July 2021 £000	College Year ended 31 July 2021 £000	Group Year ended 31 July 2020 £000	College Year ended 31 July 2020 £000
In one year or less	1,653	1,653	1,610	1,610
Between one and two years	7,153	7,153	1,653	1,653
Between two and five years	3,665	3,665	9,553	9,553
In five years or more	3,737	3,737	5,012	5,012
Total	16,208	16,208	17,828	17,828

(b) HM Revenue and Customs

Repayable over the following periods:

	Group Year ended 31 July 2021 £000	College Year ended 31 July 2021 £000	Group Year ended 31 July 2020 £000	College Year ended 31 July 2020 £000
In one year or less	242	242	335	335
Between one and two years	0	0	0	0
Between two and five years	0	0	0	0
	242	242	335	335

**(c) Education and Skills
Funding Agency**

Repayable over the following periods:

	Group Year ended 31 July 2021 £000	College Year ended 31 July 2021 £000	Group Year ended 31 July 2020 £000	College Year ended 31 July 2020 £000
In one year or less	470	470	470	470
Between one and two years	470	470	470	470
Between two and five years	1,410	1,410	1,410	1,410
In five years or more	1,175	1,175	1,645	1,645
	3,525	3,525	3,995	3,995

Notes to the Accounts *(continued)*

19 Provisions

	Defined benefit Obligations £'000	Group and College Enhanced pensions £'000	Total £'000
At 1 August 2020	88,294	633	88,927
Expenditure in the period	(3,442)	(44)	(3,486)
Additions in period	(4,806)	90	(4,716)
At 31 July 2021	80,046	679	80,725

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

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	2021	2020
Price inflation	2.8%	2.3%
Discount rate	1.6%	1.4%

20 Cash and Cash equivalents – Group

	At 1 August 2020 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	11,982	1,520	13,502
Total	11,982	1,520	13,052

Notes to the Accounts *(continued)*

21 Lease Obligations

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

	Group and College	
	2021	2020
	£'000	£'000
Land and buildings		
Not later than one year	150	150
Later than one year and not later than two years	150	150
Later than two years and not later than five years	225	300
Later than 5 years	1,550	1,625
	<u>2,075</u>	<u>2,225</u>
Other		
Not later than one year	164	240
Later than one year and not later than two years	167	4
Later than two years and not later than five years	-	-
Later than 5 years	-	-
	<u>331</u>	<u>244</u>

22 Events after the reporting period

There are no events after the reporting period.

Notes to the Accounts *(continued)*

23 Defined benefit obligations

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

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

Total pension cost for the year	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Teachers' Pension Scheme: Contributions made	3,368	3,198
Local Government Pension Scheme:		
Contributions Paid	3,442	3,905
FRS 102 (28) Charge	2,871	469
Charge to the Statement of Comprehensive Income	6,313	4,374
Enhanced pension charge to Statement of Comprehensive Income (note 20)	8	6
Total Pension Cost for Year within staff costs	9,689	7,580

Contributions amounting to £2,000 (2020: £386,000) were payable to the Teachers' Pension Scheme and £0 (2020: £345,000) were payable to the Local Government Pension Scheme at 31st July and are included within creditors.

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.

Notes to the Accounts *(continued)*

23 Defined benefit obligations *(continued)*

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

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

The pension costs paid to TPS in the year amounted to £3,368,000 (2020: £3,198,000)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by West Midlands Metropolitan Authority. The total contributions made for the year ended 31 July 2021 were £4,157,000, of which employer's contributions totalled £3,442,000 and employees' contributions totalled £715,000. The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 7.5% for employees, depending on salary.

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

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.80%	3.25%
Rate of increase for pensions in payment/inflation	2.80%	2.35%
Discount rate for scheme liabilities	1.60%	1.35%
Inflation assumption (CPI)	2.80%	2.25%
Commutation of pensions to lump sum	50%	50%

Notes to the Accounts *(continued)*

23 Defined benefit obligations *(continued)*

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	At 31 July 2020
<i>Retiring today</i>		
Males	21.6	21.9
Females	24.0	24.1
<i>Retiring in 20 years</i>		
Males	23.4	23.8
Females	25.8	26.0

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

	Value at 31 July 2021 £000	Value at 31 July 2020 £000
Equities	82,804	64,970
Government Bonds	11,232	12,547
Other Bonds	8,322	4,486
Property	9,549	8,761
Cash/Liquidity	5,005	7,671
Other	19,023	17,260
Total fair value of plan assets	135,935	115,650
 Actual return on plan assets	 19,308	 2,435

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

	2021 £'000	2020 £'000
Fair value of plan assets	135,935	115,650
Present value of plan liabilities	(215,883)	(203,837)
Present value of unfunded liabilities	(98)	(107)
Net pensions liability (Note 20)	(80,046)	(88,294)

Notes to the Accounts *(continued)*

23 Defined benefit obligations *(continued)*

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	6,313	4,374
Past service cost	0	0
	<hr/>	<hr/>
Total	6,313	4,374
	<hr/>	<hr/>
Amounts included in Other Operating Expenses		
Administration expenses	16	70
	<hr/>	<hr/>
	16	70
	<hr/>	<hr/>
Amounts included in interest payable		
Net interest cost	1,168	997
	<hr/>	<hr/>
	1,168	997
	<hr/>	<hr/>

Amounts recognised in Other Comprehensive Income

	2021 £'000	2020 £'000
Return on pension plan assets	17,740	(61)
Change in demographic assumptions	3,058	(4,641)
Changes in assumptions underlying the present value of plan liabilities	(12,335)	(26,264)
	-	
Other actuarial gains/(losses) on assets	3,840	(6,242)
Experience gain/(loss) on defined benefit obligation		(131)
	<hr/>	<hr/>
Amount recognised in Other Comprehensive Income	12,303	(37,339)
	<hr/>	<hr/>

Notes to the Accounts *(continued)*

Movement in net defined benefit (liability) during the year

	2021	2020
	£'000	£'000
(Deficit) in scheme at 1 August	(88,294)	(49,419)
Movement in year:		
Current service cost	(6,313)	(4,374)
Employer contributions	3,442	3,905
Net interest on the defined (liability)	(1,168)	(997)
Actuarial gain or (loss)	12,303	(37,339)
Administration Expenses	(16)	(70)
Net defined benefit (liability) at 31 July	<u>(80,046)</u>	<u>(88,294)</u>

Asset and Liability Reconciliation

	2021	2020
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	203,943	167,649
Current Service cost	6,313	4,374
Interest cost	2,737	3,493
Contributions by Scheme participants	715	703
Experience gains and losses on defined benefit obligations	(3,840)	131
Changes in financial assumptions	12,335	26,264
Change in demographic Assumptions	(3,058)	4,641
Estimated benefits paid	(3,156)	(3,303)
Unfunded Pension Payments	<u>(8)</u>	<u>(8)</u>
Defined benefit obligations at end of period	<u>215,981</u>	<u>203,944</u>

Notes to the Accounts *(continued)*

Reconciliation of Assets

Fair value of plan assets at start of period	115,650	118,230
Interest on plan assets	1,568	2,496
Return on plan assets	17,740	(61)
Administration Expenses	(16)	(70)
Employer contributions	3,442	3,905
Contributions by Scheme participants	715	703
Other actuarial gains	-	(6,242)
Benefits paid	<u>(3,164)</u>	<u>(3,311)</u>
Assets at end of period	<u>135,935</u>	<u>115,650</u>

24 Related party transactions

The total expenses paid to or on behalf of the Governors during the year was £866; 1 Governor (2020: £54; 1 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2020: None).

Governing member	Party Associated	Relationship to Party	Transaction Value for the Year Ended 31 July		Amounts due to / from the College at 31 July	
			2021	2020	2021	2020
Ian Richards	Queen Alexandra College	Chair	£0	£285	£0	£0

Notes to the Accounts *(continued)*

25 Amounts disbursed as agent

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Learner support funds		
Funding Body Grants	1,371	1,078
	<hr/> 1,371	<hr/> 1,078
Disbursed to Students	(1,302)	(1,007)
Administration costs	(69)	(53)
	<hr/> 0	<hr/> 18
Balance unspent at 31 July, included in creditors	<hr/> <hr/> 0	<hr/> <hr/> 18

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.