



Annual Report and Financial Statements

For the year ended

31 July 2023

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Key Management Personnel, Board of Governors and Professional Advisers

Key management personnel

Key management personnel are defined as Senior Post Holders (Principal, Vice Principals and Head of Governance all appointed directly by the Board) and members of the Senior Leadership Team (Assistant Principals and Director of Finance). This group was represented by the following in 2022-23:

- Laurence Frewin, Principal, CEO and Accounting Officer;
- Matthew Harbour, Vice Principal Quality and Curriculum and Deputy CEO;
- Kelly Sooben, Vice Principal People and Resources;
- Liz Lawrence, Assistant Principal;
- Matt Burrows, Assistant Principal;
- Steve Caunter, Assistant Principal;
- Maria Woodger, Assistant Principal;
- Denise Acton, Director of Finance;
- Lisa Keay, Head of Governance (until 01/09/2023);
- Wendy Randle, Interim Head of Governance (from 17/03/2023).

Board of Governors

A full list of Governors is given on pages 22 and 23 of these financial statements.

Lisa Keay acted as Clerk to the Corporation throughout the period. During a period of absence Wendy Randle acted as Interim Head of Governance, Clerk to the Corporation.

Professional advisers

Financial statements auditors and reporting accountants:

PKF Francis Clark
Melville Building East
Unit 18, 23 Royal William Yard
Plymouth, PL1 3GW

Bankers:

Santander UK
Bridle Road
Bootle
Merseyside, L30 4GB

Solicitors:

Michelmores
Woodwater House
Pynes Hill
Exeter, EX2 5WR

Internal auditors:

RSM Risk Assurance Service LLP
Hartwell House
55 - 61 Victoria Street
Bristol, BS1 6AD

Solicitors:

Foot Anstey
Salt Quay House
4 North East Quay
Sutton Harbour
Plymouth, PL4 0BN

Strategic Report

NATURE, OBJECTIVES AND STRATEGIES

The corporation present their annual report with the financial statements and auditor's report for the year ended 31 July 2023.

Legal status

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

Mission

The College mission statement is: *'Inspiring our community through learning for all'*

Public Benefit

South Devon College is an exempt charity under the Part 3 of the Charities Act 2011. The College is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 22 and 23.

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 and learning
- Widening participation, tackling social exclusion and championing social mobility
- Excellent employment, progression and outcomes for students
- Excellent student support
- Strong, purposeful and credible links with employers, industry and commerce to significantly contribute to meeting national, regional and, especially, local skills needs
- A key local anchor institution
- Systems and Place leadership
- A significant contribution to all pillars of sustainability: environmental, social and economic

STAKEHOLDER RELATIONSHIPS

In line with other colleges and universities, South Devon College has many stakeholders. These include, but are not limited to:

- Students
- Parents/carers;
- Staff;
- The local and regional community;
- Local authorities, district councils and their strategic partners (Torbay Council, Devon County Council, Teignbridge DC, South Hams DC);
- Local employers and the self-employed including representative and umbrella organisations (inter alia Torbay NHS Trust, Pennon, Princess Yachts, Specsavers, Fragrance Group, Build Torbay, Build Plymouth, Build Greater Exeter, South West Business Council, Torbay Business Forum, Chambers of Commerce, Federation of Small Business, CBI, Torbay Hi Tech Cluster, Local Manufacturing Groups, Marine SW, British Marine, Tech SW et al);
- Regional and local education providers including, secondary schools, colleges including the Devon Colleges Group and universities
- The Heart of the South West Local Enterprise Partnership (Devon, Torbay, Plymouth and Somerset);

Strategic Report (continued)

- Plymouth & South Devon Freeport
- Economic Development partners {Torbay Development Agency, Devon County Council};
- South West Social Mobility Commission
- Education sector funding bodies (Education & Skills Funding Agency, Office for Students, Student Finance England);
- National and local all party politicians;
- Schools, universities and other education organisations;
- Trade Unions (recognised unions Unison and UCU); and
- Professional, Statutory and Regulatory bodies.

The College recognises the importance of these relationships and maintains regular communication, engagement and partnership working through a variety of meetings, activities and other engagements.

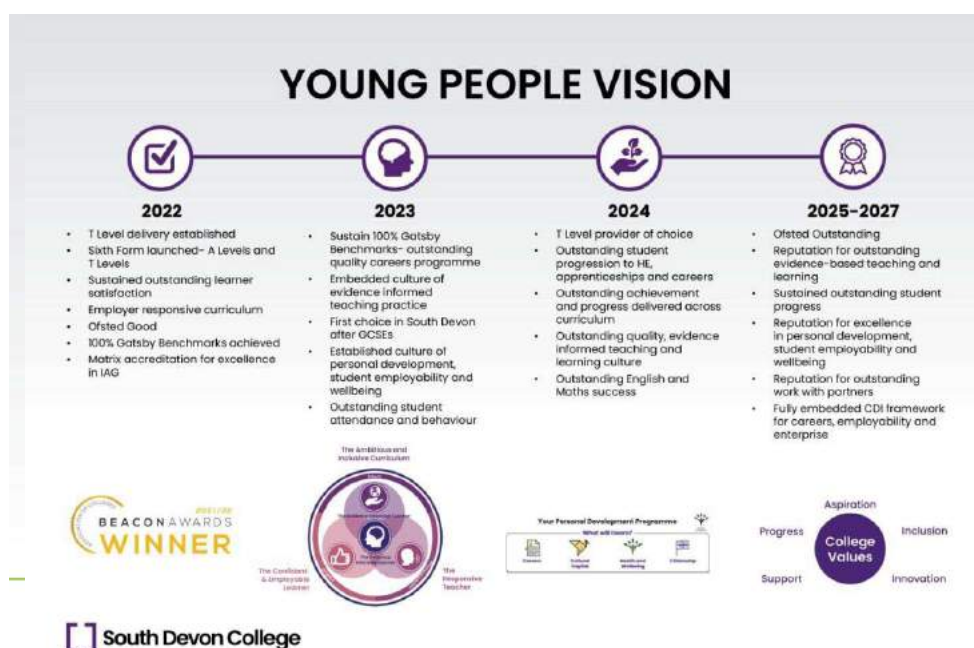
Intent and Implementation of our strategic plan

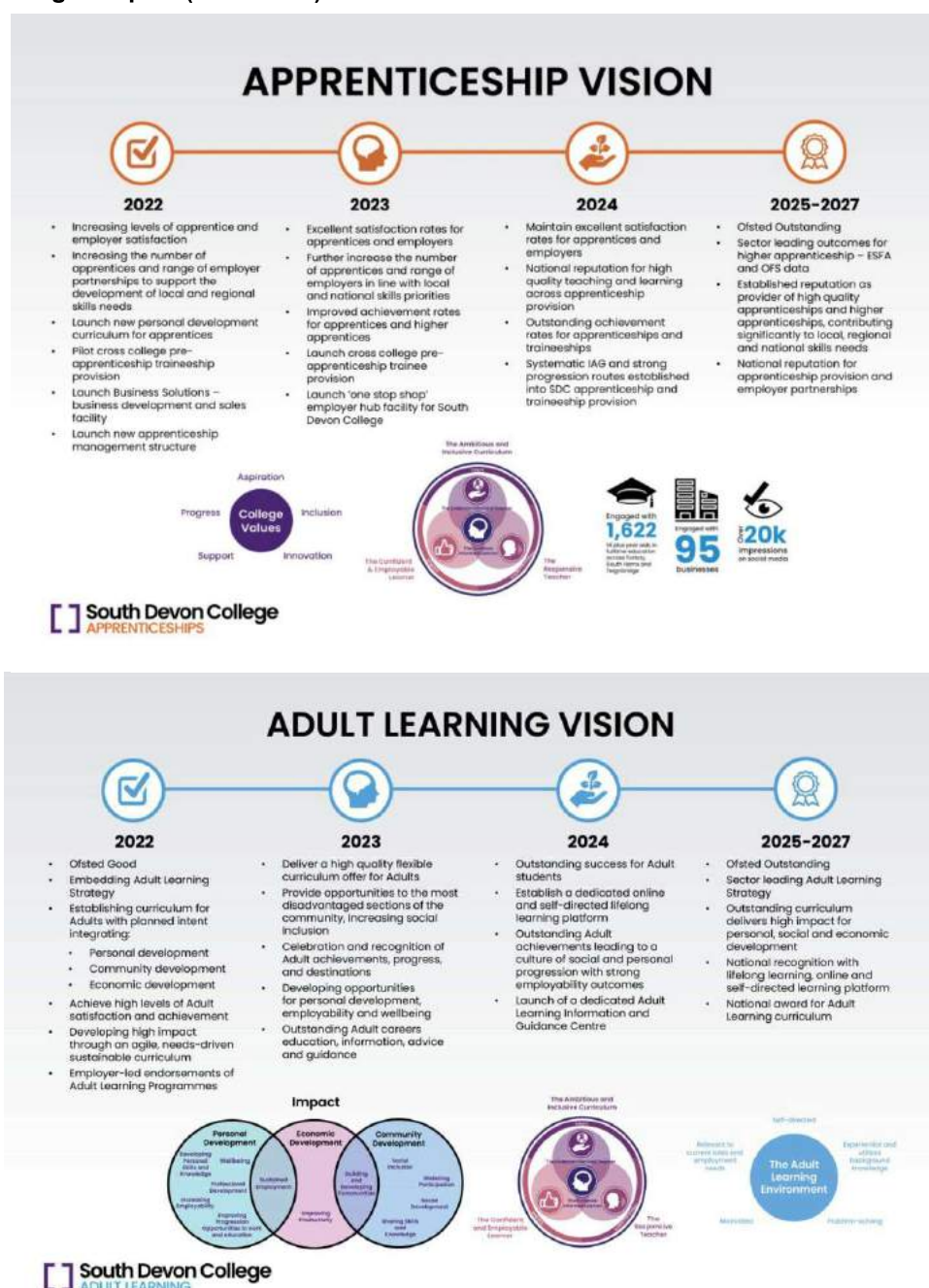
South Devon College is a values driven and mission led education organisation and training provider with a strong culture of learning at its heart. The College is an anchor institution at the centre of its community located in South Devon and Torbay and is accountable for providing transformational education, skills and training for individuals and employers. The College is passionate about excellent teaching and learning and the ability to transform lives and fully support strategies that increase social and economic prospects.

The College's five values of Aspiration, Inclusion, Innovation, Support and Progress underpin the drive and behaviours to deliver the College's mission "Inspiring our community through learning for all," which evokes an inclusive and progressive ethos.

The College has a Strategic Leadership Framework, which clearly and simply treats students as individuals and places them at the heart, with supporting strategies and processes radiating out to the four key elements of success: Quality, Leadership, People and Resources which are used to judge the College performance and progress.

The intent of our curriculum is to support every student to achieve their potential through the development of knowledge, skills and behaviours that lead to strong student outcomes including positive progression and raised aspirations.





To achieve our mission and goals, key elements of success have been identified against which the College will judge its performance and progress. The four elements presented as equal quadrants are Quality, Leadership, People and Resources. All staff make clear and important contributions to these:

- Quality** reflects our key focus that all learners can succeed in their aims and objectives, develop confidence, gain required skills, knowledge and behaviours and progress with great outcomes whilst ensuring a culture of continuous improvement and educational excellence;
- Leadership** includes strong and effective governance and executive leadership and ensures the important strategic focus and direction of our efforts to achieve our Mission and Visions, living our Values and making a significant positive contribution to our local communities and stakeholders;
- People** underpins our commitment to the importance of all of our staff - teaching, curriculum support and professional services - to develop, work together and enjoy being a motivated, empowered and high performing team delivering great things for our students and wider community; and

Strategic Report (continued)

- **Resources** concentrates on the need to guarantee an excellent learning environment and world class or leading-edge resources for current and future generations, underpinning our visions with financial resilience and sustainability, strong business processes and impactful targeted reporting, data and information.

The College is making significant progress towards achieving key aims:

- Supporting up to 10,000 individual learners and students to improve their skills, knowledge and behaviours and supporting progression into further education, higher education or work, including work with training.
- Maintaining a highly inclusive approach and very wide breadth of courses underpinning strong learner focus and outcomes.
- 97% overall pass rate at A Levels with almost 40% of the cohort achieving an excellent A* to B result, and 65% A*- C. There has been a national trend of lower success rates with the return to pre-pandemic grading results with results across the country lower than the previous year but in comparison to our A Level results of 2018/19, more students at South Devon College have achieved high grades this year.
- This is our first year for two T Levels (Digital Production and Education and Early Years) and overall we saw a 95% pass rate with 30% receiving a Merit and 40% Distinction. Education and Childcare T-Levels achieved a 100% pass rate with 62% Distinction and 38% merit grades.
- 77% of South Devon High School students have achieved pass grades 4-9 in maths and 76% in English, while an excellent 82% of pupils achieved 4-9 grades in Science. Over 90% of High School pupils are expected to progress on to South Devon College to study level 3 qualifications.
- Winning TWO prestigious national Beacon Awards in 2021/22: The Nous Group Award for Education for Sustainable Development recognising the work and impact the College has had in this vital area over the last 10 years; The RCU Award for Support for Students celebrating the excellent impact of work during the last 5 years with the increasing cohort of Young Carers and Young Adult Carers.
- South Devon College and South Devon High School ranked joint 1st of the 155 schools and colleges in the HotSW Careers Hub* for having achieved ALL 8 Gatsby benchmarks, significantly ahead of regional and national benchmarks demonstrating the highest quality Careers Education Provision.
- Utilising established Foundation Degree Awarding Powers (FDAP) and Accredited Education Institution (AEI) status with the Nursing and Midwifery Council (NMC), we have maintained our Teaching Excellence Framework (TEF) at "Gold", both overall and in both individual measures (Student Outcomes and Student Experience), one of only 3 Colleges in the UK to achieve this. This standard for Higher Education reflects sustained excellent HE outcomes, student engagement and satisfaction, and supportive processes and practice.
- The first and only College in the UK to secure Investors in People status Platinum reaccredited for a second period of three years, with South Devon College being the first English College originally to achieve this recognised top international standard.
- Investors in Careers Award sustained and reaccreditation of Matrix Award for advice and guidance confirming that the College provides high quality and impartial information, advice and guidance.
- Making a significant contribution to the Devon & Somerset Local Skills Improvement Plan. The College held over 40 employer engagement events from November 2022 to July 2023 including termly Skills Summits. The events included multiple sectors and employers of all sizes from across Torbay & South Devon. It is part of the work we do every year so that our curriculum has a clear intent with purpose and credibility ensuring that the College is meeting the needs of employers and students.
- High satisfaction rates: for 16-19 yr old FE students 93.5% are satisfied with South Devon College; for adult FE students 100% are satisfied; of apprentices 85% are satisfied; the NSS survey told us that 85% are satisfied with UCSD with the majority of scores being above the national benchmarks.
- Supporting a record and continued growing number of Apprenticeships in 2022-23, with a total of over 1700. The College is actively working with more than 1200 businesses.
- Establishment and continued success and recognition of high-quality facilities and resources such as the most recent investment of £17m Hi Tech and Digital Centre, and £3m White Rock

Strategic Report (continued)

Sports Centre. We have secured over £900k of funding from the Office for Students (OfS) which will provide, amongst other things a new Student Innovation and Research Centre to meet local need for knowledge transfer partnership style projects and learning and a brand new 4-D virtual environment in partnership with Fujitsu to provide best-in-class virtual learning in health. We have also secured almost £5m from Salix and ESFA capital to replace ageing boilers with modern, efficient air source heat pumps and to replace and repair the main campus roof and install additional photovoltaic panels.

- The College also formally opened its brand new Marine Academy on the banks of the River Dart near Kingswear and will be delivering a unique new fisher apprentice from there to meet a local demand and a national priority. This building was shortlisted as a finalist for the Education Project of the Year in the prestigious regional Michelmores Property Awards
- Recognising its advance design and function alongside its high-quality aesthetics and wider local and regional impact the Hi Tech & Digital Centre has already won the Education Project of the Year (over £5m) and was a finalist for Building of the Year at the Michelmores Property Awards.
- Continued development of our higher education portfolio, with a growing cohort of higher and degree level apprentices including the first and only College in England to gain Accredited Education Institution status from the Nursing and Midwifery Council and approval to deliver the Nursing Associate Higher Apprenticeship.
- The continued development and introduction of innovative curriculum design and digital learning approaches building on innovative practice as part of both our Teaching & Learning Framework and strategic digital transformation planning.
- Continued development of a bespoke portfolio of online learning courses including a unique class-leading online employability hub delivering a suite of courses to support individuals back into employment alongside well-established courses including Understanding Behaviour that Challenges, Autism Awareness, Understanding Stress, Mental Health First Aid and Children and Young People's Mental Health awareness.
- QSCS Accreditation by the Carers Federation, recognising the outstanding support in place here for young and young adult carers.
- Continuing quality improvement good practice work in and developing increasing numbers of teaching and learning coaches and the consistent embedding of the College's own Teaching and Learning Framework to further enhance teaching through an evidenced informed approach.
- National dissemination of Outstanding Teaching Learning and Assessment through Champions in maths and English (CHiME), Level Up projects and T Level best practice networks
- Continuing and sustaining international partnerships post-Brexit with relationships and encouragement of European and worldwide linkages through Turing and other direct partnership activity in countries such as with Sweden and France.
- Very positive maturing relationship and joint working developed and strengthened with the Bay Education Trust (now Thinking School's Academy Trust) and Paignton Academy including an MoU to build on partnership work to date and develop a shared strategy for an all-through approach to education, "2 to 22" as part of our commitment to social mobility and widening participation.
- An MoU with Torbay Council, Torbay & South Devon NHS Trust and TEDC Ltd as the largest local employers to demonstrate our joint firm commitment to sustainability in practice through a circular economy, to build community wealth for the long term prosperity of our place.
- Signed a new MoU with Torbay and South Devon NHS Trust to support their "Building a Brighter Future" strategy including their long term workforce development plans further strengthening our relationship with them and confirming the College as their preferred training provider.
- The UKRI have recently awarded a grant of £500,000 under the Technology Programme Semiconductor industry skills and training Competition for Funding to South Devon College, Bay Photonics and Davies & Bell for a groundbreaking project to create a new national Photonic Integrated Circuit Packaging Academy (PICPAC). A collaboration agreement has already been signed between all parties to develop and provide the training required to address shortages in assembly, test and packaging in the UK semiconductor industry.

The College continues to successfully see improving student recruitment in an increasingly competitive environment with funding allocations still significantly below 2010 levels despite increases in funding rates more recently. It is also continuing secure and improve on strong student achievement, progression and outcomes through outstanding teaching and learning for its communities.

Strategic Report (continued)

Challenges facing the College

The further education sector has faced a significant period of austerity since 2010, with funding rates frozen since 2014 meaning significant real terms drop to 2021. The Government made a small welcome injection through the 16-19 formula allocation for colleges and the national demographic rise is beginning to be seen in our annual recruitment with positive signs that not only are we continuing to see growth in 16-19 enrolments, but these are higher than the population growth indicating improvement in our market share of the local post-16 population in further education after Year 11. In the long term this is welcome news but in the short to medium term means that delivery is underfunded due to the lagged funding model. Of course, growth is welcome but as well as the lagged funding challenge this will mean space is coming under pressure and the College will be revisiting its Estates Strategy, informed by an updated Space Utilisation and Needs Assessment Report.

Additional funding agreed for 2022-23 was also extremely welcome and overdue, but in return it is expected that we will deliver an equivalent uplift in delivery hours for students on 16-19 study programmes whilst facing significant external costs pressures following Brexit, Covid, the war in Ukraine leading to unprecedented rises in inflation and in turn expectations to significantly increase pay. The challenge around pay is manifesting itself in greater numbers of hard to fill vacancies, especially in specialist areas, both within curriculum and professional services.

Further challenges continue into the new academic year with the Government now having to address inflationary pressures for households and businesses, but with the Treasury needing to put in place a fiscal plan to fund all of support. It is not certain if the remaining 2 years of the Government's 3 year spending plans will continue as planned but it seems likely there maybe deep cuts across all Government departments. History shows that DfE cuts inevitably focus on the FE sector so the financial risks may increase further in the short term and be likely to lead to continued challenges in funding for colleges and consequently for the financial health of the sector as a whole. However, the Government made a late but, nevertheless, welcome announcement that unspent 16-19 funding will be recycled and allocated for 2023-24 and 2024-25 to be used to address the twin workforce challenges of recruitment and retention.

Despite the new and ongoing threats, continued successful national lobbying over the last few years has resulted in a clear recognition and acceptance that a financially sustainable further education college sector is vital to delivering the education and training that the country needs. Government expects colleges to play an increasingly prominent role in the coming years to support the recovery of the UK economy, to help meet the increasingly urgent need for a more skilled domestic workforce following the UK's exit from the European Union, to support the government's plans to develop national infrastructure, and 'level up' skills and prosperity across the country. Colleges will also be important in developing the skills of people who retrain or change roles as a result of the economic impact of these significant changes.

The College continues to deliver its mission 'Inspiring our community through learning for all' and has sustained high quality across a broad ranging curriculum offer to a wide range of stakeholders in an environment of long term, significant reductions in public funding, and recent backdrop of heavily reduced 16-18 demographics (now growing) accompanied by sixth form competition and imperfect school IAG, although the Careers Hub is continuing to have an increasingly positive impact as is the effect of the now statutory expectation on schools to achieve Gatsby benchmarks.

The College inclusive mission and approach maybe increasingly difficult to maintain given the fragility of the finances in the sector and the still too low level of funding. In 2022-23, and for the foreseeable future, this will be exacerbated as Torbay Council have entered in to a "Safety Valve" agreement with the DfE to address their £12m SEND budget deficit. This might mean some unpalatable choices for the College as the increasing pressure through this arrangement with DfE will mean Torbay Council will significantly reduce spending on high needs, and at considerable pace which is highly likely to mean students with increasingly complex and challenging needs will be "placed" at the College with lower funding than is required to properly support them.

The College has successfully worked and navigated through considerable turmoil around changes to the current apprenticeship funding system, standards, levy and non-levy paper work, but recognises system imperfection will continue until such time as any positive changes are made as part of the DfE's Accountability and Funding review.. The College is also committed to full participation in the as yet

Strategic Report (continued)

unproven T-level future and commenced delivery as a Wave 2 provider in September 2021. The College, along with many others including the Education Select Committee have serious concerns about removal of other Level 3 qualifications leaving only T Levels or A levels as the main post-16 routes which will potentially have a significant impact on both income for Colleges and, more worryingly, student choice at Level 3 from 2025 onwards. This continued to be raised through the Association of Colleges and directly with MPs and Government Ministers.

The general policy context promotes encouragement to grow higher technical provision, (and we are optimistic about delivering T-Levels, working in partnership to overcome implementation risks), apprenticeship and loan funded work, assuming the adult education budget continues to be held at existing diminished levels, on a track towards further expected local devolution including the potential for "Devolution" hopefully continuing to progress in Devon as encouraged by the Government.

The Department for Education and funders are aware that STEM and level 4/5 technical skills delivery is important but is expensive by nature. We join others in continuing to press the ESFA to more rapidly increase funding to secure policy intent and quality. In this context, where significant capital investment is required for currency, we were delighted to have opened our £17m "Institute of Technology precursor", the Hi Tech & Digital Centre in September 2019 and our Student Innovation & research Centre alongside in 2023 for future generations of South Devon & Torbay students.

Higher Education continues to be an important income stream and area for future growth, especially at Level 4 and Level 5 and through increasing use of Higher Technical Qualifications (HTQs) and other developments, for example micro-credentials and the Lifelong Learning Entitlement, all of which the College is embracing and developing both in partnership with its University partner and with the benefit of its FDAP powers. Both directly enrolled HE students and Higher and Degree Apprentices play a vital role supporting local growth and economic development ambitions and support greater productivity goals and improved individual and business prosperity. However, ever increasing and aggressive market competition from universities has continued following the significant reduction in overseas students as a result of Covid- 19 and Brexit alongside "unconditional offer" approaches and with barriers and inconsistencies in the system this growth in the short term will remain a key challenge. The passing of the Skills and Post-16 Education Act (Skills Bill) legislation, places Further Education at the forefront of higher level technical education delivery and the College and sector as a whole welcomes this recognition and looks forward to supporting economic regeneration in close collaboration with employers. Despite the challenges the College continues its ambition to further develop its capacity to deliver higher education provision and maintains the aim of securing Taught Degree Awarding Powers at level 6 albeit within an extended timescale as a result of the aftershock of the pandemic.

The FE sector's financial health remains challenged by years of funding cuts although there have been recent welcome and vital increases in funding for 16-19 students. The introduction of the Insolvency Regime for FE in 2019/20 meant a more risk averse approach to the sector by banks. Historically the ability for the College to be able to borrow and have control of its treasury management has been critical to our investment and ability to plan strategies for both growth and development of the estate, facilities and teaching resources. The decision by the National Audit Office to reclassify the FE sector as public which took effect with minimal notice from November 2022 now mean colleges no longer have the freedom and flexibility to borrow commercially. The impact will be two-fold. Firstly, overdraft facilities can no longer be agreed meaning increased pressure on cashflow. Steps have been taken by the DfE to address this through reprofiling of funding payments and the allocation of capital grants in the short term. South Devon College will need to continue to monitor and manage its cashflow very carefully as the College no longer has access to its £2m "in case of need" overdraft facility (never used but vital to maintain cash days in hand during the traditional cash lean months of early Autumn and January given the annual cycle of payments from Government). Secondly, without the ability to borrow it will be far harder for the College to secure match funding for capital investment and the College will need to carefully rebuild cash reserves to replace this. This is likely to mean a far less agile and flexible approach to securing grants and delivering planned projects in a timely way.

Future capital needs include continued investment in low carbon technology to replace ageing mechanical and electrical services on the main campus including air handling, as well as current and future IT resilience and specialist equipment. Traditional FE Capital funding is at its lowest level for over 20 years, despite investment to support the roll out of T Levels, other higher level skills training, the additional capital from DfE following the move to public sector status and money allocated to support Local Skills Improvement Plans etc.

Strategic Report (continued)

The College is engaged in ever-ongoing work on determining where forward efficiencies will need to be made whilst maintaining capacity and the ability to grow, minimising as far as possible impact on quality delivery, and also recognising short and medium term (until 2028) demographic upside gain. In the short term, and in response to the need to meet local, regional and national priorities the College may need to consider continuing provision which may have less than optimal viability or inefficiencies if it is to sustain suitable critical mass and resources to gear up or down quickly and to remain financially agile and secure. However, less critical provision will need to be considered very carefully as always to offset the risks of this.

At a national level, there is falling unemployment, continuing skills and labour shortages and a consequent pressure on salaries in many sectors. In the short term FE colleges are already competing with the higher salaries offered in schools, the government decision to fund pay rises in schools but not in FE and demand from industry for higher skilled and experienced employees in key sectors in which the College is seeing growth in demand such as health, engineering, data, cyber security, marine, etc. Colleges are likely to remain challenged to retain and recruit high calibre staff in many critical areas of the curriculum, including support, or in specialist areas of professional services. The late announcement from the DfE in July 2023 to provide additional funding to address these challenges in colleges is welcome and is the first positive step to do this in over a decade and is very much welcomed.

Despite the challenges, the College confidently continues to pursue its ambitious vision in support of its core mission "inspiring our community through learning for all". New initiatives will bring greater potential rewards but may also increase business risk. New ventures also bring a range of challenges and opportunities, reputational and financial, and these are closely monitored and appropriately considered through the College's corporate governance structure. Future capital investment is both a major enabler and a risk.

Financial objectives

The College's financial objectives are set to support the College mission and strategic aims. In particular they are to:

- 1) sustain financial strength, resilience and investment measured against rigorous financial KPIs set and reviewed annually which are measured and scrutinised monthly;
- 2) achieve an annual operating surplus, secure positive cash flow and a strong retained cash position to rebuild cash reserves;
- 3) fund required capital investment in a planned and managed way;
- 4) pursue alternative sources of funding, on a selective basis, consistent with the College's core objectives and the need for a financial contribution to the College's overall finances;
- 5) maintain strong control of solvency including cash days in hand, current ratio and debt levels;
- 6) grow the income base by increasing fee and other income streams and managing income diversification carefully; and
- 7) manage long term borrowing and overall debt including maintaining positive relationships with lenders and compliance with all lenders covenants until all commercial debt is repaid in line with Managing Public Money expectations
- 8) develop and implement plans to secure future investment for match purposes.

Financial performance indicators to monitor progress against the listed objectives are annually agreed and monitored as part of the College's performance indicator process including against sector benchmarks. They are included as part of the Resources quadrant in the Measures Matrix - see section below.

Key performance indicators

The College also uses a Measures Matrix to track key performance indicators. In 2022-23 there were 32 indicators grouped into categories aligned to the College's key elements of success - Quality, People, Resources and Leadership. Of the 32 indicators, 26 are achieved/on track. Performance and progress is monitored by the senior leadership team and the governing body, to ensure continuous improvement, with action plan and risk mitigation in place where required.

Strategic Report (continued)

FINANCIAL POSITION

Financial results and investment

The war in the Ukraine is still having an impact on the UK and global economy. Inflation is currently running at 6.8% (July 2023), and interest rates are the highest they have been in 13 years. Inflationary increases in year and into 2023-24 have significantly impacted pay & non-pay costs. Fixed Pay costs have increased in year due to the 9.6% increase in Living Wage which was far greater than anticipated, and an increase in LGPS Employers contribution of 2%.

During this reporting period the property dispute referred to in 2022 was satisfactorily resolved.

The College generated an operating surplus for the year of £78,000 (excluding pension costs). A pension cost of £1,237,000 under FRS 102 has been made, resulting in an overall deficit on continuing operations of £1,159,000 (2022-22 operating loss £599,000, FRS 102 provision £3,236,000 leaving a deficit on continuing operations of £3,835,000).

Despite the limitations of the external finance and funding context, the College has continued to invest in campus developments, learning resources and additional staffing to support learning sustaining significant positive impact for our learners and the wider community.

The overall funding performance of the Devon Pension Fund is healthy. Key information relating to the funding of the Devon Pension can be found here:

Devon Pension Fund Funding Strategy Statement:
[Funding Strategy Statement - Devon Pension Fund](#)

Devon Pension Fund Annual Report & Accounts:
[Devon Pension Fund AR&A](#)

The College has accumulated reserves of £17,251,000 (2021-22 £17,173,000). There are cash balances of £1,736,000 (2021-22 £2,894,000). The College needs to continue to accumulate reserves and cash balances in order to maintain agility and flexibility through a strong working capital position and generating funds for reinvestment in capital, particularly in the context of limitations to capital grant availability.

Tangible fixed asset additions during the year amounted to £2,634,000. This includes land and buildings of £21,000, assets in the course of construction of £131,000 and equipment purchased of £2,482,000. Of this, £358,000 was spent on computer equipment, £27,000 on motor vehicles and £2,097,000 on equipment.

The College has significant reliance on the Education and Skills Funding Agency (ESFA) for its principal funding sources, largely from recurrent grants. Since April 2010 funding agencies' funds have been channeled through the Education and Skills Funding Agency and also, to a far lesser extent, the Higher Education Funding Council for England (HEFCE) in respect of grants for HE learners. In April 2018 the Office for Students (OfS) took over from HEFCE as the regulator of HE and therefore the source of HE grants. In 2022-23 these organisations provided 69% of the College's total income (69% in 2021-22).

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.

Reserves

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

Strategic Report (continued)

activities. The College's reserves include £1 (2021-22 £1) held as restricted reserves. As at the balance sheet date the income and expenditure reserve stands at £17,251,000 (2021-22 £17,173,000). It is the corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses, should operating conditions allow (i.e. wider economic challenges such as the impacts of the global pandemic).

Cash flows and liquidity

Operating cash flow in the period was £2,934,000 (2021-22 £5,064,000), as presented in the Statement of Cash Flows. There was a decrease of cash balances from 2021-22 to 2022-23 of £1,158,000, representing the required matched funding for various capital projects enabled through significant external grant funding.

Loan balances were reduced by £700,000 to £8,747,000 (£9,447,000 in 2021-22).

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded. The College's forecast for 2023-24 shows sufficient cash generation to meet debt servicing commitments.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2022-23 the College delivered 16-18 activity equating to £11,773,936 in ESFA main allocation funding (2021-22 - £10,725,421). Learner numbers were 2,232 against a target of 2,281. Actual funding received, based on lagged learner numbers was £12,191,000 (2021-22 - £10,980,000. This excludes ESFA funding for high needs learners.

19+ adult education budget activity, excluding bursary was £1,533,074 in ESFA main AEB allocation funding (2021-22 £1,621,739).

Apprenticeship funding is largely demand led with a small allocation awarded for those apprentices continuing under previous methodologies. 530 16-18 apprentices and 1,088 adult apprentices generated income of £5,998,000 (2021-22 - £6,000,000).

14-16 direct activity allocation equated to £1,155,351 for 204 learners (2021-22 £1,006,425, 193 learners).

Funding via Advanced Learning Loans was £374,337 in 2022-23, against a total facility of £778,826 (2021-22 funding of £689,285 against a facility of £763,172).

The College also successfully delivered a substantial range of programmes in higher education, work-based learning, adult and community learning, re-engagement, full cost and other employer led activity.

The College contributed fully to the employer responsive areas of apprenticeships and other employer led activities, with another record year for apprenticeship numbers.

Student achievements

The year 2022-23 was another very strong academic year, following the years of disruption caused by the global Covid 19 pandemic, all forms of assessment and examination have now returned to traditional methods Key successes included:

- 97% overall pass rate at A Levels with almost 40% of the cohort achieving an excellent A* to B result, and 65% A*- C. There has been a national trend of lower success rates with the return to pre-pandemic grading results with results across the country lower than the previous year but in comparison to our A Level results of 2018/19, more students at South Devon College have achieved high grades this year.
- 77% of South Devon High School students have achieved pass grades 4-9 in maths and 76%

Strategic Report (continued)

in English, while an excellent 82% of pupils achieved 4-9 grades in Science. Over 90% of High School pupils are expected to progress on to South Devon College to study level 3 qualifications.

- Technical and Vocational Level 1, 2 and 3 programmes offered by the College achieved strong results, with many Diplomas/Certificates achieving over 90% pass rates.
- Our first year for two T Levels (Digital Production and Education and Early Years) saw an overall 95% pass rate with 30% receiving a Merit and 40% Distinction.
- The volume of 16–19-year-olds retaking GCSE English and maths continued at a high level as a result of government policy and condition of funding requirements and many students have improved their levels of literacy and numeracy to support progression onto their next course or into work following the significant disruption to their learning during the Covid 19 pandemic.
- Apprenticeship achievements are still being updated as learners enter their end point assessments phase but despite the legacy challenges of the pandemic on the local economy, achievement rates to look to be in line with sector averages.
- Higher Education achievement and progression were strong again this year including the third year of South Devon College Foundation Degrees awarded under our own Degree Awarding powers.

Curriculum developments

The College continues to deliver high quality study programmes across a broad curriculum in order to fully meet local employment and student needs. It continues to review and expand progression routes including additional higher education pathways including Higher Technical Qualifications, apprenticeships and T Levels.

Many of our students have low levels of prior educational achievement. The College maintains a wide range of programmes aimed at students, particularly adults, who are returning to education. These include Entry Level courses, increasingly English for Speakers of Other Languages (ESOL), essential digital skills, maths and English and Access to Higher Education programmes.

Programmes for adults have been sustained including for programmes at Level 3 whilst higher and degree apprenticeship pathways have also been developed to meet employer needs and market demands.

Working closely with the University of Plymouth, the College continues to develop its portfolio of Higher Education programmes including increasing the range of full honours degrees.

After successfully gaining Foundation Degree Awarding Powers in 2018-19, following a rigorous two-year scrutiny process the College has developed and approved a number of bespoke Foundation Degrees and micro-credentials Working closely with local employers to support local regeneration, improving productivity, economic growth and development, greater prosperity, widening participation and increased social mobility.

The College has planned to meet increasing demand over the next 5 years and has set out its roadmap for doing this in its Vision Statements and the strategies for the estates, facilities, digital, learning and other resources to do this throughout its key strategies.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations to make payments within 30 days. During the accounting period 1 August 2022 to 31 July 2023, the college paid 48% of its invoices within 30 days. The college incurred no interest charges in respect of late payment for this period.

The College is working with all suppliers to encourage them to submit their documentation directly to Procurement, to ensure delays are minimised and this metric is improved. The College aims to pay all its creditors within agreed terms. The College incurred no interest charges in respect of late payment for this period.

Strategic Report (continued)

Future prospects

The College has a clear strategy and action plan to return its financial health to “Good” and is forecasting to achieve this by 2025/26. The College will look to build on its now established Foundation Degree Awarding Powers and will then begin its journey to Full Taught Degree Awarding Powers and long term ambition to achieve University Status. The College has continuing ambitious growth in apprenticeships, a forecast upward trajectory for increasing numbers of 16-18 years based on actual local demographics and positive indications for 2023-24 based on applications and early enrolments which indicate a successful increase in our market share, as well as other new partnership opportunities all of which will meet the needs of our learners, our local and regional community and the wider economy and national Government Strategies, especially as set in the Local Skills Improvement Plan.

The College completed the construction of its new £17m High Tech and Digital Centre in September 2019. It also completed its new Sports Centre facilities at the end of 2018 which opened for College and community use at the start of January 2019 as planned. Both projects, totaling circa £20m were successfully completed on time and within budget and as planned through our long-term financial strategy has had the expected short-term impact on the overall Financial Health Score with College reserves used as match and additional borrowing taken, albeit this has been unexpectedly compounded by the effects of Covid-19 extending the planned return to Good Financial Health.

The College continues to seek external revenue and capital funding to deliver core College priorities. Significant recent successes include:

Strategic Development Fund
OfS Capital allocation
FE Capital Transformation Fund
Salix Grant
Multiply
Turing
UKRI PICPAC

The college strategies and key priorities require and, have, a clear short, medium and long term strategy for quality & curriculum, teaching & learning, each provision type, capital, estates, people (staff), sustainability towards achieving net-zero carbon and digital transformation. New capital and revenue funding is critical to develop and deliver renewal, growth and innovation reflecting the wider national, regional and local priorities including, amongst others:

- Economic Development including Levelling Up
- Post-Brexit Skills needs
- Local Industrial Strategy (increasing productivity and prosperity)
- T Levels (Construction, Health, Digital, Marine & Education)
- Apprenticeship growth
- High quality College offer for all provision types
- Local HE and higher skills growth to improve skills levels in the local population at L4 and above
- Securing university status
- Student residential accommodation
- Demographic growth in 16-18 year olds including growth in market share
- Improved efficiency (delivery, space and non-pay revenue cost)
- Student and Staff health & wellbeing
- Climate crisis and the need to make significant progress with wider sustainability through the SDG and setting and moving towards achieving net-zero carbon

RESOURCES

The College has a wide range of excellent resources that it deploys in pursuit of its strategic objectives.

Tangible resources include the main college site, the Vantage Point campus including Hi Tech & Digital Centre the University Centre South Devon, the South West Energy Centre and South Devon Sports Centre as well as the Newton Abbot Campus, the Torquay Campus (Centre for Health & Care Professionals) and Noss Marine Academy in Kingswear.

Strategic Report (continued)

Financial

The College has net assets of £17,252,000 however this includes: deferred government grants of £28,889,000 and long-term debt of £8,747,000.

People

The College employs 752 people (headcount), of whom 461 (+61%) are teaching staff.

Reputation

The College is well established as a leading educational and anchor institution recognised by the local community, regionally and nationally. Monitoring and maintaining the College's success is part of the embedded culture of continuous improvement and outstanding achievement and this continues to be formally recognised through independent external accreditation, awards, surveys and inspections.

- Winning TWO prestigious national Beacon Awards in 2022: The Nous Group Award for Education for Sustainable Development recognising the work and impact the College has had in this vital area over the last 10 years; The RCU Award for Support for Students celebrating the excellent impact of work during the last 5 years with the increasing cohort of Young Carers and Young Adult Carers.
- South Devon College and South Devon High School ranked joint 1st of the 155 schools and colleges in the HotSW Careers Hub* for having achieved ALL 8 Gatsby benchmarks, significantly ahead of regional and national benchmarks demonstrating the highest quality Careers Education Provision.
- IIP - We Invest in Apprentices Gold accreditation.
- IIP Platinum - this is the highest ranking any national or international employer can achieve, the college was re-accredited as platinum in 2023. We have already Achieved the IIP Health & Well-being Award
- FE Week AAC Apprenticeship Awards - nationally recognised in 2020 for outstanding contribution to apprenticeship development.
- AAT Training Provider Award - awarded for innovation in course design and delivery in 2019.
- Matrix Award - reaccredited with the Matric standard in 2019, a unique quality benchmark for information and guidance.

PRINCIPAL RISKS AND UNCERTAINTIES

The College continues to maintain and improve robust systems of internal control, including inter alia financial, operational, IT & Data (cyber security) and risk management, designed to protect the College's assets and reputation. To enhance this the College is introducing a new Board Assurance Framework which has been developed and planned during this year with our Internal Auditors support ready for implementation in 2023-24

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

A strategic risk register is maintained at the College level which is reviewed by the Audit Committee at each meeting and by the full Governing Body at least annually. The risk register is a live working document and identifies: the key risks; the likelihood of those risks occurring; their potential impact on the College; the actions being taken and planned for implementation to reduce and mitigate the risks; and sources of evidence of assurance that the risks are being managed. Risks are prioritised using High, Medium and Low and are aligned to the College's Elements of Success of Quality, Leadership, People & Resources and mapped against the Measures Matrix (Key Performance Indicators). The Audit Committee request a "deep dive" analysis for two of the risks on the register for presentation at their meetings.

This is supported by a risk management training programme to raise awareness of risk throughout the College and inclusion within college operating plans of actions targeted to mitigate those risks. These

Strategic Report (continued)

are reviewed as part of the College's "business as usual" approach to managing risk.

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. These are broad risk categories whereas the strategic risk register is a detailed internal document and commercially sensitive.

1. Russia's invasion of Ukraine

Russia's ongoing invasion of Ukraine has had global economic consequences, including amongst others the significant increases in energy costs and changes in critical global supply chains leading to shortages in a range of markets and products, which has resulted in the steep increase in inflation. that is felt in every aspect of College operation and associated expenditure.

2. Government policy and funding changes

Two thirds of the College's income come from government sources, leading to high exposure to government policy. Further Education funding was drastically reduced from 2010 and while the government has increased investment somewhat, it does not address the real-term cuts that have been suffered. The government is signaling that FE is higher up the list of priorities as the positive societal impact of colleges is now better understood. However, with the backdrop of recession, economic and now national and global political turmoil, the future certainties around funding is unclear.

Alongside the above all colleges have faced increasingly complex and challenging funding policy and methodology changes. Whilst this is a sector wide issue being taken up by AOC and other representative groups, the college is mitigating this with additional resources, new structures, improved strategic and operational management of funding and data risk including changes through continuous improvement to ensure we have the right systems, processes and staff with the necessary knowledge and skills.

3. Ability to maintain effective and secure digital environment

College operations are increasingly digital by design, the instances of malicious cyber-attacks have increased exponentially and present an ongoing risk.

4. Sustainability

The College puts sustainability at the heart of what we do and since 2020 we have made a decade of change. We plan to achieve Net Zero Carbon Footprint from the College Estate. We have had a clear Sustainability Strategy in place since 2020. Our Sustainability Strategy is on target with all items in the "in progress" (2021/22) stage. The College won the "Nous Group Award for Education for Sustainable Development" AOC National Beacon Award in 2021.

During 2021, the College was successful in securing in excess of £2 million from the Further Education Capital Transformation Fund to replace the flat roof, windows and doors at Vantage Point, significantly increasing insulation levels and accordingly thermal performance of the building. Works commencement and completion dates are August 2023 and December 2023 respectively.

Additionally in 2021, the College secured more than £2 million from the Salix Public Sector Decarbonisation Scheme, to replace the aging heating system with Air Source Heat Pumps.

In 2022, the College received more than £850K funding from the Department of Education, which was in part linked to the Further Education College's being reclassified to Public Sector. The primary purpose of this funding was for capital projects that improve the condition of the college estates and the estate's energy efficiency. The College invested a significant amount of this funding in the purchase and installation of solar panels across the main campus.

5. Highly competitive market

Although the College works in close collaboration with local schools and other education/training providers on some matters, the current policy and funding environment encourages competition for

Strategic Report (continued)

learners. The local marketplace remains highly competitive with many providers hoping to attract the maximum funding for their institution.

6. Key stakeholder management

As an anchor institution with an important role in the social and economic prosperity of the South Devon community, it is vital that the College maintains close relationships with stakeholders. The key stakeholders are listed above, on page 2 of this report.

7. Recruitment and retention of staff and industrial relations

The College's staff is its most precious resource and critical to ensure successful outcomes. Attracting and retaining high calibre staff alongside ensuring a suitable talent pipeline at all levels of the organisation is a top priority. Since the COVID pandemic, recruitment and retention of staff has been exceptionally challenging, particularly in key sectors including health, technology and construction sectors. Relationships with the College's recognised unions remain excellent, but this is an area which is seeing more challenges across FE and many other sectors with increasing strike action as a result of pay inflation and cost of living crisis pressures on individuals.

8. High Needs and SEND funding

During 2022-23 Torbay Council reached agreement with the Department for Education on a "Safety Valve" arrangement. This means Torbay Council have agreed to significantly reduce spending on high needs and SEND and return their annual budget to balance. They have agreed that this will be done at considerable pace which is highly likely to mean fewer EHCPs being issued or continued, more students with increasingly complex and challenging needs being "placed" at the College with, sometimes significantly, lower funding than in the past with a potential financial and quality impact on the College and our inclusive mission.

9. Curriculum reform

Initially at Level 3, but progressing quickly to Level 2, with potential impact leading to significant changes to design and delivery of curriculum and further changes in funding policy and methodology with the risk that some learners will not have access to Level 3 qualifications which are suitable for their individual learning affecting wider recruitment and progression routes.

Equality, Diversity and Inclusion

South Devon College believes in the principle of freedom from discrimination for everyone, regardless of their age, gender, disability, ethnic or national origins, marital status, sexual orientation, social background or religious beliefs, or of being part of any other group which may have experienced discrimination. South Devon College aims to provide real equality of opportunity for all our existing learners and staff and supports the same for the wider community. We aim to continue to attract increasing numbers of learners into non-traditional vocational areas and from groups within the wider community who are underrepresented in learning. The College will continue to foster a learning community for all its staff and students in which equality is promoted and diversity is valued. The College will champion equality and diversity in all of our activities. Our commitment to equality and diversity will ensure that success is achieved across the widest possible spectrum of the community. The College's Single Equality Scheme and Equality Objectives are published on the College's external and internal websites. This policy is resourced, implemented and monitored on a planned basis.

The College publishes an Annual Equality Report 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 has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Strategic Report (continued)

Gender pay gap reporting

	Year ending 31 March 2023
Mean gender pay gap	9.74%
Median gender pay gap	9.22%

The proportion of males and females in each quartile of the pay distribution are:

	Males	Females
1- Lower Quartile	27.07%	72.93%
2- Lower Middle Quartile	30.94%	69.06%
3- Upper Middle Quartile	43.96%	56.04%
4- Upper Quartile	50.28%	49.72%

The college publishes its annual gender pay gap report on its website.

Disability Statement

South Devon College is committed to ensuring that people with a disability, including those with learning difficulties, are treated fairly and will ensure all reasonable adjustments are made to enable students and staff full access. The College will provide, wherever possible, as wide a range of opportunities and support for students who have disabilities and/or learning difficulties and have a commitment to encourage them to join chosen courses wherever appropriate. We have the facilities and are happy to produce learning materials in a variety of formats where necessary. We can, if appropriate, provide a range of equipment to help students' access learning, and additional support is available within the classroom or workshop environment if required.

The College seeks to achieve the objectives set in the Equality Act 2010 including its obligations under the General and Public Sector Equality Duty. In particular it makes the following commitments:

- Students with learning difficulties or disabilities are given the opportunity to have a supported site visit with the schools liaison team and are then contacted again to inform of any changes to the site over the holiday period. Accessibility is reviewed regularly through the Equality & Diversity Committee, Learner Forums and through consultation and feedback from groups representing all the protected characteristics.
- The College also meets students, staff, members of the community and representatives from all protected characteristics when undertaking significant new projects such as the University Centre and the South West Energy Centre to ensure accessibility is considered early in the design process.
- The College also has a clearly defined process for Equality Impact Assessments; school leavers with specific needs or disabilities are identified to the college through a variety of ways: Section 139 assessments, school liaison, liaison with parents and carers and close working with local authorities, commissioning bodies and relevant agencies. Students are invited to attend 'bridging' days / transition time with the College during which individual needs are assessed in order to provide appropriate support.
- The College has recently achieved Disability Confident Employer status. The College has moved from being Disability Confident Committed (Level 1) to Disability Confident Employer (Level 2). Accreditation for a Disability Confident Employer lasts for 3 years. The scheme aims to help The College successfully recruit and retain disabled people and those with health conditions through many means including inclusive and accessible recruitment practices, offering interviews to disabled people, providing reasonable adjustments and supporting employees with disabilities or long term health conditions.
- The College has a Single Equality Scheme which lays out the way ahead and explains what, why and how we intend to continue to promote equality and tackle discrimination for all our students, staff and communities and to fulfil its General and Public Sector Equality Duty. We aim to continue to attract increasing numbers of learners into non-traditional vocational areas

Strategic Report (continued)

and from groups within the wider community who are under-represented in learning.

- There is a wide range of specialist equipment which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- The College has successfully supported 288 learners with high needs this year at FE level and also provides strong support at HE level to minimise barriers to active participation.
- 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.
- 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. Partnership working, cross FE college communication and sharing of good practice both internally and externally have been introduced and are now firmly embedded in the college annual planning cycle as well as established events and activities in the College annual calendar.
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction. The information can also be found on the College web site and is displayed on the plasma screens at times. The College Positive Intervention team provides further specialist support. Learning Opportunities students can access a specialist counsellor and physiotherapy service in addition to the College welfare services. Theme weeks occur at regular academic intervals, supporting the tutorial process.

Safeguarding and Prevent

The College is fully committed to providing a safe and secure environment for all students and staff. The College has been committed to fully implementing necessary steps and guidance and ongoing training across the whole College to meet its duties in respect of the Prevent legislation at further and higher education levels and actively works in partnership with relevant agencies and partners to this effect. The College has prepared itself for the updated safeguarding legislation "Keeping Children Safe in Education" September 2022, and updated and trained staff throughout the year.

There has been ongoing investment in the College's Positive Intervention team who provide learners with pastoral care and deal with any safeguarding concerns. They work closely with other members of College staff, such as the medical lead, the Designated Safeguarding Lead and tutors to provide a full wrap around care package, as well as with other agencies within and outside the College. They can refer students to external agencies when necessary to provide relevant support.

The Positive Intervention team also leads on Mental Health First Aid and other mental health support and referral services for the College and works pro-actively to monitor and respond to other pastoral and behavioural agendas affecting learners' education and training.

Mental Health and Wellbeing

In 2021, the College signed up to the AoC Mental Health & Wellbeing charter. This charter contains a number of pledges that the college has and will continue to implement to create an environment that promotes student and staff wellbeing and that proactively supports student and staff mental health. In June 2020, we were also delighted to hear that the College achieved the Investors In People Health & Wellbeing Award. This confirms that we have the right principles in place and that we have developed a good staff wellbeing strategy. This will be in place for 3 years.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to

Strategic Report (continued)

publish information on facility time arrangements for trade union officials at the college:

Number of employees who were trade union officials during the relevant period	4
FTE employee number	574

Percentage of working hours spent on facility time	Number of employees
0%	0
1-50%	4
51-99%	0
100%	0
Total cost of facility time	£7,546
Total pay bill	£22,490,435
Percentage of total bill spent on facility time	0.03%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Events after the end of the reporting period

No events to report.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future.

The activities of the College, together with the factors likely to affect its future development and performance, are set out in the above Report. The financial position of the College, its cash flow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes to the Accounts.

The College submitted a financial plan to the Education Skills Funding Agency (ESFA) in July 2023 which set out the financial forecast to July 2025, taking into consideration, as far as practical, the ongoing impacts from the Russian invasion of Ukraine. There have undoubtedly been negative consequences on the College's financial position as a result, however, there have been some positive movements on government funding going into 2023-24 along with continued growth of apprenticeship delivery including contracts with large local and national levy payers. The College's latest forecast is more constrained while it recovers, but a positive cash position is predicted, sufficient to cover borrowing commitments and continue to invest in capital.

Key assumptions for income in the 2023-24 financial year include an increase in core 16-18 funding from the ESFA which is committed and therefore secure; growth in apprenticeship income, supported by some secured contracts but also sensitive to affects in the wider economy. Catering/commercial income is returning to at least pre-pandemic levels, driven by an increase in 16-18 learners compared to 2022-23.

Key assumptions for costs in the 2023-24 financial year include increases in premises costs due to new contracts for Gas & Electricity which has seen a 46% increase, we have identified savings within this area to reduce the impact on our I&E. In consultation with staff, we also identified other savings in Non Pay. Pay costs are assumed to include a much higher cost of living increase which has been approved by the governing body and agreed with our recognised unions. There is very limited, scope to adjust operations in-year to make cost savings should they be needed. Cost of sales for catering/commercial activity will increase due to inflationary pressures and increased costs relating to travel and subsistence are predicted as College activities continue to return to more "in-person" activity. Energy costs are clearly a significant risk the College has electricity and gas fixed until April 2024 by which time IT costs will increase as the College continues its Digital Transformation with more cloud based and remote online revenue costs.

On the critical issue of cash flow, even though the government have reprofiled 16-19 funding payments

Strategic Report (continued)

to equal 12ths to assist with the usual pinch points FE colleges experience, there is still some funding which is paid annually in March and the HE funding from Student Finance England is paid in 3 installments. The position improves from April onwards.

Due to the Office for National Statistics (ONS) reclassifying colleges and their subsidiaries into the central government sector, on 29th November 2022. This means that the college is now subject to the framework for financial management set out in "Managing public money" and can no longer have an overdraft facility.

The College currently has a total of £8,747,000 in loans outstanding (£9,447,000 in 2021/22) with 3 lenders, negotiated at various dates. The College's forecasts and financial projections indicate that it will be able to adequately service all loan commitments for the foreseeable future and will not breach any covenants.

There are 7 covenants attached to the College's borrowing, at 31st July 2023 all are met. Based on our current forecast, all covenants are met in the coming financial year. All the College's bankers have clearly stated their intention to support the College.

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.

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 reasonable steps that, in his or her opinion, 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 29 January 2024 and signed on its behalf by:

Jane Viner
Chair of the Governing Body



Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts to gain an understanding of the College's governance and legal structure. The College endeavours to conduct its business:

- i. in full accordance with the seven 'Nolan' principles identified by the Committee on Standards in Public Life, namely: 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 for English Colleges' (the 'Code'), as issued in March 2015 and updated in September 2021; and
- iii. By monitoring and reviewing developments in relation to the Charity Governance Code, the UK Corporate Governance Code and the Higher Education Code of Governance.

The College is committed to adopting best practice in all aspects of corporate governance and the Governing Body has adopted and complies with the Code. The College is also watchful of developments in relation to the Charity Governance Code, the UK Corporate Governance Code and The Higher Education Code of Governance. The College Corporate Governance arrangements draw upon best practice available from these Codes and associated practices.

In the opinion of the governors, the College complies with the provisions of the Code (including The Colleges Senior Post Holder Remuneration Code) and it has complied throughout the year ended 31 July 2023. 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, which it formally adopted at the July 2015 meeting of the Governing Body.

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

Public benefit

The College is committed to adding value to the social, economic and physical wellbeing of its community and environment. This document provides information on the activities of the College and its role in the community.

South Devon College is an exempt charity under Part 3 of the Charities Act 2011. The College was regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England until 13 July 2016. Through a machinery of government change in late July 2016, the College is now regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 22 and 23.

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.

Since colleges were classified to the central government sector with effect from 29 November 2022, our policies, procedures and approval processes have been updated to ensure compliance with the new requirements following reclassification, in particular the handling of transactions which require DfE approval.

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

- High quality teaching and learning.
- Widening participation and tackling social exclusion.
- Excellent employment record for students.

Statement of Corporate Governance and Internal Control (continued)

- Strong student support systems.
- Links with employers, industry and commerce.
- The delivery of public benefit is covered throughout the Strategic Report.

The Corporation

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

Name	Date of appointment/re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Gov. Body/ Committee Attendance (01/08/22 - 31/07/23)
Alastair Campbell	10/2020 10/2021 10/2023	1 year renewable		Co-opted Member	Audit	50%
Hannah Cash	09/22 (co-opted) 14/11/22 (governor)	4 years		Independent Governor	People & Resources	PR 33% Board 0%
Kate Doodson	13/03/2020	4 years		Independent Governor	Search & Governance	100%
Graham Fice	01/09/2016 01/09/2020	4 years	18/07/23	Independent Governor	QTLA, Remuneration (chair), Search & Governance (chair)	100%
Laurence Frewin	01/09/2019	Ex-officio		Principal & CEO	QTLA, People & Resources, Search & Governance	100%
Philip Gibson	10/06/2016 10/06/2020	4 years		Independent Governor	QTLA (Chair), Remuneration	Committees 100% Board 67%
Rory Gilbert	15/06/2017 15/06/2021	4 years		Independent Governor	Remuneration, People & Resources (chair)	Board 0% PR 100% Rem Com 0%
Jon Goldman	01/09/2018 01/09/2022	4 years		Independent Governor	Audit, QTLA, Search & Governance	50% Board 100% Audit 100% QTLA 67% S&G
Adel Jones	01/03/23	4 years		Independent Governor	QTLA	0%
Roger Knight	08/03/2021	4 years		Independent Governor	Audit (chair), Remuneration	100%
Lynsey Mizen-Shaw	01/2022 01/2023	1 year renewable		Co-opted Member	Search & Governance	33%
Will O'Neill (staff professional services)	20/12/21	4 years		Staff Governor (professional services)	People & Resources	100% Board 67% P&R
Steve Parrock	1/9/22	4 years		Independent Governor	People & Resources	100% Board 67% P&R
Sophie Perry	14/11/22	1 year (elected)	31/7/23	FE Student Governor	QTLA	Data not collected
Judy Ravenscroft	01/03/2019 28/02/2023	4 years		Independent Governor	Audit, QTLA	Board 67% Audit 25% QTLA 33%

Statement of Corporate Governance and Internal Control (continued)

Sally Rice	01/2019 01/2020 01/2021 01/2022	1 year Renewable	01/7/23	Co-opted Member	Search & Governance	33%
Nathan Strong	7/12/22	1 year elected	31/7/23	HE Student Governor	QTLA	Data not collected
Dave Tucker	06/2020 06/2021 06/2022 06/2023	1 year Renewable		Co-opted Member	People & Resources	67%
Jane Viner (Chair of Governors)	01/09/2017 01/09/2021	4 years		Independent Governor	Remuneration, People & Resources	100%
Chris Walden	01/09/22	4 years		Independent Governor	QTLA	Board 67% QTLA 67%
Dave Wildman	01/11/17 01/11/2021	4 years		Staff Governor (academic) member	Audit, QTLA	Board 67% Audit 50% QTLA 67%
Lisa Keay was appointed as Clerk to the Governing Body on 11 April 2016. Wendy Randle held the role of Interim Head of Governance from March 2023.						

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

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

The Corporation conducts its business through a number of committees. These committees are Audit, Quality Teaching Learning & Assessment (incorporating the HE Committee), Remuneration, People & Resources and Search & Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Head of Governance by emailing governanceadmin@southdevon.ac.uk or writing to:

South Devon College
Vantage Point
Long Road
Paignton, TQ4 7EJ

The Head of Governance maintains a register of financial and personal interests of the governors. The register is available for inspection on the College website.

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

Formal agendas and supporting papers are shared with governors at least one week before Board meetings.

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

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

Statement of Corporate Governance and Internal Control (continued)

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 & Governance Committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate induction and training is provided as required.

Independent and staff members of the Corporation are appointed for a term of office not exceeding four years but may, subject to satisfactory performance, be re-appointed for a further four years. The maximum term of office for independent and staff governors is eight years. Student members are appointed for a term of one year and can be re-appointed if re-elected by the student body. The Principal of the College is an ex-officio member of the Corporation.

Corporation performance

During the summer term of 2021 the Governing Body received an external board review by the Education & Training Foundation (ETF). The external reviewer concluded that the College's governance arrangements were good. Some areas of practice were identified for improvement and an Action Plan was agreed and largely implemented during the 2021/2022 academic year. The Search & Governance Committee monitored the successful implementation of this Action Plan.

Outstanding actions from this 2021/22 Board Development Plan will be carried forward to the 2022/23 Plan. This Plan will also be informed by feedback from Committees via their termly/annual self-assessment processes as well as Governor feedback via some annual 1:1 review meetings with the Chair and Vice Chair. A high level of governor engagement continues to be evidenced by many examples of Governor "Support and Challenge" in the minutes of all meetings. A further External Board Review is scheduled for the summer term 2024, to be completed by an AoC reviewer.

Governors undertake regular training and development throughout the academic year. These opportunities are provided by The Association of Colleges (AoC), the Education and Training Foundation (ETF), RSM (Internal Auditors) and the College Leadership Team. Areas of focus are wide ranging and have included Safeguarding, Risk Management and Risk Appetite, Board Assurance Framework and DfE Accountability Agreements alongside sector updates. Governors have had the opportunity to develop their college specific knowledge through completing learning walks and the minibus tour of the campuses. Board Strategic Planning events have provided a range of development opportunities to include exploring the College's position within the local and regional regeneration priorities and the metaverse, meetings with student and staff and team building exercises and inclusion. The Chair and Committee Chairs attend AoC networking meetings and adhoc sessions such as the Audit Committee master class, in addition to conferences such as the Green Skills Summit. New Governors are invited to attend relevant AoC induction events and a college induction.

The Head of Governance and Interim Head of Governance both undertook the ETF's Leadership programme for Governance Professionals during 2022/23 and both continued to attend termly AoC SW Regional Meetings for Governance Professionals.

To increase the impact of training and development on the Governing Body's discussions and decision-making, all participants are encouraged to formally feedback on their learning from external events.

Remuneration Committee

For the year ending 31 July 2023 the College's 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 Accounting Officer and other senior post-holders. Senior post-holders are appointed by the Governing Body and comprise of the Principal & CEO, the Vice Principal, Quality & Curriculum, the Vice Principal, People & Resources, and the Head of Governance.

Pay recommendations are based on the Governing Body's Remuneration Framework for Senior Post Holders which is underpinned by the principles laid out in the AoC Colleges Senior Post Holder Remuneration Code, namely:

- a) 1.4.1 Fair, appropriate, and justifiable levels of remuneration;
- b) 1.4.2 Procedural fairness; and
- c) 1.4.3 Transparency and accountability.

Statement of Corporate Governance and Internal Control (continued)

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

Audit Committee

During 2022/23 membership of the Audit Committee comprised of five governors and one co-opted member of the Corporation (membership excludes the Accounting Officer and the Chair of the Governing Body). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets once each term (twice in the autumn term) and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

Management is responsible for the implementation of agreed audit recommendations and the internal auditors undertake 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 audit and non-audit work as well as reporting annually to the Corporation.

Statement from the Audit Committee

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

The specific areas of work undertaken by the audit committee in 2022/23 and up to the date of the approval of the financial statements are:

Receipt of Internal Audit Reports on:

- a) HR Controls – Recruitment and Selection
Conclusion: Reasonable Assurance
Recommendations: 3 Low, 1 Medium and 0 High Actions
- b) Student Recruitment Framework
Conclusion: Reasonable
Recommendations: 1 Low, 2 Medium and 0 High Actions
- c) Curriculum Planning Processes
Conclusion: Reasonable Assurance
Recommendations: 2 Low, 2 Medium and 0 High Actions
- d) Financial Controls
Conclusion: Reasonable Assurance
Recommendations: 1 Low, 1 Medium and 0 High Actions
- e) Learner Number Systems
Conclusion: Advisory
Recommendations: 4 Low, 8 Medium and 0 High Actions
- f) Academic Quality Framework
Conclusion: Substantial Assurance
Recommendations: 4 Low, 1 Medium and 0 High Actions

Statement of Corporate Governance and Internal Control (continued)

g) Follow up

Conclusion: Reasonable Progress

Recommendations: Low 0, Medium 8 and 0 High Actions

'Deep dive' reports from Management were requested and governors received assurance of controls/mitigations in place for the following risk areas:

- o Higher Education Academic Quality
- o Apprenticeships
- o IT/Cyber Security

The Strategic Risk Management Plan was scrutinised termly and has been replaced with a more dynamic Board Assurance Framework during 2022/23.

Quality Teaching Learning & Assessment (QTLA)/HE Committee

The QTLA/HE Committee is responsible for ensuring that student success, progression and satisfaction is maximised with continuous review and improvement of strategies, policies, procedures and data relating to quality, teaching, learning and assessment. It also monitors the impact of the College's policies and actions in relation to safeguarding (including the Prevent duty), Equality, Diversity and Inclusion, and the provision of independent Careers advice and guidance.

People & Resources Committee

The People & Resources Committee is responsible for making recommendations to the Governing Body on the annual estimates of income and expenditure, financial monitoring, and approving broad College policies relating to property/accommodation. It receives termly HR reports and monitors the impact of the College's policies and actions in relation to Health and Safety. The Committee is also responsible for approving major external contracts, which are consistent with the College's Strategic Plan.

Search and Governance Committee

The Search and Governance Committee is responsible for making recommendations to the Governing Body on the nomination of candidates for appointment as members of the Governing Body in accordance with the Instruments and Articles of Government and to recommend policies and procedures for such appointments. The Committee also considers and advises the Corporation on the composition and balance of the Governing Body and its Committees. The Committee monitors governor attendance, stakeholder engagement and training and development activities as well as the Board's Annual Development Plan. It is also responsible for monitoring the benchmarking of governance practice against external Codes and standards of good governance and ensuring regulatory changes from the ESFA and OfS are embedded in the College's governance systems.

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 the Principal is personally responsible, in accordance with the responsibilities assigned to the Principal in the Financial Memorandum between South Devon College and the Education and Skills Funding Agency. The Principal 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

Statement of Corporate Governance and Internal Control (continued)

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 Devon College for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The 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 ending 31 July 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control 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; and
- the adoption of formal project management disciplines, where appropriate.

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

Risks faced by the corporation

The Corporation identifies, evaluates and manages risk through the termly monitoring of a Strategic Risk Management Plan. This Plan is regularly reviewed and updated by the Vice Principal People & Resources who draws governor attention to the impact and likelihood evaluation of key operational, financial, compliant and other risks. The principal risks have been summarised in the report above.

Control weaknesses identified

There have been no significant internal control weaknesses or failures identified during 2022/23.

Responsibilities under funding agreements

The Corporation has met its contractual responsibilities under its funding agreements and contracts with the ESFA by

- a) ensuring that the College's funds are used only in accordance with the College's powers as set out in the Further and Higher Education Act 1992 and the College's own statutory duties and other obligations.
- b) ensuring the effective and efficient use of resources, the solvency of the institution and the corporate body and the safeguarding of its assets

Statement of Corporate Governance and Internal Control (continued)

- c) ensuring that it has operated in line with its exempt charitable status.
- d) appointing the Principal as its Accountable Officer and receiving assurances from the Principal that there is compliance with the Funding Agreement and all other terms and conditions of funding (as evidenced below by the signed Statement of Regularity, Propriety and Compliance).

Compliance with Office for Students conditions of registration

The Audit Committee receives assurances, at its termly meetings, that the College has complied with OfS conditions of registration.

Review of effectiveness

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

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

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

The Senior Leadership 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 Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Committee's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

Approved by order of the members of the Corporation on 29 January 2024 and signed on its behalf by:



Jane Viner
Chair of the Governing Body



Laurence Frewin
Accounting Officer

Statement of Regularity, Propriety and Compliance

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

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

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



Laurence Frewin
Accounting Officer
29 January 2024

Statement of the chair of governors

On behalf of the corporation, I confirm that the accounting officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.



Jane Viner
Chair of the Governing Body
29 January 2024

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA and any other relevant funding bodies, the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report); and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation.

The corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

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

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

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient, and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 29 January 2024 and signed on its behalf by:



Jane Viner
Chair of the Governing Body

Independent Auditor's Report to the Corporation of South Devon College

Opinion

We have audited the financial statements of South Devon College for the year ended 31 July 2023 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2023 and of the College's surplus of income over expenditure for the year then ended; and
- Have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education; and
- Meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were 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 Report of the Governing Body, other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information. 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information, and we are required to report that fact.

We have nothing to report in this regard.

Report on other legal and regulatory requirements

We are required to report on the following matters by the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency:

We have nothing to report in respect of the following matters in our opinion:

- Proper accounting records have not been kept; and

Independent Auditor's Report to the Corporation of South Devon College

- The financial statement are not in agreement with the accounting records; and
- All information and explanations required for the audit were not received.

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students:

We have nothing to report in respect of the following matters in our opinion:

- The provider's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; and
- The provider's expenditure on access and participation activities for the financial year has been materially misstated.

Responsibilities of the Members of the Corporation of South Devon College

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 31, the College's Corporation is responsible for the preparation of the financial statements which give a true and fair view and for such internal control as the Members of 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 Members of the Corporation are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate 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 these financial statements.

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

As part of our audit planning, we obtained an understanding of the legal and regulatory framework that is applicable to the College. We gained an understanding of the industry in which the Charity operates as part of this assessment to identify the key laws and regulations affecting the College. As part of this, we reviewed the College's website for indication of any regulations and certification in place and discussed these with the relevant individuals responsible for compliance. The key regulations we identified were the regulations of the Department for Education, the Education & Skills Funding Agency (ESFA), the Office for Students (OfS) and Ofsted, as well as health and safety regulations, employment law, and breaches of The General Data Protection Regulation (GDPR). We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the College Accounts Direction for 2021 to 2022 and the Post-16 Audit Code of Practice issued by the ESFA.

We discussed with management how the compliance with these laws and regulations is monitored and discussed policies and procedures in place. As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the College's ability to continue operating and the risk of material misstatement to the accounts. We also evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

Independent Auditor's Report to the Corporation of South Devon College

- Enquiries of management regarding their knowledge of any non-compliance with laws and regulations that could affect the financial statements.
- Review of the College's risk register and minutes of Board and Audit Committee meetings for any potential or actual instances of non-compliance.
- Review of the College's GDPR policy and enquiries of the College's compliance officer as to the occurrence and outcome of any reportable breaches.
- Review of Ofsted reports, and inquiries of management of points raised and action plans developed.
- Reviewed legal and professional costs to identify any possible non-compliance or legal costs in respect of non-compliance.

We assessed the susceptibility of the financial statements to material misstatement through management override or fraud and obtained an understanding of the controls in place to mitigate the risk of fraud. We also discussed with management whether there had been any instances of known or alleged fraud, of which there were none. Based upon our understanding we designed and conducted audit procedures including:

- Audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

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

Use of our report

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

PKF Francis Clark
Registered Auditors
Melville Building East
Unit 18, 23 Royal William Yard
Plymouth
PL1 3GW



Date: 29/01/2024

Reporting Accountant's Assurance Report on Regularity for the Year Ended 31 July 2023 to the Corporation of South Devon College and Secretary of State for Education acting through the Education and Skills funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 29 May 2019 and further to the requirements of the funding agreement with the Education and Skills Funding Agency 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 Devon College during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the ESFA and in any 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 (ILR) data returns, for which the ESFA or devolved authority has other assurance arrangements in place.

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

Respective responsibilities of the Corporation of South Devon College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed, and income received during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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 and propriety of the college's income and expenditure.

**Reporting Accountant's Assurance Report on Regularity for the Year Ended 31 July 2023 to the Corporation of South Devon College and Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)
(continued)**

The work undertaken to draw to our conclusion includes:

- Inspection and review of documentation providing evidence of governance procedures, including the self-assessment questionnaire prepared by South Devon College.
- Evaluation of the system of internal controls for authorization and approval.
- Performing substantive tests on relevant transactions.

Conclusion

In the course of our work, nothing has come to our attention, which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



PKF Francis Clark
Registered Auditors
Melville Building East
Unit 18, 23 Royal William Yard
Plymouth
PL1 3GW

Date: 29/01/2024

South Devon College
Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
INCOME			
Funding body grants	2	24,031	22,783
Tuition fees and education contracts	3	7,505	7,456
Other income	4	3,131	2,552
Investment income	5	44	3
Donations and Endowments	6	18	10
Total income		34,729	32,804
EXPENDITURE			
Staff costs	7	23,821	24,145
Fundamental restructuring costs	7	659	280
Other operating expenses	8	8,079	8,806
Interest and other finance costs	9	772	933
Depreciation and amortisation	10 & 11	2,556	2,475
Total expenditure		35,887	36,639
Operating loss or surplus on continuing activities			
		78	(599)
FRS 102 pension adjustments			
		(1,237)	(3,236)
		(1,159)	(3,835)
(Deficit) for the year		(1,159)	(3,835)
Actuarial gain/(loss) in respect of pensions schemes	22	11,390	26,500
Total comprehensive gain/(loss) for the year		10,231	22,665
Represented by:			
Unrestricted comprehensive gain/(loss)		10,231	22,665
Restricted comprehensive income		-	-
		10,231	22,665

This Statement of Comprehensive Income and Expenditure is in respect of continuing activities.

South Devon College
Statement of Changes in Reserves

	Income and Expenditure account
	£'000
Balance at 31 July 2021	(15,646)
Deficit from the income and expenditure account	(3,835)
Other comprehensive income	26,500
Total comprehensive gain for the year	22,665
 Balance at 31 July 2022	 7,019
Deficit from the income and expenditure account	(1,159)
Other comprehensive income	11,390
Total comprehensive gain for the year	10,231
Balance at 31 July 2023	17,251

South Devon College
Balance sheet as at 31 July

	Notes	2023 £'000	2022 £'000
Non-current assets			
Tangible fixed assets	10	56,351	56,213
Intangible fixed assets	11	133	139
Investments	12	5	5
		56,490	56,358
Current assets			
Stocks		40	32
Trade and other receivables	13	2,948	2,174
Cash and cash equivalents	19	1,736	2,894
		4,724	5,100
Less: Creditors – amounts falling due within one year	14	(6,593)	(7,815)
Net current assets		(1,869)	(2,715)
Total assets less current liabilities		54,621	53,643
Less: Creditors – amounts falling due after more than one year	15	(37,019)	(36,046)
Provisions			
Defined benefit obligations	18	-	(10,154)
Enhanced pensions	18	(350)	(423)
Total net assets		17,252	7,020
Reserves			
Income and expenditure account		17,251	17,173
Pension reserve		-	(10,154)
Total unrestricted reserves		17,251	7,019
Restricted reserves		1	1
Total reserves		17,252	7,020

The financial statements on pages 40 to 60 were approved and authorised for issue by the Corporation on 29 January 2024 and were signed on its behalf on that date by:

Jane Viner
Chair of the Governing Body



Laurence Frewin
Accounting Officer



South Devon College
Statement of Cash Flows

	Year ended 31st July 2023	Year ended 31st July 2022
	£'000	£'000
Cash inflow from operating activities		
Deficit for the year	(1,159)	(3,835)
Adjustment for non cash items		
Depreciation and amortisation	2,556	2,475
Decrease/(increase) in stocks	(8)	(5)
Decrease/(increase) in debtors	(774)	263
(Decrease)/increase in creditors due within one year	(1,232)	595
(Decrease)/increase in creditors due after one year	1,681	1,520
(Decrease)/increase in provisions	(73)	(110)
Pension adjustment - FRS 102	1,237	3,236
Adjustment for investing or financing activities		
Investment income	(44)	(3)
Interest payable	772	933
Loss on sale of fixed assets	(23)	(5)
	<u>2,933</u>	<u>5,064</u>
Net cash flow from operating activities		
	<u>2,933</u>	<u>5,064</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	54	11
Investment income	44	3
Purchase of investments	-	-
Payments made to acquire fixed assets	(2,715)	(4,249)
	<u>(2,617)</u>	<u>(4,235)</u>
Cash flows from financing activities		
Interest paid	(772)	(933)
Repayments of amounts borrowed	(700)	(381)
	<u>(1,472)</u>	<u>(1,314)</u>
Increase / (decrease) in cash and cash equivalents in the year	<u>(1,159)</u>	<u>(485)</u>
Cash and cash equivalents at beginning of the year	18 2,894	3,379
Cash and cash equivalents at end of the year	18 1,736	2,894

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2021 to 2022 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2023.

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, including the exceptional impact of an unprecedented global coronavirus pandemic. The financial position of the College, its cash flow, liquidity, and borrowings are presented in the financial statements and accompanying notes.

The College currently has a total of £8,747,000 in loans outstanding, with 3 lenders, negotiated at various dates. The terms of the agreements vary, with the shortest date being July 2033 and the longest being June 2042. The College's forecasts and financial projections indicate that it will be able to adequately service all loan commitments for the foreseeable future.

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.

Recognition of income

Revenue grant funding

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

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

1. Statement of accounting policies and estimation techniques (continued)

Capital grant funding

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. Non-government grants received with no outstanding performance related conditions are immediately credited direct to the Statement of Comprehensive Income.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Non-government capital grants received with no outstanding performance related conditions are immediately credited direct to the Statement of Comprehensive Income.

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 Statement of Comprehensive Income 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 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 based on 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.

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

1. Statement of accounting policies and estimation techniques (continued)

Enhanced pensions

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

Non-current assets - tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives of 50 years. Major adaptations to the College's buildings are depreciated on the same basis.

Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific government 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 Statement of Comprehensive Income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

IT (Medium Life)	5 years
IT (Short Life)	3 years
IT (Tablets & Other Portable)	2 years
Furniture & Fittings (Long Life)	10 years
Furniture & Fittings (Medium/Long Life)	8 years
Furniture & Fittings (Medium Life)	5 years
Furniture & Fittings (Short Life)	2 years
Motor Vehicles	4 years

1. Statement of accounting policies and estimation techniques (continued)

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

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

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised on a straight-line basis over their useful life. If a reliable estimate of useful life is not possible, the life shall not exceed 5 years.

An intangible asset will be recognised only if future economic benefits flow to the College and the cost of the asset can be measured reliably.

Borrowing costs

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

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset will be treated as finance leases, if such leases are in place.

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

1. Statement of accounting policies and estimation techniques (continued)

Foreign currency translation

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

Taxation

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

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

Provisions and contingent liabilities

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

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

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

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

Agency arrangements

The College acts as an agent in the collection and payment of discretionary support funds and bursaries. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income of the College, except for the 5% charge retained by the College to cover administrative expenses. Details of amounts received and disbursed can be found in Note 24.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease-by-lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. 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.

1. Statement of accounting policies and estimation techniques (continued)

- Revenue generally is recognised when it has been earned, it can be measured reliably, and the collection of payment is reasonably assured. The nature of the College's revenues are such that significant judgement is involved in the exercise of these principles.
- A provision is recognised when an obligation exists as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reasonable estimate can be made of the obligation.

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 22, 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 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- *Disputed property lease*

The property lease dispute referred to in last years Notes was satisfactorily resolved during this financial year.

South Devon College
Notes to the Accounts (continued)

2 Funding body grants

	2023	2022
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - adult	1,947	2,264
Education and Skills Funding Agency - 16 - 18	13,907	12,450
Education and Skills Funding Agency - apprenticeships	5,998	6,000
Office for Students	368	369
Specific Grants		
Releases of government capital grants	524	489
Teachers Pension grant	772	662
Non-recurrent agency grants	514	549
Total	24,031	22,783

3 Tuition fees and education contracts

	2023	2022
	£'000	£'000
Adult education fees	690	436
Apprenticeship fees and contracts	107	44
Fees for FE loan supported courses	374	689
Fees for HE loan supported courses	2,266	2,648
Total tuition fees	3,437	3,817
Education contracts	4,067	3,639
Total	7,505	7,456

South Devon College
Notes to the Accounts (continued)

4 Other income

	2023 £'000	2022 £'000
Catering and residences	1,079	949
Transport	761	496
Other income generating activities	549	446
Other grant income	726	560
Non government capital grants		81
Coronavirus Job Retention Scheme grant	-	-
Covid testing grant	-	-
Miscellaneous income	15	20
	<hr/>	<hr/>
Total	<u>3,131</u>	<u>2,552</u>

5 Investment income

	2023 £'000	2022 £'000
Other interest receivable	<u>44</u>	<u>3</u>

6 Donations and endowments

	2023 £'000	2022 £'000
Unrestricted donations	<u>18</u>	<u>10</u>

South Devon College

Notes to the Accounts (continued)

7 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, disclosed as a headcount, was:

	2023 No.	2022 No.
Teaching staff	266	247
Non teaching staff - classroom support	195	166
Non teaching staff - business support	291	299
	<u>752</u>	<u>712</u>
Staff costs for the above persons		
	2023 £'000	2022 £'000
Wages and salaries	17,717	16,599
Social security costs	1,633	1,462
Other pension costs	4,455	5,943
	<u>23,804</u>	<u>24,004</u>
Payroll sub total		
Contracted out staffing services	17	141
	<u>23,821</u>	<u>24,145</u>
Fundamental restructuring costs - contractual	659	280
	<u>24,480</u>	<u>24,425</u>

The College does not have any salary sacrifice arrangements in place

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises: the Principal; the Vice Principal Quality and Curriculum; the Vice Principal People and Resources; the Director of Finance and Funding; four Assistant Principals who are responsible for various operational departments of the College; and the Clerk to the Governors. Staff costs include compensation paid to key management personnel for loss of office.

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

	2023 No.	2022 No.
The number of key management personnel including the Accounting Officer was:	9	11

Note - Please see the list of post holders on page 1 of these accounts. The emoluments presented in the accounts are for the total amount paid to all key management personnel in the accounting period.

South Devon College
Notes to the Accounts (continued)

7 Staff costs

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

	Senior post-holders		Other staff	
	2023	2022	2023	2022
	No.	No.	No.	No.
£60,000 or under	1	3		1
£60,001 to £65,000 per annum	1	-		-
£65,001 to £70,000 per annum		-	1	4
£70,001 to £75,000 per annum		-	2	-
£75,001 to £80,000 per annum		-		-
£80,001 to £85,000 per annum		-		-
£85,001 to £90,000 per annum		1		-
£90,001 to £95,000 per annum	1	-		-
£95,001 to £100,000 per annum		1		-
£100,001 to £105,000 per annum	1	-		-
£105,001 to £110,000 per annum		-		-
£110,001 to £115,000 per annum		-		-
£115,001 to £120,000 per annum		-		-
£120,001 to £125,000 per annum		-		-
£125,001 to £130,000 per annum		-		-
£130,001 to £135,000 per annum		-		-
£135,001 to £140,000 per annum		1		-
£140,001 to £145,000 per annum		-	1	-
£145,001 to £150,000 per annum	1	-		-
Over £150,001 per annum		-		-
	<u>5</u>	<u>6</u>	<u>4</u>	<u>5</u>

Note: this table is presented on the basis of people, not posts and where staff have left in the reporting period and been replaced, more than one person is included.

Key management personnel emoluments are made up as follows:

	2023 £'000	2022 £'000
Salaries	800	702
Employer's national insurance	96	88
Pension contributions	<u>147</u>	<u>141</u>
Total emoluments	<u>1,043</u>	<u>931</u>

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

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

	2023 £'000	2022 £'000
Salaries	146	139
Pension contributions	24	22

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.

The governing body has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future. The Remuneration Committee will publish an annual statement on senior post holder pay that can be found on the South Devon College website.

The remuneration package of key management personnel, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of the Governing Body, who undertakes an annual review of their 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 multiple:

	2023	2022
Principal and CEO's basic salary as multiple of the median of all staff	4.81	5.43
Principal and CEO's total remuneration as multiple of the median of all staff	4.81	5.43

South Devon College
Notes to the Accounts (continued)

8 Other operating expenses

	2023	2022
	£'000	£'000
Teaching costs	3,026	2,995
Non teaching costs	2,840	2,590
Premises costs	2,213	3,221
	<hr/>	<hr/>
Total	8,079	8,806
	<hr/>	<hr/>

Other operating expenses include:

	2023	2022
	£'000	£'000
Auditors' remuneration:		
- Financial statements audit	26	25
- Other services provided by the financial statements auditors	4	4
Internal audit	50	37
(Profit)/Losses on disposal of tangible fixed assets	(23)	(5)
Depreciation and amortisation	2,556	2,475
Hire of assets under operating leases	313	421

9 Interest payable and other finance costs

	2023	2022
	£'000	£'000
On bank loans, overdrafts and other loans	450	408
Pension finance costs (note 22)	322	525
	<hr/>	<hr/>
Total	772	933
	<hr/>	<hr/>

South Devon College
Notes to the Accounts (continued)

10 Tangible fixed assets

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2022	61,651	919	20,168	155	82,893
Additions	21	-	2,482	131	2,634
Transfers	-	-	-	-	-
Disposals	-	(230)	(296)	-	(526)
At 31 July 2023	61,672	689	22,354	286	85,001
Depreciation					
At 1 August 2022	12,586	570	13,521	-	26,677
Charge for the year	1,134	38	1,296	-	2,468
Elimination in respect of disposals	-	(229)	(266)	-	(495)
At 31 July 2023	13,720	379	14,551	-	28,650
Net book value at 31 July 2023	47,952	310	7,803	286	56,351
Net book value at 31 July 2022	49,065	349	6,647	155	56,216

Foyer Project

The College still owns 12,000 square feet of land at the previous campus site in Newton Road, Torquay. This land is leased to Torbay Council on a 99 year lease, starting in July 2002. The land has not been valued in the accounts as the value on its return to the College in the future is uncertain.

South Devon College
Notes to the Accounts (continued)

11 Intangible fixed assets

	Software £'000	Other £'000	Total £'000
Cost			
At 1 August 2022	1,021	160	1,181
Additions	81	-	81
Disposals	(2)	-	(2)
At 31 July 2023	1,100	160	1,260
Depreciation			
At 1 August 2022	902	140	1,042
Charge for the year	81	7	88
Elimination in respect of disposals	(2)	-	(2)
At 31 July 2023	981	147	1,128
Net book value at 31 July 2023	119	13	133
Net book value at 31 July 2023	119	20	139

12 Non-current investments

	2023 £'000	2022 £'000
Broughton Award	1	1
SW Mutual Bank Founding Member Investment	5	5
Total	5	5

13 Trade and other receivables

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade receivables	1,141	523
Other debtors	13	31
Prepayments and accrued income	987	988
Amounts owed by the Education & Skills Funding Agency	807	632
Total	2,948	2,174

South Devon College
Notes to the Accounts (continued)

14 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Bank loans and overdrafts	708	700
Payments received in advance	665	732
Trade payables	1,061	1,111
Other taxation and social security	858	756
Accruals and deferred income	520	921
Holiday pay accrual	498	632
Other creditors	25	487
Amounts owed to Education Skills Funding Agency	929	1,104
Deferred income - government capital grants	1,329	1,372
Total	<u>6,593</u>	<u>7,815</u>

15 Creditors: amounts falling due after one year

	2023	2022
	£'000	£'000
Bank loans	8,039	8,747
Other long term creditors	91	92
Deferred income - government capital grants	28,889	27,207
Total	<u>37,019</u>	<u>36,046</u>

16 Maturity of debt

Bank loans and overdrafts

Bank loans are repayable as follows:

	2023	2022
	£'000	£'000
In one year or less	708	700
Between one and two years	717	708
Between two and five years	2,210	2,180
In five years or more	5,112	5,859
Total	<u>8,747</u>	<u>9,447</u>

The Bank loans are provided by Lloyds, Santander and Torbay Council. The Lloyds loan relates to the construction of the University Centre. The overdraft facility, with Santander, is unsecured. This was not utilised during the year.

The loan with Lloyds incurs interest at 6.628% fixed rate. The final instalment is due to be repaid on 9th November 2033.

The loan with Torbay Council incurs interest at 2.8% fixed rate. The final instalment is due to be repaid on 30th June 2042.

The loan with Santander incurs interest at 2.61% fixed rate. The final instalment is due to be repaid on 28th July 2032.

South Devon College
Notes to the Accounts (continued)

17 Analysis of changes in net debt

	At 1 August 2022	Cash flows	Other non cash changes	At 31 July 2023
	£'000	£'000	£'000	£'000
Cash at bank and in hand	2,894	(1,159)	-	1,735
Bank overdrafts	-	-	-	-
	<u>2,894</u>	<u>(1,159)</u>	<u>-</u>	<u>1,735</u>
Bank loans	(9,447)	700	-	(8,747)
Net debt	<u>(6,553)</u>	<u>(459)</u>	<u>-</u>	<u>(7,012)</u>

18 Provisions

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2022	10,154	423	10,577
Additions in period	(10,154)	(73)	(10,227)
	<u>-</u>	<u>350</u>	<u>350</u>

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

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. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2023	2022
Interest rate	5.0%	3.3%
Net interest rate	2.8%	2.9%

19 Cash and cash equivalents

	At 1 August 2022	Cash flows	At 31 July 2023
	£'000	£'000	£'000
Cash and cash equivalents	2,892	(1,156)	1,736
Total	<u>2,892</u>	<u>(1,156)</u>	<u>1,736</u>

20 Capital commitments

	2023 £'000	2022 £'000
Commitments contracted for at 31 July	<u>2,333</u>	<u>346</u>

21 Lease Obligations

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

	2023 £'000	2022 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	201	152
Later than one year and not later than five years	540	564
Later than five years	1,705	1,840
	<u>2,446</u>	<u>2,556</u>
Other		
Not later than one year	11	24
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>11</u>	<u>24</u>

South Devon College

Notes to the Accounts (continued)

22 Defined benefit obligations

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

Total pension cost for the year	2023 £'000	2022 £'000
Teachers Pension Scheme: contributions paid	2,215	2,042
Local Government Pension Scheme:		
Contributions paid	1,410	1,267
FRS 102 charge	816	2,626
Charge to the Statement of Comprehensive Income	2,226	3,893
Enhanced pension charge to Statement of Comprehensive Income	14	8
Total pension cost for year within staff costs	4,455	5,943

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

Contributions amounting to £385,000 (2022: £372,000) were payable to the scheme and are included in 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, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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

Valuation of the Teachers' Pension Scheme

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

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

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

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 £2,215,000 (2022: £2,042,000).

South Devon College

Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

FRS 102

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension scheme. 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.

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Devon County Council. The total contribution made for the year ended 31 July 2022 was £1,849,000 (£1,663,000 in the year to 31 July 2022), of which employer's contributions totalled £1,410,000 (£1,267,000 2021-22) and employees' contributions totalled £439,000 (£396,000 2021-22). The agreed contribution rates for future years are 18% for employers and range from 5.5% to 12.5% for employees, depending on salary. Under the funding policy, secondary contributions are required to clear historic deficits; these were £76,000 for the year from 1st April 2023 and will be £79,000 for the year from 1st April 2023. The deficit recovery period was 20 years from 1st April 2020.

LGPS surplus position

As at 31 July 2023, the actuarial valuation for the College includes a surplus totaling £1,193,000 (PY: not a surplus). This surplus has not been recognised within the financial statements.

High UK corporate bond yields have resulted in high accounting discount rates which contributed to the closing surplus position. There is no specific guidance in FRS 102 in relation to surplus balances, therefore reference has been made to IAS 19. This requires any surplus recognition to be limited to the present value of economic benefits available in the form of either refunds or reduced future contributions (the asset ceiling).

The right to a refund would occur in the form of a credit payable to the College, for example on exiting the pension fund. Whether any refund is provided is governed by Regulation 64 of the 2013 Local Government Pension Scheme Regulations and set out in the specific local authority funding strategy statement. The payment of this credit is at the discretion of the local authority based on a variety of pre-determined factors. Given there are no circumstances to suggest an exit from the fund and the determination of any credit is outside the control of the College, there is no basis to recognise any surplus.

With regards to reduced contributions, IAS 19 references minimum funding requirements used by certain schemes which limit the scope for contribution reductions. The LGPS administering authority must obtain a rates and adjustments certificate every three years that shows the contributions to be paid by each employer to the pension fund for the following three years, thereby limiting the availability of any contribution reductions.

Additionally, the local authority funding strategy statement provides for potential reductions in future contributions, but these would be at the discretion of the local authority with, in the majority of cases, academies being part of a stabilisation approach which sets a limit on any change to contributions e.g. to 1% of pay per year. This suggests minimum funding requirements are applicable to the College as determined by IAS19. When actuary asset ceiling calculations assume that minimum funding requirements exist, they provide an asset ceiling value of £Nil.

Based on the above, it cannot be determined that a flow of future benefits is probable therefore no asset has been recognised.

Principal Actuarial Assumptions

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

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	3.85%	3.80%
Future pensions increases	2.85%	2.80%
Discount rate for scheme liabilities	5.15%	3.40%
Inflation assumption (CPI)	2.85%	2.80%
Commutation of pensions to lump sums	50.00%	50.00%

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

	At 31 July 2023 years	At 31 July 2022 years
<i>Retiring today</i>		
Males	21.4	21.7
Females	22.6	22.9
<i>Retiring in 20 years</i>		
Males	22.7	23.0
Females	24.0	24.3

Sensitivity analysis

	At 31 July 2023 £'000	At 31 July 2022 £'000
Projected service cost:		
Discount rate +0.1%	1,248	2,029
Discount rate -0.1%	1,344	2,194
Mortality assumption – 1 year increase	1,339	2,191
Mortality assumption – 1 year decrease	1,252	2,031
Long term salary increases +0.1%	1,296	2,111
Long term salary increases -0.1%	1,294	2,109
Pension increases and deferred revaluation +0.1%	1,345	2,194
Pension increases and deferred revaluation -0.1%	1,247	2,029

South Devon College
Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (continued)

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

		Fair Value at 31 July 2023		Fair Value at 31 July 2022
		£'000		£'000
Gilts	0%	-	17%	5,592
UK equities	8%	2,649	8%	2,683
Overseas equities	46%	15,424	45%	14,587
Property	8%	2,802	10%	3,225
Infrastructure	9%	3,048	7%	2,384
Target return portfolio	6%	2,034	9%	3,018
Cash	1%	469	1%	227
Other bonds	22%	7,260	2%	724
Alternative assets	0%	(2)	0%	-8
Total fair value of plan assets	100%	<u>33,684</u>	100%	<u>32,432</u>
Weighted average expected long term rate of return		3%		0%
Actual return on plan assets		<u>1,000</u>		<u>(45)</u>

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

	2023 £'000	2022 £'000
Fair value of plan assets	33,684	32,432
Present value of plan liabilities	(32,491)	(42,586)
Asset ceiling restriction	(1,193)	-
Net pensions (liability) (Note 18)	<u>-</u>	<u>(10,154)</u>

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

	2023 £'000	2022 £'000
Amounts included in staff costs		
Current service cost	2,304	3,842
Past service cost	-	118
Admin costs	20	18
Total	<u>2,324</u>	<u>3,978</u>

Amounts included in interest and other finance costs

Net interest expense	322	525
	<u>322</u>	<u>525</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	(140)	(558)
Other actuarial gains/(losses) on assets	(380)	-
Experience losses arising on defined benefit obligations	(3,235)	(136)
Changes in assumptions underlying the present value of plan liabilities	15,003	23,909
Change in demographic assumptions	1,335	3,285
Impact of asset ceiling	(1,193)	-
Amount recognised in Other Comprehensive Income	<u>11,390</u>	<u>26,500</u>

South Devon College
Notes to the Accounts (continued)

22 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability) during the year

	2023	2022
	£'000	£'000
Deficit in scheme at 1 August	(10,154)	(33,418)
Movement in year:		
Current service cost	(2,324)	(3,860)
Past service costs	-	(118)
Employer contributions	1,410	1,267
Net interest on the defined (liability)/asset	(322)	(525)
Actuarial gain or loss	12,583	26,500
Asset ceiling restriction	(1,193)	-
Net defined benefit liability at 31 July	-	(10,154)

Asset and Liability Reconciliation

	2023	2022
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	42,586	65,057
Current service cost	2,304	3,842
Interest cost	1,436	1,038
Contributions by Scheme participants	439	396
Changes in financial assumptions	(15,003)	(23,909)
Changes in demographic assumptions	(1,335)	(3,285)
Loss/(gain) on defined benefit obligations	3,235	136
Estimated benefits paid	(1,171)	(807)
Past service cost	-	118
Curtailments and settlements	-	-
Defined benefit obligations at end of period	32,491	42,586

Reconciliation of Assets

	2023	2022
	£'000	£'000
Fair value of plan assets at start of period	32,432	31,639
Interest on plan assets	1,114	513
Return on plan assets	(140)	(558)
Other actuarial losses	(380)	-
Administration expenses	(20)	(18)
Employer contributions	1,410	1,267
Contributions by Scheme participants	439	396
Estimated benefits paid	(1,171)	(807)
Settlement prices paid	-	-
Asset ceiling restriction	(1,193)	-
Assets at end of period	32,491	32,432

The estimated value of employer contributions for the year ended 31 July 2024 is £1,491,000 (2023 estimate was £1,365,000).

South Devon College

Notes to the Accounts (continued)

23 Related party transactions

The College's board is composed of governors being drawn from local public and private sector organisations. A full Register of Interests is maintained by the Clerk to the Governors. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £nil; 0 governors (2022: £0; 0 governors).

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2022: None).

Transactions with the funding bodies and OfS are detailed in Note 2.

24 Amounts disbursed as agent

Learner support funds

	2023 £'000	2022 £'000
Funding body grants – bursary support	884	844
Funding body grants – discretionary learner support	471	624
Other Funding body grants	159	104
Other items	<u>1</u>	<u>2</u>
	1,515	1,574
Disbursed to students	(1,275)	(1,120)
Administration costs	(42)	(44)
Balance unspent as at 31 July	<u><u>198</u></u>	<u><u>410</u></u>

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. Surplus funds to be distributed in future periods are included in Note 14 as Payments Received in Advance.

South Devon College
Notes to the Accounts (continued)

25 OfS access and participation expenditure

	2023	2022
	£'000	£'000
Access investment	87	63
Financial support provided to students	138	143
Support for disabled students	60	56
Research and evaluation activity	41	25
	<u>326</u>	<u>287</u>

This note is a memorandum summarising the costs of the College's access and participation plan.

All of the costs included in the above table are already included in the notes that proceed it, i.e. staff costs are included in Note 7, other operating expenses in Note 8.

South Devon College's OfS access and participation plan is published at the following location:
<https://www.ucsd.ac.uk/student-life/essential-information/access-and-participation-plan>