THE TRAFFORD COLLEGE GROUP

The Trafford College Group

Annual Report and Financial Statements

Year ended 31 July 2022

Contents

Reference and Administrative Details

BOARD OF GOVERNORS

James Scott – Principal and CEO
Graham Luccock – Chairperson of the Corporation
Charlotte Barratt
Jill Bottomley
Olivia Bussey
Adele Carney
Fatema Desai
Sarah Drake
Janet Grant
Jed Hassid
Alison Hewitt
Mollieann Jeacott
Heather Lang
Emily McIntosh
Michelle McLaughlin
Jonathan O'Brien
Ayodele Oyebode
Marcia Reynolds
Louise Richardson
Uswah Sayyed
Lina Tsui-Cheung
Sabine Van der Veer
Jeremy Woodside

CORPORATION SECRETARY

B Watson

DEPUTY CORPORATION SECRETARY

A Duncalf

KEY MANAGEMENT PERSONNEL

J Scott	Principal and Chief Executive Officer (Accounting Officer)
C Gonzalez-Eslava	Deputy Principal
K Kay	Chief Finance Officer
M Leslie	Vice Principal Corporate Services and Planning

REGISTERED OFFICE

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Manchester Road, West Timperley, Altrincham WA14 5PQ

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Internal Auditors:
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Manchester M3 3AT

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Manchester M3 3HF

Solicitors:
Eversheds LLP
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Manchester M2 3AF

WEBSITES

https://trafford.ac.uk/
https://stockport.ac.uk/
https://cheadle.ac.uk/
https://marple.ac.uk/

Strategic Report and Report of the Governing body

OBJECTIVES AND STRATEGY

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

Legal status

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

The Corporation was incorporated as South Trafford College. On 1 September 2007, the Secretary of State granted consent to the Corporation to change the College's name to Trafford College. On this date, the activities of North Trafford College were merged with those of South Trafford College. There was a further name change on 5 April 2018 when Trafford College merged with Stockport College to form The Trafford College Group (TCG or the Corporation).

On 4 May 2021 the activities of the Cheadle and Marple Sixth Form College (CAMSFC) were successfully merged into the TCG and their assets and liabilities were transferred across on that date.

Mission, Vision, Strategy and Objectives

The merger with Cheadle and Marple coincided with the triennial refresh of the Strategic Plan of the Corporation. The heart of this plan continues to focus on 'One College, Local Delivery' to encompass all parts of the enlarged Corporation, aimed at ensuring the TCG is responsive to local and regional priorities whilst recognising the difference in the offering at its campuses. To ensure the success of the strategic plan, the TCG approach will be that all colleagues, students and stakeholders play their part in building an inclusive culture whilst also retaining a strong sense of local identity.

The TCG's mission is to provide the highest quality of education and training to all our students and employers through an inclusive and career focused curriculum.

The TCG's purpose is 'Unlocking Potential, Fostering Success'. This is supported by The TCG's vision to be a leading provider of education and skills that supports community cohesion and drives local and regional productivity.

The TCG provides academic, technical and professional further and higher education. The TCG ensures that all our learners gain the education, skills and personal development they need to meet the local and regional skills challenge, putting them ahead of the competition in terms of securing meaningful employment and progression to higher level study.

The TCG places the development of employability and professional skills at the core of their programmes. The TCG underpins the programmes practically with: a digital entitlement; a values-driven curriculum; an emphasis on professional behaviours; and the setting at a high level of both the aspirations and the actual standards the students can achieve.

The core values of the TCG are for all communities comprising the TCG to be:

- **Ambitious**: We set high expectations and standards for students, colleagues, and our communities, striving for excellence in all that we do.
- **Resilient**: We believe that every challenge is an opportunity to learn, develop and become stronger.

Strategic Report and Report of the Governing body (continued)

- **Collaborative**: We work together, support one another, share ideas, and encourage success.
- **Inclusive**: We value individual differences and creating an environment where everyone has the same opportunities.
- **Respectful**: We allow ourselves and others to grow by treating each other with thoughtfulness and an open mind.

Key priorities arising from The Trafford College Group Strategic Plan are:

Strategic Priority 1: Providing high quality, responsive education and training for all our students enabling their success and supporting their progression.

Strategic Priority 2: Establish The TCG as a sector leading employer so that our colleagues thrive and deliver the highest quality of education and experience to all our students and stakeholders.

Strategic Priority 3: Driving business recovery, renewal and productivity through transformational relationships with employers.

Strategic Priority 4: Clearly defining and delivering our corporate social responsibility and civic duty as an anchor institution for our local communities.

To enable the successful delivery of these priorities, the TCG has set three strategic enablers, as follows:

Strategic Enabler 1: Transforming our college estate to meet the skills and education needs of now and the future.

Strategic Enabler 2: Delivering our Digital Strategy to enhance learning and ways of working with highly effective use of technology.

Strategic Enabler 3: Ensuring good financial health, managed growth and value for money.

The Trafford College Group strategic priorities and enablers are at the forefront of all endeavours of the communities that form the TCG.

Resources

The TCG has various resources that it can deploy in pursuit of its strategic priorities.

Tangible resources include the five college campuses and £17.6 million (2021: £16.2 million) in cash. Cash reserves are high due to funds accumulated in advance to support the refurbishment of the Stockport campus, which is currently underway and planned redevelopment of The Cheadle College campus. Cash receipts to support this have been made available from Greater Manchester Combined Authority, along with the cash receipt from the disposal of part of the Stockport campus site which occurred in April 2021. The first phase was opened from September 2021 for the start of that academic year and a large proportion of the cash held at the year end is supporting the ongoing second stage of the redevelopment set to complete in December 2022.

Strategic Report and Report of the Governing body (continued)

Underlying cash reserves, i.e. excluding capital receipts, will be critical in supporting the TCG through its next capital development project at the Cheadle campus as well as continued turbulence as a result of further real term funding cuts, inflationary price rises, and the risks to student number attainment and retention.

The average number of persons employed in the financial year 2022 was 580 full time equivalents (FTEs) (2021: 517 FTEs) across a range of curriculum, management and support roles, of whom 383 (2022: 321) are teaching staff. It should be noted that the comparative FTE figure reflects CAMSFC staff for the final three months of the year only. Therefore, to provide some context, the FTE for the final month of the 2021 year across the TCG was 609 FTEs, with FTE having decreased due to significant recruitment difficulties through the year and which persist into the 2023 financial year.

The TCG enrolled approximately 12,593 students (2021: 13,591). The TCG's student population includes 5,569 (2021: 5,215) 16-18 year old students, 1,467 (2021: 1,536) apprentices, 438 (2021: 393) higher education students and 4,139 (2021: 4,329) adult learners. It should be noted that recruitment of Apprentices and Adult provision reduced from March 2020 due to Covid-19, and have remained lower than typical throughout 2021 and 2022, with particular impact on full year study programmes and evening provision.

In the comparative year the figures presented take the Trafford College Group figures in addition to those of Cheadle and Marple Sixth Form College, which contributed 1,538 16-18 learners and 123 adult learners in 2021, so present a consistent comparator.

The TCG has a very good reputation sub regionally and nationally. Maintaining a quality brand is essential for the TCG's success in attracting students and building external relationships.

Since its formation in April 2018, the Trafford College Group has made demonstrable progress in delivery on its mission of providing an innovative approach to learning and exceptional engagement with business to prepare learners for success in work and life. In September 2020 the TCG was selected to become a WorldSkills UK Centre of Excellence and went on to encourage the highest number of student applications in the country to the 2021/22 competition.

This recognition occurred at the same time as the TCG being awarded, once again, the status of being a Microsoft Showcase School. The recognition builds on foundations already established since the merger with CAMSFC, which includes OfSTED providing its observation of "reasonable progress" during the last formal monitoring visit.

In addition, the TCG was recently recognised for its ongoing work in the community, receiving a national award for its Community College Kitchen project where students and families in need of food and personal care basics can avail of the service free of charge. The TCG is a founding partner in the national 'Good for Me, Good for FE' sector programme started in 2021 to collectively generate £1million in social value for local communities. The TCG is also heavily involved in community initiatives across the boroughs of Stockport and Trafford to support equality, diversity and inclusion with representation on key forums and bodies such as Greater Manchester Poverty Action, Safer Streets, LGBTQ+ and MACFEST.

Strategic Report and Report of the Governing body (continued)

Stakeholder relationships

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

- Students
- Education Sector Funding Bodies
- Office for Students
- Staff
- Local, regional and national employers (with specific links)
- Local authorities including GMCA
- Schools
- Government Offices/Local Enterprise Partnerships/New Economy
- The local community
- Other FE and HE institutions
- Greater Manchester Colleges Group
- Trade Unions, namely the University and College Union, National Education Union and Unison
- Professional Bodies.

The TCG recognises the importance of these relationships and engages in regular communication with them by meetings, correspondence and through the TCG website. In addition, many learners of the TCG undertake work placement opportunities with some of our key employer links, enhancing their learning experience.

The TCG has recently sought feedback from across the various stakeholders to understand culturally if the benefits of the merger have begun to positively impact perceptions and experiences and we will use that data to further refine the work we are undertaking around embedding the 'One College' culture, brand and reputation.

Ofsted

In November 2022, the first full Ofsted inspection under the Enhanced Inspection Framework was conducted of the Trafford College Group, which saw the TCG awarded with the overall effectiveness grading of Good.

Public benefit

The Trafford College Group is an exempt charity under Part 3 of the Charities Act 2011 and from 9 November 2016 is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 21.

In setting and reviewing the TCG's strategic objectives, the Governing Body has 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. The delivery of public benefit is covered throughout the Operating and Financial Review.

In delivering its mission, the TCG provides identifiable public benefits through the advancement of education to its students. The TCG adjusts its courses to meet the needs of local employers. The TCG is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

Strategic Report and Report of the Governing body (continued)

DEVELOPMENT AND PERFORMANCE

Financial results

The TCG reported a deficit before other gains and losses of £1,944k (2021: surplus £6,999k). On 4 May 2021, the Trafford College Group merged with Cheadle and Marple Sixth Form College, which substantially accounted for the surplus in 2021. Given the relative size of the two College Groups, along with lasting governance arrangements, this was accounted for using the acquisition method of accounting and therefore the surplus included the benefit of a gift of net assets of £7,791k. Further detail on this can be found at note 29. In the current year an adjustment to the fair value at point of merger has occurred, due to release of a provision during the year, resulting in a £799k gain associated with merger.

The comparative year also saw a surplus on the profit on sale of tangible fixed assets of £2,425k, with no similar asset sales occurring in the current year.

The TCG achieved strong operational financial performance, achieving an outstanding financial health assessment. Growth in 16-19 learner numbers saw a benefit of in-year growth funding, and offset under-delivery in adult education. Operational cost savings and efficiencies continue to be explored following merger in May 2021, albeit investment to ensure that all five College sites deliver a consistent service continues.

The TCG generated income of £46,235k excluding gift on transfer of net assets, an increase of 20% on 2021, which generated income of £38,510k excluding gift on transfer of net assets. This growth is substantially due to the full year of income generated by The Cheadle College and Marple Sixth Form College being reflected in the 2022 results, compared to 3 months in 2021.

Total expenditure excluding the impact of defined benefit pension adjustments is £45,586k, an increase of 23% on the previous year value of £36,950k. The increase is significantly due to seeing the full year impact of costs incurred by The Cheadle College and Marple Sixth Form College being reflected in the 2022 results, compared to 3 months in 2021. Increases outweigh increases in income largely due to the provision of a pay award to staff.

The underlying surplus, excluding the impact of profits on disposal, gifts on transfer, depreciation, interest and FRS102.28 pension adjustment is £4,707k remaining largely consistent with the prior year performance of £4,640k.

During the current year, the TCG has benefitted from funding from the Provider Market Oversight Unit with £957k (2021: £1,533k) being released to the Statement of Comprehensive income. This funding is to continue supporting the delivery of operational efficiencies following merger with CAMSFC.

The total comprehensive income in 2022 is stated after accounting for a gain on the pension scheme of £69,023k (2021: gain of £5,390k), which has then been reduced by £20,741k as a result of this gain moving the defined benefit pension scheme valuation from a liability to an asset position. As there are no economic inflows expected to the TCG as a result of this valuation, no asset has been recognised. The resulting impact is a total comprehensive gain for the year of £46,338k (2021: gain of £14,814k). The gain on this liability in 2021, in combination with the impact of the gift on merger and profit on disposal of tangible fixed assets, significantly reduced the net liability position of the TCG to £2,888k liability. The further gains in 2022 have resulted in a net asset position for the year of £43,450k.

Strategic Report and Report of the Governing body (continued)

Cash flows and liquidity

Net cash flows from operating activities in 2022 totalled inflows of £5,559k (2021: inflows of £4,826k). This included the receipt of £2,031k (2021: £390k) from the Provider Market Oversight Unit. These cash receipts have been used in part to create a stable footing for the future of the TCG against continued market turbulence, recognised in the Statement of Comprehensive Income as revenue and in the 2021 year were also used to invest in a stable property base at the Stockport campus, with the revenue deferred to match the associated investment.

The size of the TCG's total borrowing and its approach to interest rates has been determined to ensure reasonable headroom between the total cost of servicing debt and operating cash flow. During the year this headroom was comfortably managed.

Developments

The TCG's development involved tangible fixed asset additions during the year amounting to £7,296k (2021: £11,280k). This incorporates £4,948k (2021: £10,334k) invested in the redevelopment of the Stockport campus, £1,008k on capital works and equipment at Cheadle and Marple campuses and £1,340k (2021: £946k) of equipment purchased, for which several grants have been received to support this investment.

Reserves

The TCG has accumulated reserves of £43,450k (2021: negative £2,888k) and cash and short term investment balances of £17,559k (2021: £16,189k). The actuarial valuation of the defined benefit pension liability has resulted in an actuarial pensions gain reported in the year of £69,023k (2021: £5,390k). The TCG will continue to accumulate sufficient cash reserves in order to generate the funds required to service the loan, to invest in improved facilities and resources for all learners within the TCG and to ensure financial stability in future years.

The TCG does not hold any restricted reserves at the year end.

Sources of income

The TCG has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2022 ESFA/DfE provided 89% (2021: 91%) of the TCG's total income, excluding the gift of net assets on merger. This includes the benefit of £957k (2021: £1,533k) from the Provider Market Oversight Unit to support the harmonisation of the TCG following the merger with CAMSFC.

COVID-19

Following the government announcement to implement lockdown measures in England, from 23 March 2020 the TCG moved to a blended remote learning model, with its campuses remaining open to support vulnerable learners and those related to key workers. The TCG implemented Covid-19 risk management meetings to ensure the impact on the TCG was minimised. These measures continued throughout 2021 and much of 2022 to allow the TCG to be reactive to changes in legislation or the local picture regarding Covid-19. The TCG rapidly assessed the risk to its key suppliers and worked very closely with its suppliers to ensure service continuity and comply with the requirements of PPN 02/20 and thereafter PPN 04/20, whilst maintaining the principles of value for money embedded within the TCG. The TCG took action to minimise the impact of Covid-19 on its financial results for 2021, by maintaining tight cost control, given the reduction in recruitment for Adult and Apprenticeship provision, as well as some commercial enterprises of the TCG, such as the hair salons remaining closed

Strategic Report and Report of the Governing body (continued)

for the full academic year. Entering into the 2022 financial year, there were significant restrictions placed on learners for the first half of the year, including mask wearing and social distancing, whilst significant covid absences were still prevalent. However, all learners undertook face to face tuition and commercial enterprises re-opened to support development of learners work place experiences. This return to face to face tuition has however resulted in difficulties in adult recruitment, leading to under delivery against Adult Education Budget allocations. Whilst the TCG continues to work with local communities to encourage transition back to face to face interaction, a pervasive impact on adult recruitment is emerging.

In response to Covid-19 the TCG has plans in place to ensure it continues to operate and provide learners with an outstanding education experience with excellent qualification outcomes.

The TCG continues to monitor the situation into the 2023 academic year and will take appropriate actions as required.

STREAMLINED ENERGY AND CARBON REPORTING

In line with The Companies and Limited Liability Partnerships (Energy and Carbon Regulations 2018), the College has set out its greenhouse gas emissions and energy use for the period are set out below:

UK Greenhouse gas emissions and energy use data for the period	**1 August 2021 to 31 July 2022**	**1 August 2020 to 31 July 2021**
Energy consumption used to calculate emissions (kWh)		
Gas	4,341,396	4,898,484
Electricity	4,694,250	3,609,707
Fuel oil	701,275	-
Transport fuel	66,803	69,549
Total energy consumption	**9,803,724**	**8,577,740**
Scope 1 emissions in metric tonnes CO_2e		
Gas consumption	795	897
Fuel oil	200	-
Owned transport	3	3
	998	**900**
Scope 2 emissions in metric tonnes CO_2e		
Purchased electricity	**997**	**766**
Scope 3 emissions in metric tonnes CO_2e		
Business travel in employee owned vehicles	**18**	**16**
Total gross emissions in metric tonnes CO_2e	**2,013**	**1,682**
Intensity ratio		
Metric tonnes CO_2e per staff FTE	**3.47**	**3.25**

Strategic Report and Report of the Governing body (continued)

Qualification and reporting methodology
We have followed the 2018 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2022 (prior year: 2021) UK Government's Conversion Factors for Company Reporting.

Intensity measurement
The chosen intensity measurement ratio is total gross emissions in metric tonnes CO_2e per staff FTE, the commended ratio for the sector.

Measures taken to improve energy efficiency
The figures presented for 2021 reflect three months of the energy impact of Cheadle and Marple Sixth Form College, with the 2022 year showing the full year impact of the merged organisation.

The TCG has measures in place across its campuses to minimise energy usage and is committed to contributing to the decarbonisation of the economy through our building design and operational practices. We are also committed to collaborating with our partners within Greater Manchester to support the achievement of the Net Zero target by 2037.

The TCG is currently undertaking redevelopment of part of the Stockport College site. Refurbished buildings are being built to BREEAM standard Very Good and new buildings to Excellent, which will reduce the energy needs of these buildings compared to their previous form.

The Estates Strategy for the TCG was refreshed following merger with CAMSFC, and considers further sustainability aims of the TCG with an eye to the prospective clean air zone that is proposed for Greater Manchester. In addition, the sustainability strategy of the TCG is in development, and will focus on three priority areas, Curriculum, The Estate & Operational Management and Supply Chain.

FUTURE PROSPECTS

Future developments
The 2022 financial year represents the first full year following merger with the Cheadle and Marple Sixth Form College, which took place on 4 May 2021 after over a year of working closely together and obtaining approval from the ESFA to merge. Significant work has been undertaken and continues to take place to promote best practice across the group to ensure that the TCG delivers the best for learners. Learners have continued to access the same courses at the same locations as before merger, but have started to benefit from access to a wider curriculum and enhanced progression opportunities as the curriculum offer is aligned across the TCG. Staff are also benefiting through shared best practice across a wider College population. In addition, the merger resulted in shared key services and enabling functions across the two College Groups, allowing us to be more efficient and effective. This forward-thinking approach gives us the opportunity to secure the viability and future prosperity of each College within the TCG for many years to come.

The Trafford College Group continues to invest in the Stockport campus, with continuation of the £26m campus redevelopment programme, for which £16m has been received from Greater Manchester Combined Authority (GMCA) Skills Capital Project grant funding and part of the redevelopment funded through the sale of surplus land and buildings which took place on 9 April 2021. The new campus will deliver industry standard learning facilities to improve the supply of skilled individuals to meet the ever changing economic needs of the Greater Manchester labour market.

Strategic Report and Report of the Governing body (continued)

In addition, the TCG has successfully been awarded grant from the Further Education Capital Transformation Fund (FECTF), which will support the redevelopment of The Cheadle College over the coming years, to improve the standard of accommodation, ensuring that the facilities accessible to learners support their success.

Financial plan

An updated three year Financial Plan was approved in July 2022 which takes into account the planned capital developments and income and expenditure projections of the TCG. The financial risks of the TCG are stress tested and managed by the TCG risk management process, as set out in the Statement of Corporate Governance and Internal Control. Barclays bank have been very supportive of The Trafford College Group and agreed to amend the Loan Covenants to reflect the planned redevelopment of The Cheadle campus following the successful FECTF bid.

Treasury policies and objectives

Treasury management is the management of the TCG'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 TCG is able to place deposits, certificates of deposit and treasury bills with:

- international banks with a Standard & Poor's long term rating of AA- or above;
- the following UK banks with a Standard & Poor's long term rating of A- or above: Barclays Bank plc, Lloyds Bank plc and the Royal Bank of Scotland plc.

There is additional guidance in respect of cash investments and borrowing in the TCG's Treasury Management Policy.

All overdrafts and loans up to £250k must be approved by the Resources Committee and notified to the Board of the Corporation.

Loan interest rates

The TCG currently has one loan of £5.7 million (2021: £6.0 million), which was originally taken out during 2008-09 to finance the Altrincham redevelopment project.

This loan, from Barclays Bank PLC, was initially at a variable rate but was fixed at 4.98% from March 2010. The rate increased to 6.73% in April 2018 following the merger with Stockport College. A further increase in the fixed rate to 6.98% was instituted from 1 August 2020 until maturity of the loan. Repayments will continue through to July 2036 with total capital and interest of £674k (2022: £686k) due to be paid in the year to 31 July 2023.

Reserves

The TCG 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 TCG's core activities. The TCG has no restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £41,309k (2021: negative £5,125k). The decrease in the deficit has been the result of an actuarial gain in the year of £69,023k (2021: actuarial gain of £5,390k) arising from changes in assumptions underlying the present value of the pension plan liabilities, in addition to a benefit of £799k (2021: £7,791k) gifted on merger.

Strategic Report and Report of the Governing body (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The TCG has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The Board of the Corporation has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

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

The main risk factors affecting the TCG are outlined below along with the action taken to minimise them. Not all the factors are within the TCG's control. Other factors besides those listed below may also adversely affect the TCG.

1 Government Funding

The TCG relies considerably on continued government funding through the further education sector funding bodies and through OfS. In 2022, circa 89% of the TCG's revenue (excluding the release of capital grants and gift of net assets on merger) was ultimately publicly funded. This level of requirement is expected to continue. There can be no assurance that Government Policy or practice will remain the same or that public funding will continue at the same levels or on the same terms, as evidenced by the current funding reform consultations.

The TCG is aware of several issues which may impact on future funding;

- changes in national funding rates;
- changes in the methods of calculating funding;
- conditionality of funding in respect of English and Maths;
- changes to the Apprenticeship funding methodology;
- Government policy on Higher Technical Qualifications and T-levels; and
- changes as a result of devolved powers to the City Region.

This risk is mitigated in a number of ways;

- funding is derived through a number of direct and indirect contracts and sub-contracting arrangements;
- The TCG is rigorous in delivering high quality education and training that meets the local skills need across Greater Manchester;
- the Executive Leadership Team is regularly in dialogue with senior officials at the funding agencies;
- The TCG has actively invested in its Apprenticeship delivery in recognition of the opportunities and risks arising from the Apprenticeship reforms, being awarded a College Collaboration Fund (CCF) grant in August 2021 in collaboration with Gateshead College and New College Durham to trial and disseminate methods to improve quality and learner journey for Apprenticeship learners; and
- The TCG is one of the early adopters of T-level programmes, with delivery from September 2021.

Strategic Report and Report of the Governing body (continued)

2 Maintain adequate funding of pension liabilities

A significant number of the TCG's employees are included in the Local Government Pension Scheme (LGPS), a defined benefit scheme which is accounted for under FRS 102. Under this standard the TCG is required to carry out a valuation of the assets and liabilities of the scheme on an annual basis. The TCG uses the services of a professional actuary to carry out a valuation of the pension fund. The financial statements report the TCG's share of the pension scheme asset on the Statement of Financial Position in line with the requirements of FRS 102. The Teacher's Pension Scheme (TPS), is similarly a defined benefit scheme, but given the scale of the scheme the portion attributable to the TCG is not able to be discerned, however, contribution rates to fund scheme deficits are imposed in the same way as for the LGPS.

Formal valuations of each fund are carried out every three years. Following The Trafford College valuation of the LGPS at 31 March 2016 of £4,281k the College's contribution rate was increased from 18.7% to 23.8% for the three year period ending 31 March 2020. However, the scheme deficit of £11,288k related to Stockport College was transferred into the Trafford College scheme at point of merger in April 2018, with the contribution rate at Stockport College being 21.9%. Therefore, a blended contribution rate of 22.9% was applied from merger across the Group. From April 2020 the rate was increased to 23.8% following the 31 March 2019 triennial valuation. The merger with Cheadle and Marple Sixth Form College (CAMSFC) has seen a further deficit of £5,424k transfer into the Group scheme. CAMSFC contribution rate was also 23.8%, so this rate is set to continue through to 31 March 2023.

The TCG has received a Teachers' Pension Scheme employer contribution grant since 2019, which followed an increase in contribution rates from 16.4% to 23.6%, valuing £802k (2021: £795k). Continuation of this grant is essential to supporting current staffing levels, but its continuation is uncertain from April 2023 and is determined by the DfE.

3 Failure to maintain financial viability of the TCG

The continuing challenge to the TCG financial position remains the constraint on FE funding arising from ongoing cuts in public sector spending whilst maintaining the student experience and supporting increasing costs. The current tight labour market further compounds this, as the TCG, whilst offering a competitive remuneration package against the sector, does not have resources to compete with continuing pay rises. A number of risks were identified and these included:

- achievement of budget target for 16-18 learners;
- achievement of budget target for apprenticeships income;
- achievement of Adult Education Budget allocations;
- maintaining adequate cash balances;
- failure to ensure that staff costs (excluding FRS 102 pension adjustments) be no more than 65% of income;
- significant inflationary pressures over all items of expenditure; and
- extreme energy price increases.

In addition to this, the independent review undertaken by the ONS, concluding in December 2022 on the reclassification of Colleges as public sector rather than private sector with immediate effect, creates additional risks related to accounting processes, operations and the governance and

Strategic Report and Report of the Governing body (continued)

accountability framework whilst the DfE determines the nuance of newly applicable policies and regulations.

These risks are mitigated in a number of ways:

- by rigorous budget setting;
- regular in year budget monitoring and forecasting;
- robust financial controls;
- scenario planning;
- managing cashflows to meet estate development needs and
- exploring ongoing procurement efficiencies.

4 Success of the merger with Cheadle and Marple Sixth Form College

The merger agreement with the ESFA required a set of deliverables be achieved by 2025. This included a number of assumptions regarding savings and efficiencies which, if not achieved, could adversely impact on the TCG financial performance. Significant capital funds are planned to be expended at each the Cheadle and Marple campuses to ensure that they are fit for purpose and present a welcoming delivery environment for learners. Mitigations are undertaken as follows:

- a strategic operations group has overseen the delivery of the post-merger integration plan with remaining items being monitored thoroughly;
- a strategic property working group overseas all substantial capital programmes; and
- a regular dialogue/liaison with the Provider Market Oversight Unit of the ESFA/DfE to ensure that plans are kept on track and key actions delivered.

5 Longer-term impacts of Covid-19

The uncertainty and destabilisation created by the Covid-19 pandemic and its lasting impacts creates several risks, which include:

- Ability to maintain safe systems delivery to continue high quality learning and support to learners;
- Lower learner numbers, particularly in Adult Education, Higher Education and Apprenticeships, with uncertainty over the pace of recovery to pre-pandemic numbers;
- Continued safe working practices for staff and robust support and development links to ensure staff wellbeing and professional development;
- Reduced fee income due to employers being internally focussed post pandemic; and
- Lower commercial income, as outlets of the TCG opened in the latter part of 2022, with a slow pace of return.

These risks are mitigated in a number of ways:

- The TCG uses its Business Continuity plans to actively support the learners of the TCG and to ensure that quality delivery will be maintained. Through 2021, where appropriate a blended learning approach was used to support learner safety and outcomes. The 2022 year saw learners return in full to total in-person delivery, but with additional safety precautions and rigorous risk assessments undertaken to maintain a healthy and effective learning environment;
- ongoing review of student numbers and cost base to ensure efficient delivery of provision; and
- enhanced staff wellbeing programme to support its staff.

Strategic Report and Report of the Governing body (continued)

KEY PERFORMANCE INDICATORS

To support the delivery of the Corporate Plan, the Leadership Team develops an annual plan with SMART (specific, measurable, achievable, realistic, time bound) targets that are measured on a quarterly basis and reported to the Corporation. The table below identifies the TCG targets for the year 2021 and monitoring reports are presented to the Board meetings on a quarterly basis.

KPI	Target 2022	Actual 2022
FINANCE		
ESFA financial health*	Good	Outstanding
EBITDA as % of income	3%	7%
Staff costs as a % of income	62%	64%
LEARNER NUMBERS		
ESFA 16-18 funded learners	5,103	5,569
CURRICULUM		
16-18 achievement rate	86%	79%
19+ achievement rate	90%	89%
16-18 retention rate	91%	87%
19+ retention rate	90%	95%
16-18 apprenticeship achievement rate	73%	35%
19-23 apprenticeship achievement rate	73%	50%
24+ apprenticeship achievement rate	73%	56%

**Per ESFA Financial Health grading calculation*

The KPI's are considered by the Board. 16-19 learner recruitment was significantly higher than target, bucking the sector trend for 2022. In line with difficulties faced by many institutions following the return to fully on site learning, the retention rate did not achieve target and the TCG implemented many learner support measures to encourage continued participation of learners in learning.

Achievement rates

Achievement rates for each year are typically reported in December and are reflected in the table below. Reported performance overall is consistent with the prior year, however 16-18 classroom-based provision is lower than the previous year due to learners returning to formal examinations.

Nationally, apprentices have seen an increased volume of breaks in learning, with delayed assessments, as a result of Covid-19. This has delayed the release of results for apprentices who have completed their studies with The Trafford College Group, thus affecting achievement rates to date.

Classroom Based Provision	2020	2021	2022
16 – 18 Learners	87%	82%	79%
19+ Learners	90%	85%	89%
All Ages	89%	83%	83%

Strategic Report and Report of the Governing body (continued)

Overall Apprenticeship Provision	2020	2021	2022
16 – 18 Learners	64%	58%	35%
19 – 23 Learners	70%	65%	50%
24+ Learners	65%	71%	56%
All Ages	65%	65%	47%

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%.

During the accounting period 1 August 2021 to 31 July 2022, the TCG has adhered to its standard terms being payment within 30 days. Where suppliers are not paid within 30 days, this is usually due to invoices in dispute or invoices which are issued in advance of goods or services.

EQUALITY AND DIVERSITY

Equality

The TCG is committed to providing an environment that promotes equality for all and celebrates the diverse community. The TCG aims to be:

- Open and available to all sections of the community and maintains a reputation as a provider in whose activities all individuals, staff or students are encouraged to fully participate.
- Inclusive where individual differences are respected and where employees and students are treated on their merits and where everyone has a fair opportunity to fulfil their potential.

At the TCG we do not treat anyone less favourably on the basis of sex, disability, race/ethnicity, sexual orientation, age, religion/faith/belief, gender reassignment, pregnancy/maternity or marriage/civil partnership status. These are protected characteristics as defined in the Equality Act 2021. The TCG expects all staff, students, visitors and on-site contractors to do the same. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The TCG's Equality and Diversity Policy is available on the website.

The TCG publishes an Annual Equality & Diversity Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2021 the TCG 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 TCG is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The TCG considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the TCG continues. The TCG's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

Strategic Report and Report of the Governing body (continued)

Gender pay gap reporting

The TCG publishes gender pay gap information on its website.

Disability statement

The TCG seeks to achieve the objectives set down in the Equality Act 2021 and in particular makes the following commitments:

- Significant investment has been made to make the TCG sites accessible for people with a disability;
- There is a list of special equipment, such as lighting and audio facilities, which can be made available for use by learners;
- The TCG employs a number of learning facilitators to support students with learning difficulties and/or disabilities. There is a programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- Counselling and welfare services are available for learners, as well ; and
- The Admissions Policy for all students is described in the TCG charter. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.

The Assistant Principal - Student Experience and Support has overall strategic responsibility for the implementation of Special Educational Needs (SEN). The SEN policy addresses the TCG's responsibilities from the Children's and Families Act 2014 and the SEN Code of Practice. The TCG employs Educational Health Care Coordinators who are responsible for the operation of the SEN policy and co-ordination of learner support needs and Support Coordinators with specialist responsibility to support learners within Progressive Curriculum provision.

Through forums such as the student and staff Equalities Council and LGBTQ+ group we are able to actively shape our learning environment to highlight inclusiveness. At induction, staff and students are provided with further information about equality and diversity within the TCG and what they can do to make a difference. Following this, all staff are required to take mandatory equality & diversity and safeguarding modules.

Trade Union facility time

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

	2022	2021
Numbers of employees who were relevant period	10	8
FTE employee number	10.0	7.9

Percentage of time	2022	2021
0%	-	-
1-50%	10	8
51-99%	-	-
100%	-	-

Strategic Report and Report of the Governing body (continued)

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the Members of the Board of the Corporation and signed on its behalf by:

Graham Luccock
Chairperson of the Corporation

Date: 14 December 2022

Strategic Report and Report of the Governing body (continued)

	2022	2021
Total cost of facility time	£21,311	£11,384
Total pay bill	£26,251,284	£20,527,865
Percentage of total bill spent on facility time	0.08%	0.06%
Time spent on paid trade union activities as a percentage of total paid facility time	100%	100%

GOING CONCERN

After making appropriate enquiries, the Corporation considers that the TCG has adequate resources to continue in operational existence for the foreseeable future. The TCG scenario planning process models through the impact to the Financial Health Grading as well as our banking covenants.

The TCG primarily meets its day-to-day working capital requirements through cash generated from its day-to-day activities. The TCG has sufficient cash reserves to complete phase two of the redevelopment of the Stockport campus and has started to build cash reserves to support the uncommitted Cheadle redevelopment project.

The TCG currently has one loan of £5.7m outstanding at 31 July 2022 with Barclays Bank, with current annual payments of £674k (principal plus interest) ending in 2036. The loan with Barclays includes a number of covenants. The TCG's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

The TCG has operating plans to ensure it continues to operate and provide learners with an outstanding education experience with excellent qualification outcomes. The TCG has modelled a number of financial scenarios taking account of key financial risks to the TCG into account and the TCG's financial projections and mitigations indicate that the TCG has adequate resources to continue in operational existence for the foreseeable future.

The risks established by pay demands from Trade Union have been considered in scenario planning, to confirm the adequacy of resources and to update forecasts for these costs. Other scenarios included an under delivery of AEB, apprenticeships and the tuition fund.

Accordingly, the TCG has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of the financial statements, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

POST BALANCE SHEET EVENTS

There are no post balance sheet events.

Statement of Corporate Governance and Internal Control

GOVERNANCE CODE

The following statement is provided to enable readers of the annual report and accounts of the TCG to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

The Trafford College Group endeavours to conduct its business:

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

In the opinion of the Governors, the TCG substantially complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2022. An Internal Audit into the TCG's Governance arrangements was undertaken by BDO in 2019. The Auditor's opinion arising from the review was that the Board of the Corporation could take Substantial Assurance for both the Design of Controls and Operational Effectiveness of its Governance Arrangements.

The Board of the Corporation confirmed its intention to undertake an External Review of Governance in accordance with the Department for Education requirements and this will be undertaken in the Academic Year 2022/2023.

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 of Good Governance for English Colleges, issued by the Association of Colleges in January 2022 which it formally adopted at the Board of the Corporation Meeting on 20 July 2022.

The Universities Chairs' Higher Education Code of Governance was formally adopted in December 2020.

The TCG 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.

THE CORPORATION

Members of the Board of 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.

Statement of Corporate Governance and Internal Control (continued)

	Date Appointed	Term of Office	Status of Appointment	Committees served	Corporation meeting % attendance
James Scott	01-Aug-20	n/a	Active	FE Curriculum & Quality; HE Curriculum & Quality; Resources; Search	100
Graham Luccock Chairperson of the Board of Governors	05-Apr-18	31-Mar-23	Active	Chairperson of Search; Resources; FE Curriculum & Quality; HE Curriculum & Quality	100
Kurt Allman	05-Apr-18	31-Dec-21	Not Active	HE Curriculum & Quality; FE Curriculum & Quality	25
Charlotte Barratt	20-Oct-22	31-Jul-23	Active	FE Curriculum & Quality	00
James Beazley	05-Apr-18	01-Apr-22	Not Active	Remuneration; Resources	33
Jill Bottomley	07-Jan-19	07-Jan-24	Active	Chairperson of Remuneration; Resources	63
Olivia Bussey	31-Mar-22	31-Mar-26	Active	FE Curriculum & Quality	50
Glad Capewell	05-Apr-18	28-Mar-22	Not Active	FE Curriculum & Quality	60
Adele Carney	04-Jan-22	04-Jan-26	Active	FE Curriculum & Quality	75
Sue Derbyshire	05-Apr-18	28-Mar-22	Not Active	Resources; FE Curriculum & Quality	100
Fatema Desai	04-Jan-22	04-Jan-26	Active	HE Curriculum & Quality	75
Sarah Drake	05-Apr-18	31-Aug-23	Active	Chairperson of FE Curriculum & Quality; HE Curriculum & Quality; Remuneration	100
Colette Fagan	04-Nov-19	20-July-22	Not Active	Chairperson HE; Curriculum & Quality; FE Curriculum & Quality	13
Janet Grant	05-Apr-18	05-May-26	Active	Chairperson of Resources	75
Jed Hassid	05-Apr-18	04-Jan-26	Active	Chairperson of Audit	75
Alison Hewitt	04-May-21	04-May-25	Active	Resources; Remuneration	63
Mollieann Jeacott	19-Oct-22	31-Jul-23	Active	FE Curriculum & Quality	00
Heather Lang	04-Jan-21	04-Jan-25	Active	Audit Committee	88
Emily McIntosh	20-Oct-22	20-Oct-26	Active	HE Curriculum & Quality	00
Michelle McLaughlin	20-Oct-21	20-Oct-25	Active	FE Curriculum & Quality	80
Jonathan O'Brien	20-Oct-22	20-Oct-26	Active	Resources Committee	00
Ayodele Oyebode	04-Jan-21	04-Jan-25	Active	Resources Committee	100
Adam Redford	20-Oct-21	19-Jul-22	Not Active	FE Curriculum & Quality	20
Marcia Reynolds	04-Jan-21	04-Jan-26	Active	FE Curriculum & Quality	100
Louise Richardson	05-Apr-18	04-Jan-26	Active	Search; Remuneration; Resources; Audit	88
Uswah Sayyed	20-Jul-22	31-Jul-23	Active	FE Curriculum & Quality	100
Sattar Shakoor	25-Mar-21	20-Jul -22	Not Active	FE Curriculum & Quality	29
Fatma Shami	20-Oct-21	19-Jul-22	Not Active	FE Curriculum & Quality	75
Lina Tsui-Cheung	04-May-21	04-May-25	Active	Audit Committee	88
Sabine Van der Veer	04-Jan-21	04-Jan-25	Active	Resources Committee	50
Jeremy Woodside	04-Nov-19	04-Nov-24	Active	Resources Committee	75

Statement of Corporate Governance and Internal Control (continued)

THE GOVERNANCE FRAMEWORK

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

The attendance of Board members has been considered by the Board of the Corporation and targets had been established for the financial year 2022 and 2023.

The Board of the Corporation is provided with regular and timely information on the overall financial performance of the TCG 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 Board of the Corporation meets on at least a termly basis.

The Board of the Corporation conducts its business through several Committees. Each committee has terms of reference, which have been approved by the Board of the Corporation. These Committees are; Resources, Remuneration, Search, Audit, Further Education (FE) Curriculum & Quality and Higher Education (HE) Curriculum & Quality. Full minutes of all meetings except those deemed to be confidential by the Board of the Corporation, are available on the Trafford College Group websites. The Board of the Corporation also has a Strategic Property Working Group to oversee any Capital Projects or building redevelopments whose Terms of Reference are also approved by the Board of the Corporation.

The Corporation Secretary maintains a register of financial and personal interests of Governors. The register is available for inspection on request from the Corporation Secretary at Wellington Road South, Stockport, SK1 3UQ.

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

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Training and briefings are also provided to Board members on a regular basis.

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

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

With effect from the commencement of lockdown in March 2020, the Board of the Corporation operated its Governance Framework through Microsoft Teams and business as usual was maintained. During the spring term of 2022, some meetings have reverted to being undertaken face to face or as hybrid meetings.

Following the issuance of PPN 02/20 and subsequently PPN 04/20 the TCG reviewed each of the contracts it held and took appropriate action. For the key contracts that the TCG held where services

Statement of Corporate Governance and Internal Control (continued)

were impacted by the coronavirus outbreak, the TCG worked with suppliers to ensure continuity of supply adhering to Covid-19 related restrictions whilst ensuring that value for money principles were maintained.

APPOINTMENTS TO THE CORPORATION

Any new member appointments to the Board of the Corporation are a matter for the consideration of the Board of the Corporation as a whole. The Board of the Corporation has a Search Committee, consisting of the Chair of the Corporation, the Principal and Chief Executive, three independent external appointments and one other member of the Board of the Corporation. The Committee is responsible for the selection and recommendation of any new member for the Board of the Corporation's consideration through the Governors' Appointment Panel. The Board of the Corporation is responsible for ensuring that appropriate induction mentoring and appropriate training is provided to all new appointments.

Members of the Board of the Corporation are appointed for an initial term of office not exceeding four years. All members of the Board of the Corporation are required to reapply for membership after the expiry of their term of office. This requires them to go through the same rigorous appointment process as and against external candidates. All appointments made by the Board of the Corporation including reappointments are based on merit and take into account appropriate skills and other requirements.

DEVELOPMENT ACTIVITY FOR GOVERNORS AND THE GOVERNACE PROFFESSIONALS

Members of the Board of the Corporation

Members of the Board of the Corporation are aware of the need to keep abreast of the educational and financial affairs of the Group and with national developments and initiatives that may impact on the TCG and their role as a Governor. Members also recognise their responsibility concerning the business and curriculum performance of the Group and their collective duty as a Board of the Corporation as outlined in the Instrument and Articles of Government and other relevant statutory requirements.

Individual members also recognise that there are a variety of mechanisms that will help in facilitating their continued professional development and assist with their familiarisation of the role and responsibilities as a member of the Governing Body. Governors also recognise the voluntary nature of their role and acknowledge that other business and time constraints may affect the scope of the training and development that is practical to undertake.

Taking these factors into account, the Board of the Corporation have agreed that Board members ongoing training and development needs will be met through a variety of mechanisms as detailed in the TCG's Governors Training, Induction and Mentoring Policy.

The TCG also undertakes an annual self-assessment of individual training needs which are used to develop the Governor Training and development activities.

The TCG runs a Governor Ready Programme which provides training and development for persons interested in Board membership. The Corporation Secretary is responsible for delivering the TCG's

Statement of Corporate Governance and Internal Control (continued)

Training and Development programme and activities and there a minimum of three in house training events organised in year.

There were 12 internal training events attended by 118 members and 7 external events attended by 10 members with an in-year total of 19 events attended by 128 members. The details of the training and development activities that were undertaken in 2022 are detailed below:

- Induction training for new independent, Staff and Student Governors members.
- Safeguarding for Governors.
- Defining the TCG's Risk Appetite.
- Strategic Curriculum Intent and local training need delivery.
- The TCG's Brand implementation and Evolution.
- Strategic Development of the TCG in terms of the Strategic Plan 2021-2024; Sustainability and Climate Change; the People and Culture Strategy and the Equality, Diversion, and Inclusion Strategy.
- Working with Stockport Metropolitan Borough Council (SMBC) to develop the TCG's role in the SMBC Economic Development Plan.
- Information Technology Training.
- Tour of the TCG's campuses and Curriculum provision and offer updates at specific campuses.
- Nation Students Governors Conference.
- Numerous external training events for Chair of FEC&Q Committee, Finance, Governance Development and the GMCG Chairs Network Group.
- Ofsted Ready Updates.

Full details of the Training and Development activities undertaken by Board Members together with the impact on the activities is presented to the Search Committee in the Governors and Governance Professionals Annual Training Report 2022.

Governance Professionals

The Board of the Corporation is served by two Governance Professionals the Corporation Secretary and the Deputy Corporation Secretary. The Corporation Secretary has extensive experience in Further Education (43 years) both as a Senior Manager and a Governance Professional. The Deputy Corporation Secretary also has extensive experience of the role and had worked as Governance professional in a wide range of institutions including Further Education and Sixth Form Colleges, Parish Councils and Academy Trusts.

The Deputy Corporation Secretary also has the following specialist Governance qualifications:

- ICSA Certificate in Further Education Governance (Level 5)
- Certificate in Clerking of School and Academy Governing Boards (Level 3).

During year the Governance Professionals undertook a wide range of training and development activities, full details together with the impact on the activities is presented to the Search Committee in the Governors and Governance Professionals Annual Training Report 2022.

BOARD OF THE CORPORATION PERFORMANCE

The Board of the Corporation carried out a self-assessment of its own performance for the year ended 31 July 2022 and graded itself as "Good" on the Ofsted scale.

Statement of Corporate Governance and Internal Control (continued)

REMUNERATION COMMITTEE

Throughout the year ending 31 July 2022 the College's Remuneration Committee comprised the Chair of the Corporation and three other members of the Board of the Corporation and an external co-opted member. The Chair of the Committee is an independent member who is not the Chair or Vice-Chair of the Board of the Corporation. The Committee's responsibilities are to make recommendations to the Board of the Corporation on the remuneration and benefits of the Accounting Officer and other Senior Post Holders (Deputy Principal, Chief Finance Officer, Vice Principal Corporate Services, and the Corporation Secretary).

The Board of the Corporation on the advice of the Remuneration Committee adopted the Association of College's Senior Post Holder Remuneration Code in December 2018. The Senior Post Holders' Remuneration Policy ensures that the Board of the Corporation complies with the requirements of the AoC Code. The Annual Report of the Remuneration Committee to the Board of the Corporation details adherence to the Code.

Details of remuneration for the year ended 31 July 2022 are set out in note 9 to the Financial Statements.

AUDIT COMMITTEE

The Audit Committee comprises three members of the Board of the Corporation (excluding the Principal and the Chairperson) and three externally co-opted financial, audit and risk specialists. The Committee operates in accordance with written terms of reference approved by the Board of the Corporation.

The Audit Committee normally meets four times a year and provides a forum for reporting by the TCG's internal, financial statements and regularity auditors, who have access to the Committee for independent discussion. The Committee also receives and considers reports from the main further education funding bodies as they affect the TCG's business.

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

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

The Audit Committee also advises the Board of the Corporation on the appointment of internal, financial statements and regularity auditors and their remuneration for both audit and non-audit work. During the year the Audit Committee made a recommendation to the Board of the Corporation for the appointment of new Financial Statements and Regularity Auditors which were approved, and the newly appointed Auditors commenced their 5-year contract with the Financial Statements for the year ended 31 July 2022.

Statement of Corporate Governance and Internal Control (continued)

The Audit Committee met five times in the year to 31 July 2022. The members of the committee and their attendance records are shown below:

Committee member	Meetings attended (5)
Jed Hassid	5/5
Lina Tsui-Cheung	4/5
Heather Lang	5/5
Brian Bradley (co-opted)	5/5
Ian Duncan (co-opted)	4/5
Emma Kelly (co-opted) - appointed 27 June 2022	1/1

RESOURCES COMMITTEE

The Resources Committee comprises 9 members of the Board of the Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Resources Committee meets five times per year and considers all issues relating to Finance, Accommodation, Information Technology and Human Resources.

FURTHER EDUCATION CURRICULUM AND QUALITY COMMITTEE

The Further Education Curriculum & Quality Committee comprises 11 members of the Board of the Corporation including the Staff Governor and the 2 Student Governors. The Committee operates in accordance with written terms of reference approved by the Board of the Corporation.

The Further Education Curriculum & Quality Committee meets three times per year and considers all issues relating to curriculum and quality of education matters.

HIGHER EDUCATION CURRICULUM AND QUALITY COMMITTEE

The Higher Education Curriculum & Quality Committee comprises 5 members of the Board of the Corporation, 3 externally co-opted members and a Higher Education Student representative. The Committee operates in accordance with written terms of reference approved by the Board of the Corporation.

The Higher Education Curriculum & Quality Committee meets three times per year and considers all issues relating to curriculum and quality of education matters. This includes review of OfS compliance with ongoing conditions of registration, terms and conditions of funding and other regulatory responsibilities.

SEARCH COMMITTEE

The Search Committee comprises 3 members of the Board of the Corporation and 3 externally co-opted specialists. The Committee operates in accordance with written terms of reference approved by the Board of the Corporation.

The Search Committee meets normally twice per year and considers all issues relating to recruitment and appointments to the Board of the Corporation, all Governance Policies including the Training and Development of Board Members.

Statement of Corporate Governance and Internal Control (continued)

INTERNAL CONTROL

Scope of responsibility
The Board of the Corporation is ultimately responsible for the TCG'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 Board of the Corporation has delegated the day-to-day responsibility to the Principal and Chief Executive Officer, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the TCG's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to them in the Funding Agreement between the TCG and the funding bodies. The Principal is also responsible for reporting to the Board of the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control
The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the TCG 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 the TCG for the year ended 31 July 2022 and up to the date of approval of the annual report and accounts.

Capacity to handle risk
The Board of the Corporation has reviewed the key risks to which the TCG is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of the Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the TCG's significant risks that has been in place for the period ending 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of the Corporation.

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

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

The TCG engages external firms to provide internal audit services, 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

Statement of Corporate Governance and Internal Control (continued)

are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board of the Corporation on the recommendation of the audit committee. At minimum, annually, the Internal Auditors to the College provide the governing body with a report on internal audit activity in the College. The report includes the Internal Auditors' independent opinion on the adequacy and effectiveness of the TCG's system of risk management, controls and governance processes.

Risks faced by the Corporation

The TCG has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The Governing Body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement of Corporate Governance.

A risk register is maintained at the TCG level, which is reviewed termly by the Audit Committee. The Board of the Corporation reviews the TCG's high rated risks at every meeting. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the TCG and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The principal risks as set out in the Principal Risks and Uncertainties section of the Governors' Report relate to government funding, demographic trends, pension liabilities, financial viability, successful merger with Cheadle and Marple Sixth Form College and the impact of Covid-19. The mitigations for each specific risk are set out in the Principal Risks and Uncertainties section of the Governors' Report.

Control weaknesses identified

Each year the internal auditors carry out several audits and make recommendations for improvements. In order to address the risks identified improvement actions are put in place by the TCG. The internal auditors subsequently complete follow up audits to confirm that the actions agreed for implementation by management have been undertaken and are operational. Of the internal audits undertaken in the year all internal audits where an opinion is provided concluded at least moderate design and operational effectiveness of controls in place.

In year, there were zero high significance recommendations, 10 of moderate significance and 10 of low significance, to propose improvements to controls currently in place, which have all been accepted by management. Management at every meeting of The Audit Committee provide a report which tracks the management progress of all audit recommendations.

The report concluded that based on the assurance reviews undertaken, the follow-up audits completed during the period, and in the context of materiality:

- the risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements; and
- based on sample testing, the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable assurance that the related risk management, control and governance objectives were achieved during the period under review.

Statement of Corporate Governance and Internal Control (continued)

The Audit Committee is satisfied that the actions taken are sufficient to address the control weaknesses identified. The Audit Committee reports regularly to the Board of the Corporation on actions and progress.

Responsibilities under funding agreements
The TCG has met its contractual obligations with regards to both 16-18 and adult funding, and also with regards to its Greater Manchester Combined Authority and the Office for Students requirements. This has been achieved through managing and utilising funds in line with the applicable funding rules and guidance and compliance with reporting responsibilities to funders.

Regularity and propriety
The TCG financial, governance and risk management procedures hold due regard to the concepts of regularity and propriety, to ensure the regularity and proper use of public funds.

STATEMENT FROM THE AUDIT COMMITTEE

The Audit Committee believes the Board of the Corporation has effective internal controls in place and based upon matters reported to and considered by the Committee, to the best of its ability, the Committee has concluded that the adequacy and effectiveness of the Board of the Corporation's audit arrangements, assurance over subcontracting, framework of governance, risk management and control processes and its process for the efficient and effective use of resources, solvency and the safeguarding of assets, can be relied upon by the Board of the Corporation.

The Committee is also of the view that Governing Body responsibilities, as detailed in the annual Financial Statements, have been satisfactorily discharged.

It is the Committee's view that the Audit Committee is effective in both its operation and fulfilling of its terms of reference. The specific areas of work undertaken by the Audit Committee in 2022 and up to the date of the approval of the financial statements are:

- Safeguarding: Moderate Design & Moderate Operational Effectiveness - Recommended to Board for approval
- Quality Assurance Framework: Substantial Design & Substantial Operational Effectiveness - Recommended to Board for approval
- Staff Utilisation: Substantial Design and Moderate Operational Effectiveness - Recommended to Board for approval
- Health and Safety: Substantial Design and Substantial Operational Effectiveness - Recommended to Board for approval
- New Finance System: Moderate Design and Substantial Operational Effectiveness - Recommended to Board for approval
- Learner Records: Moderate Design and Moderate Operational Effectiveness
- Sub-Contracting: Advisory only - No significant issues
- Follow Up: Advisory only - No significant issues.

Other Work considered by the Committee

- Value For Money Strategy 2021-2024 - Recommended to Board for approval
- Draft Report and Financial Statements for CAMSFC to 4 May 2021 - Recommended to Board for approval

Statement of Corporate Governance and Internal Control (continued)

- Audit Completion Report for CAMSFC to 4 May 2021- Recommended to Board of Corporation for approval
- Additional work Undertaken by Group Auditors Policy 2022-2024 - Recommended to Board for approval
- Annual Value for Money Report 2021-2022 - No significant issues
- Value For Money Strategy 2021-2024 - Recommended to the Board of the Corporation for approval
- Final External Audit Plan 2021-2022 - Recommended to Board for approval
- Annual Internal Audit Plan 2022-2023 - Recommended to Board for approval
- Annual Internal Audit Report 2021-2022 - Recommended to Board for approval
- MIS Audits: GMCA and Pre-Merger - Recommended to Board for approval
- Board Assurance and Risk Management Framework - No significant issues
- Draft Report and Financial Statements year ending 31 July 22 - Recommended to Board for approval
- Regularity Self-Assessment Questionnaire 2021-2022
- Data Protection Progress Report
- Appointment of Internal Auditors 2023-2028
- ESFA Subcontracting Standards Framework
- GMCA Compliance Check – Outcome Report 2022
- GMCA Evidence Based Report 2022
- Financial Statements and Regularity Auditors Progress Report 2021-2022
- Leaders in Safeguarding Audit Report
- Office for Students Audit (MIS) 2022
- Audit Tracker of Management Actions against Audit Recommendations
- Supplementary Bulletin to College Accounts Direction and Post 16 Audit Code of Practice 2021-2022
- Audit Committee Self-assessment 2021-2022.

The internal audit procedures of the Corporation were not unduly delayed or altered in response to the Covid-19 outbreak, maintaining continuity of the control framework.

REVIEW OF EFFECTIVENESS

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The 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 TCG who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the TCG's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors in their management letters and other reports.

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

Statement of Corporate Governance and Internal Control (continued)

The Principal and Executive 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 management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of the Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 14 December 2022 meeting, the Board of the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2022.

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

Approved by order of the Members of the Board of the Corporation and signed on its behalf by:

Graham Luccock
Chairperson of the Corporation
Date: 14 December 2022

James Scott
Principal and Chief Executive Officer
Date: 14 December 2022

Statement of Regularity, Propriety and Compliance

As Accounting Officer, I confirm that the corporation has had due regard to 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 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 terms and conditions of funding, under the corporation's grant funding agreements and contracts with ESFA, or any other public funder.

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

James Scott
Principal and Chief Executive Officer
Date: 14 December 2022

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.

Graham Luccock
Chairperson of the Corporation
Date: 14 December 2022

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Board of the Corporation's grant funding agreements and contracts with ESFA, and any other relevant funding bodies, the Board of 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, OfS 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 Board of 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 college will continue in operation.

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

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

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

Members of the Board of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA and any other public funds are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any

Statement of Responsibilities of the Members of the Corporation (continued)

other public funder. Members of the Board 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 Board of the Corporation are responsible for securing economic, efficient and effective management of the Board of the Corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the Members of the Board of the Corporation and signed on its behalf by:

Graham Luccock
Chairperson of the Corporation
Date: 14 December 2022

Independent Auditor's Report on the Financial Statements

We have audited the College financial statements of The Trafford College Group for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Further Education SORP 2019 and the College Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

This report is made solely to the Corporation, as a body. 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 for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2022 and of the College's surplus of comprehensive income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further Education SORP 2019 and the College Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Independent Auditor's Report on the Financial Statements (continued)

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

Other information

The Governors are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the Corporation's report including the Strategic Report.

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

- adequate accounting records have not been kept; or returns adequate for our audit have not been received from branches not visited by us
- the College financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received; or

Independent Auditor's Report on the Financial Statements (continued)

- the going concern basis of accounting and disclosure of material uncertainties is appropriate.

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

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

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

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the 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.

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

- the responsible individual ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Corporation through discussions with Governors and other management;

Independent Auditor's Report on the Financial Statements (continued)

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management;
- identified laws and regulations were communicated within the audit team regularly and the team; and
- we remained alert to instances of non-compliance throughout the audit.

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

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

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

- performed analytical procedures as a risk assessment tool to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- tested the operating effectiveness of key controls over purchase cycles on a sample basis;
- reviewed the application of accounting policies including the application of capitalisation of tangible assets, and timing of recognition of grant income; and
- considered during our work on regularity, propriety and compliance.

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

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

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. The description forms part of our Auditor's report.

Karen Rae FCCA (Senior Statutory Auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Manchester
Date: 14 December 2022

Independent Reporting Accountant's Report on Regularity

To the corporation of The Trafford College Group and Secretary of State for Education acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter dated 18 June 2022 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects, the expenditure disbursed and income received by The Trafford College Group during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of The Trafford College Group 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 The Trafford College Group 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 The Trafford College Group and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Trafford College Group and the reporting accountant

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

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

Approach

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

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

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

Independent Reporting Accountant's Report on Regularity (continued)

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

The work undertaken to draw our conclusion includes:

- A review of the accuracy of the corporation's self-assessment of compliance with regularity and propriety requirements and review of appropriate evidence and documentation.
- Review of expenditure systems for compliance with corporation policy and scheme of delegation.
- Consideration of staff expense claims in line with policy.
- Review of procedures in respect of procurement.
- Review of corporation minutes.
- Consideration of advisory matters from internal auditors reports.

Conclusion
In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Use of our report
This report is made solely to the corporation of The Trafford College Group 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 The Trafford College Group and the ESFA those matters we are required to state in a limited assurance 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 The Trafford College Group, as a body, and the ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

Karen Rae FCCA (Senior Statutory Auditor)
for and on behalf of
Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Manchester
Date: 14 December 2022

Statement of Comprehensive Income

	Notes	2022 £'000	2021 £'000
Income			
Funding body grants	2	41,353	33,764
Tuition fees and education contracts	3	4,452	4,528
Other grants and contracts	4	-	21
Other income	6	400	196
Endowment and investment income	7	30	1
Gift on transfer of net assets	29	799	7,791
Total income		**47,034**	**46,301**
Expenditure			
Staff costs	8	30,823	24,871
Restructuring costs	8	57	556
Other operating expenses	10	13,303	10,175
Depreciation	14	3,633	2,650
Interest and other finance costs	12	1,162	1,050
Total expenditure		**48,978**	**39,302**
Surplus / (deficit) before other gains and losses		**(1,944)**	**6,999**
Profit on disposal of assets	14	-	2,425
Surplus / (deficit) before tax		**(1,944)**	**9,424**
Taxation	13	-	-
Surplus / (deficit) for the year		**(1,944)**	**9,424**
Actuarial gain in respect of pensions schemes	21/28	69,023	5,390
LGPS effective asset ceiling	1	(20,741)	-
Total Comprehensive Income/(Expenditure) for the year		**46,338**	**14,814**
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		46,338	14,814
		46,338	**14,814**

All items of income and expenditure relate to continuing activities.

The accompanying notes form part of these financial statements.

Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
As at 1 August 2020	**(20,034)**	**2,332**	**(17,702)**
Surplus from the income and expenditure account	9,424	-	**9,424**
Actuarial gain in respect of Local Government Pension Scheme	5,390	-	**5,390**
Total comprehensive income for the year	14,814	-	**14,814**
Transfers between reserves	95	(95)	-
As at 1 August 2021	**(5,125)**	**2,237**	**(2,888)**
(Deficit) from the income and expenditure account	(1,944)	-	**(1,944)**
Actuarial gain in respect of Local Government Pension Scheme	69,023	-	**69,023**
LGPS effective asset ceiling	(20,741)	-	**(20,741)**
Total comprehensive income for the year	46,338		**46,338**
Transfers between reserves	96	(96)	-
As at 31 July 2022	**41,309**	**2,141**	**43,450**

The accompanying notes form part of these financial statements.

Statement of Financial Position

	Notes	2022 £'000	2021 £'000
Non Current Assets			
Tangible fixed assets	14	94,511	90,848
		94,511	**90,848**
Current assets			
Trade and other receivables	15	1,610	2,977
Investments	16	6,000	-
Cash and cash equivalents	22	11,559	16,189
		19,169	**19,166**
Less: Creditors – amounts falling due within one year	17	(13,859)	(14,001)
Net current assets		**5,310**	**5,165**
Total assets less current liabilities		**99,821**	**96,013**
Less: Creditors – amounts falling due after more than one year	18	(55,383)	(52,943)
Provisions			
Defined benefit obligations	28	-	(44,742)
Other provisions	21	(988)	(1,216)
Total net liability		**43,450**	**(2,888)**
Unrestricted reserves			
Income and expenditure account		41,309	(5,125)
Revaluation reserve		2,141	2,237
Total reserves		**43,450**	**(2,888)**

The Financial Statements were approved and authorised for issue by the Members of the Board of the Corporation and signed on its behalf by:

Graham Luccock
Chairperson of the Corporation
Date: 14 December 2022

James Scott
Principal and Chief Executive Officer
Date: 14 December 2022

The accompanying notes form part of these financial statements.

Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(1,944)	9,424
Adjustment for non cash items			
Depreciation	14	3,633	2,650
Deferred capital grants released to income	2	(1,808)	(1,146)
(Increase)/decrease in debtors	15	1,367	(1,659)
Increase/(decrease) in creditors due within one year	17	1,422	3,116
(Decrease) in creditors due after one year	18	-	-
(Decrease) in provisions	21	(99)	(29)
Pensions costs less contributions payable	28	2,655	2,257
Adjustment for investing or financing activities			
Investment income	7	(30)	(1)
Interest payable	12	1,162	430
(Profit) on sale of fixed assets	14a	-	(2,425)
Gift of net assets recognised on merger	29	(799)	(7,791)
Net cash flow from operating activities		**5,559**	**4,826**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	4,729
Investment income	7	30	1
New deposits	16	(6,000)	-
Payments made to acquire fixed assets	14	(8,012)	(9,995)
Deferred capital grants received		4,468	11,277
Transfer of cash on merger	29	-	543
Net cash flow from investing activities		**(9,514)**	**6,555**
Cash flows from financing activities			
Interest paid	12	(406)	(430)
Repayments of amounts borrowed		(269)	(276)
Net cash flows from financing activities		**(675)**	**(706)**
Increase / (decrease) in cash and cash equivalents in the year		**(4,630)**	**10,675**
Cash and cash equivalents at beginning of the year	22	16,189	5,514
Cash and cash equivalents at end of the year	22	11,559	16,189

Notes to the Financial Statements

1. Accounting Policies

Legal Status

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

The Corporation was incorporated as South Trafford College. On 1st September 2007, the Secretary of State granted consent to the Corporation to change the College's name to Trafford College. On this date, the activities of North Trafford College were merged with those of South Trafford College.

On 5 April 2018, the Corporation merged with Stockport College under a Type B merger and the Secretary of State granted consent to the Corporation to change the College's name to The Trafford College Group.

On 4 May 2021, the Corporation merged with Cheadle and Marple Sixth Form College, with the relative sizes and lasting governance arrangements such that this transaction is effectively an acquisition for the purpose of accounting treatment. As such, the fair value of the assets and liabilities were transferred to the TCG from 4 May 2021, with the income and expenditure of Cheadle and Marple Sixth Form College included in the results of the Trafford College Group from this date onwards.

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 Office for Students Accounts Direction has been applied where disclosure is required in excess of the College Accounts Direction for 2021 to 2022. The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The financial statements are prepared in £ sterling.

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.

Going Concern

After making appropriate enquiries, the Corporation considers that the TCG has adequate resources to continue in operational existence for the foreseeable future. The TCG scenario planning process models through the impact to the Financial Health Grading as well as our banking covenants.

Notes to the Financial Statements (continued)

The TCG primarily meets its day-to-day working capital requirements through cash generated from its day-to-day activities. The TCG is funding over £5m of its contribution to the redevelopment of Stockport campus through the disposal of land that took place in April 2021.

The TCG currently has one loan of £5.7m outstanding at 31 July 2022 with Barclays Bank, with current annual payments of £674k (principal plus interest) ending in 2036. The loan with Barclays includes a number of covenants. The TCG's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

The TCG has operating plans to ensure it continues to operate and provide learners with an outstanding education experience with excellent qualification outcomes. The TCG has modelled a number of financial scenarios taking account of key financial risks to the TCG into account and the TCG's financial projections and mitigations indicate that the TCG has adequate resources to continue in operational existence for the foreseeable future.

The risks established by pay demands from Trade Union have been considered in scenario planning, to confirm the adequacy of resources and to update forecasts for these costs. Other scenarios included an under delivery of AEB, apprenticeships and the tuition fund.

Accordingly, the TCG has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of the financial statements, 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

Revenue grant funding includes 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 result 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.

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

The merger with Cheadle and Marple Sixth Form College on 4 May 2021 is being supported by the Provider Market Oversight Unit with support funds of £957k (2021: £1,533k) recognised during the financial year. £957k (2021: £1,533k) was expended in the financial year. Further funds are expected from the Provider Market Oversight Unit in respect of this merger through to 31 July 2023.

Notes to the Financial Statements (continued)

Capital grant funding

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

Fee income

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

Other grants and contracts

Income from grants, contracts and other services rendered is included to the extent of the conditions of the funding having been met or the extent of the completion of the contract or service concerned.

Other income

Income for other services rendered is recognised in line with the proportion of the service that has been delivered.

Investment income

Income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees" working lives with the TCG in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

Greater Manchester Pension Fund (LGPS)

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 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

Notes to the Financial Statements (continued)

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 actuarial return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

Short term Employments benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the TCG 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 TCG's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the Statement of Financial Position.

Tangible Fixed Assets

a) Land and Buildings

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

Freehold land is not depreciated as it is considered to have an infinite useful life. The useful economic life of 50 years is estimated for all newly constructed or redeveloped building stock. Improvements to land and buildings are depreciated over the period of their useful economic life.

On merger with the Cheadle and Marple Sixth Form College, the land and buildings have been brought into the TCG at their fair value at the point of merger and with remaining useful lives as stipulated in the valuation performed by Gerald Eve on 26 April 2021.

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

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

Notes to the Financial Statements (continued)

On adoption of FRS 102, the TCG followed the transitional provision to retain the book value of land and buildings which were revalued in 1993, but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Subsequent expenditure on existing fixed assets

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

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

b) Equipment

Equipment costing less than £1,000 per individual item is expensed in the Statement of Comprehensive Income in the period of acquisition. The only exception is in relation to personal computers for which a lower capitalisation value may apply. All other equipment is capitalised at cost.

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

Computer equipment	20-33% per annum
Office equipment	20-33% per annum
Furniture, plant and equipment	10-33% per annum

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Impairment

The carrying amounts of the Corporation's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in net income and expenditure.

The recoverable amount of the tangible fixed assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the depreciated replacement cost of the assets has been assessed.

Notes to the Financial Statements (continued)

Borrowing Costs

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

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term to the Statement of Comprehensive Income.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the Statement of Financial Position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Current investments

Cash held in short term deposit accounts for maturity of between three and nine months during which cash is not accessible.

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 cost (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 Statement of Financial Position at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Provisions

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.

Notes to the Financial Statements (continued)

Maintenance of Premises

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income in the period that it is incurred.

Taxation

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

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

Agency Arrangements

The TCG acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and are shown separately in Note 31, except for the 5% of the grant received which is available to the TCG to cover administration costs relating to the grant. The TCG employs a team of staff dedicated to the administration of Learner Support Fund applications and payments.

Any disbursements over and above the grant monies received are charged to the Income and Expenditure account.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the TCG 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 TCG'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.

- Determine the fair value of assets and liabilities transferred from Cheadle and Marple Sixth Form College on 4 May 2021 which were not independently valued. Factors taken into accounts were an external audit of the closing Statement of Financial Position as at 3 May 2021, crystallisation of liabilities on merger and recoverability of debt. Further information is included at Note 29.

Notes to the Financial Statements (continued)

- In determining the carrying value of the defined benefit pension scheme, management judgment has been utilised to determine that no defined benefit asset should be recognised. The actuarial valuation determined a net asset of £20,741k against a liability in 2021 of £44,742k. The definitions of an asset and contingent asset require probable future economic benefits, which are not considered to exist given the nature of the fund, the volatile economic circumstances and inconsistencies with the near and medium term past which raises doubts about the likely continuation of the asset position. The asset position does not directly drive the deficit contribution calculation at the triennial review and therefore a direct flow through to reduced contribution rates cannot be expected. Given that the opinion of the expert is such that it is possible that there is no liability however, the TCG have recognised a £nil defined benefit liability, through reducing the gain recognised in other comprehensive income by £20,741k to £48,134k.
- Potential pension increases from 1 April 2023 of the order of 10% aligned with CPI have not been reflected in the pension valuation presented, given that decision on the pension increase is a future and highly uncertain event. The expected impact is 5.5%-6% adjustment, which would see an additional liability of c£7m, bringing the overall valuation to a defined benefit pension scheme asset of £12m from £20m.

Other key sources of estimation uncertainty:

- **Tangible fixed assets**

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The useful 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.

- **Impairment**

In assessing impairment of tangible fixed assets, management estimates the recoverable amount of cash generating units based on their depreciated replacement cost, where a market value is not available, using the remaining useful life of the assets. At the end of this reporting period management performed a depreciated replacement cost calculation against the replacement value of the estate. If the depreciated replacement cost shows a lower valuation than the net book value of tangible fixed assets an impairment would be made. Based on this evaluation including management estimates and assumptions no impairment was made during the reporting period. Estimation uncertainty relates to the assumptions around the replacement valuation and the useful life of the assets.

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit scheme 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 obligation for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 28 will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements (continued)

Potential pension increases from 1 April 2023 of the order of 10% aligned with CPI have not been factored into the pension valuation presented, given that decision on the pension increase is a future and highly uncertain event. The expected impact is 5.5%-6% adjustment, which would see an additional liability of c£7m, bringing the overall valuation to a defined benefit pension scheme asset of £12m from £20m.

A proportion of the asset portfolio within the pension scheme is valued on a quarterly basis and therefore management estimate an element of the pension asset values at 31 July 2022 using an external expert. The ongoing Covid-19 pandemic and the associated volatility since March 2020 represents an increased level of uncertainty within the estimation of such assets.

The pension asset at 31 July 2022 includes £12,792k (9%) (2021: £7,929k (6%)) of property assets which are valued annually as part of determining the value of the net pension liability at year end.

Notes to the Financial Statements (continued)

2. Funding council grants

	2022	2021
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency - adult	243	453
Greater Manchester Combined Authority – adult	5,299	5,280
Education and Skills Funding Agency – 16-18	27,709	20,154
Education and Skills Funding Agency - apprenticeships	3,123	3,112
Office for Students (see note 5)	187	393
Specific grants		
Education and Skills Funding Agency – Provider Market Oversight Unit	957	1,533
Education and Skills Funding Agency - LSF admin	60	58
Education and Skills Funding Agency - T-Levels	30	99
Education and Skills Funding Agency – CCF	110	-
Education and Skills Funding Agency - Other	68	-
Education and Skills Funding Agency – Devolved Formula Capital	-	40
Teacher pension scheme contribution grant	892	795
Release of Government capital grants	1,808	1,146
Education and Skills Funding Agency – AEB COVID-19 Skills offer	-	10
Education and Skills Funding Agency – 16-19 Tuition Fund	821	531
Education and Skills Funding Agency – High value courses for school and college leavers	-	113
Education and Skills Funding Agency – COVID-19 mass testing funding	46	47
	41,353	**33,764**

The corporation has been eligible to claim additional funding in year from government support schemes in response to the coronavirus outbreak.

3. Tuition fees and education contracts

	2022	2021
	£'000	£'000
Adult education fees	675	539
Apprenticeship fees and contracts	296	411
Fees for FE loan supported courses	580	572
Fees for HE loan supported courses (see note 5)	2,157	2,307
Employer apprenticeship fees	24	49
Total tuition fees	**3,732**	**3,878**
Education contracts – local authority	720	434
Education contracts - other	-	216
	4,452	**4,528**

Notes to the Financial Statements (continued)

4. Other grants and contracts

	2022	2021
	£'000	£'000
Coronavirus Job Retention Scheme grant	-	21
	-	**21**

The Corporation furloughed some of the staff who were related to commercial delivery under the Government's Coronavirus Job Retention Scheme. The funding received in respect of nil (2021: 29) staff relates to staff costs which are included within note 8.

5. Higher Education grant and fee income

	Notes	2022	2021
		£'000	£'000
Grant income from the Office for Students	2	187	393
Fees for loan supported courses	3	2,157	2,307
Fee income from non-qualifying courses	3	210	138
Grant income from other bodies	6	27	41
		2,581	**2,879**

Higher Education grant and fee income represents income for courses at Level 4 and above.

6. Other income

	2022	2021
	£'000	£'000
Catering and residences	141	26
Other income generating activities	33	8
Miscellaneous income	226	162
	400	**196**

7. Investment income

	2022	2021
	£'000	£'000
Other interest receivable	**30**	**1**

8. Staff costs

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

	2022	2021
	No.	No.
Teaching staff	472	385
Non-teaching staff	242	244
	714	**629**

Notes to the Financial Statements (continued)

8. Staff costs (continued)

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

	2022	2021
	No.	No.
Teaching staff	383	321
Non-teaching staff	197	196
	580	**517**

Staff costs for the above persons

	2022	2021
	£'000	£'000
Wages and salaries	19,891	16,980
Social security costs	1,825	1,548
Apprentice levy	86	71
Other pension costs	6,929	5,544
Payroll sub total	**28,731**	**24,143**
Contracted out staffing services	2,092	728
	30,823	**24,871**
Fundamental restructuring costs:		
Contractual	57	551
Non-contractual	-	5
	30,880	**25,427**

The Corporation has salary sacrifice arrangements in place for childcare vouchers which equated to £23k in total for the year (2021: £28k) and a cycle to work scheme totalling £2k (2021: £1k).

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

	2022	2021
	No.	No.
£60,001 to £65,000	2	3
£65,001 to £70,000	2	2
£70,001 to £75,000	-	-
£75,001 to £80,000	1	1
£80,001 to £85,000	1	-
£85,001 to £90,000	-	1
	6	**7**

Notes to the Financial Statements (continued)

9. Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the TCG, as represented by the Executive Leadership Team which comprises the Principal and Chief Executive Officer (Accounting Officer), Deputy Principal, Vice Principal - Corporate Services and Planning, the Chief Finance Officer and the Corporation Secretary.

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

	2022	2021
	No.	**No.**
The number of key management personnel including the Accounting Officer was:	5	6

Key management personnel emoluments are made up as follows:

	2022	2021
	£'000	**£'000**
Basic salary	619	481
Pension contributions	147	112
	766	**593**

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

The number of key management personnel who received emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, was banded as follows:

	2022	2021
	No.	**No.**
£5,501 to £6,000	-	1
£45,001 to £50,000	-	1
£55,001 to £60,000	-	1
£70,001 to £75,000	1	-
£85,001 to £90,000	-	1
£100,001 to £105,000	-	1
£115,001 to £120,000	2	-
£120,001 to £125,000	1	-
£175,001 to £180,000	-	1
£185,001 to £190,000	1	-
	5	**6**

Notes to the Financial Statements (continued)

9. Key management personnel (continued)

The previously stated emoluments include amounts paid to the Principal and Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. The Principal and Chief Executive has been in post since 1 August 2020. Their pay and remuneration is as follows:

	2022	2021
	£'000	£'000
Basic salary	189	176
Benefits in kind	-	-
	189	176
Pension contributions	44	42
	233	**218**

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

The Board of the Corporation has adopted the AoC's Senior Staff Remuneration Code in December 2018 and assesses pay for key management personnel in line with its principles.

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

The Remuneration Committee provided the Board of the Corporation with an annual report for the period ending 31 July 2022 which detailed amongst other issues the following information:

- The approach to the Remuneration of Senior Post Holders which is based on the adoption of the AoC Remuneration Code including the key elements of: a fair and appropriate and justifiable level of remuneration, procedural fairness and transparency and accountability.
- The remuneration and Terms and Conditions of Senior Post Holders for the Year.
- Performance targets for all Senior Post Holders together with an assessment of performance against targets.

The Board of the Corporation operates an approved Senior Post Holder Remuneration Policy which includes the College's Policy on the following matters:

- The Principles and Procedures for determining Senior Post Holders Pay.
- Severance Payments and the Annual Statement.

In accordance with Senior Post Holders' Remuneration Policy, the Remuneration Committee undertook its annual salary benchmarking review.

The Principal and Chief Executive reports to the Chair of the Board of the Corporation, who undertakes an annual review of their performance against the TCG's overall objectives using both qualitative and quantitative measures of performance. All other key management personnel undertake a similar performance review process.

Notes to the Financial Statements (continued)

9. Key management personnel (continued)

The relationship of Principal/Chief Executive pay and remuneration expressed as a multiple, is as follows:

	2022 £'000	2021 £'000
Principal and CEO's basic salary as a multiple of the median of all staff	5.5	5.3
Principal and CEO's total remuneration as a multiple of median of all staff	6.8	6.3

Compensation for loss of office paid to former key management personnel

	2022 £	2021 £
Compensation paid to the former post-holder (contractual)	-	43,269
Compensation paid to the former post-holder (non-contractual)	-	2,538

10. Other operating expenses

	2022 £'000	2021 £'000
Teaching costs	3,103	1,945
Non-teaching costs	5,600	5,128
Premises costs	4,600	3,102
	13,303	**10,175**

Other operating expenses include:

	2022 £'000	2021 £'000
Auditors' remuneration:		
Financial statements audit	54	52
Other services provided by the financial statements auditors in respect of Teachers' Pension Scheme audit return	3	4
Internal audit	48	43
Other services provided by the internal auditors	2	2
Hire of assets under operating leases:		
Land and buildings	659	540
Equipment	108	130

Notes to the Financial Statements (continued)

11. Access and Participation expenditure

	2022	2021
	£'000	£'000
Financial support to students	24	28
Research and evaluation	36	27
Access investment	28	29
Support for disabled students	30	28
	118	**112**

This includes £92k (2021: £82k) in respect of staff costs, which are included within note 8.

In addition, in the comparative year the TCG received £41k from the OfS for hardship support for learners due to Covid-19, all of which was paid over to learners.

The Access and Partnership plan is available on the TCG's website.

12. Interest payable

	2022	2021
	£'000	£'000
On bank loans, overdrafts and other loans:	406	430
Net interest on defined pension liability (notes 21&27)	756	620
	1,162	**1,050**

13. Taxation

The members of the Board of the Corporation do not believe that the College was liable for any corporation tax arising out of its activities during the year (2021: £nil).

Notes to the Financial Statements (continued)

14. Tangible fixed assets

	Land and Buildings - Freehold £'000	Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation				
As at 1 August 2021	112,229	9,517	535	122,281
Additions	622	1,726	4,948	7,296
Disposals	-	(100)	-	(100)
As at 31 July 2022	**112,851**	**11,143**	**5,483**	**129,477**
Depreciation				
As at 1 August 2021	23,647	7,786	-	31,433
Charge for the year	2,702	931	-	3,633
Elimination in respect of disposals	-	(100)	-	(100)
As at 31 July 2022	**26,349**	**8,617**	**-**	**34,966**
Net Book Value As at 31 July 2022	**86,502**	**2,526**	**5,483**	**94,511**
Net Book Value As at 31 July 2021	88,582	1,731	535	90,848

Freehold land and buildings include £594k of interest payments which were capitalised prior to FY2016/17.

In April 1993 inherited land and buildings were value by independent chartered surveyors for the purpose of the Financial Statements at depreciated replacement cost. Other tangible assets gifted from the Local Authority at incorporation have been valued by the Corporation on a depreciated historical cost basis. The historical cost to the College of inherited land and buildings is nil.

Land and buildings acquired as a result of the merger with Stockport College in April 2018 were recognised at the fair value attributed to them by an independent chartered surveyor.

Land and buildings acquired as a result of the merger with Cheadle and Marple Sixth Form College in May 2021 have been recognised at the fair value attributed to them by an independent chartered surveyor.

14. (a) Profit on disposal

Profits on disposal of tangible fixed assets comprise the following:

	2022 £'000	2021 £'000
Net proceeds on sale of tangible fixed assets	-	5,202
Net book value of tangible fixed assets disposed	-	(2,734)
Expenditure costs of disposal	-	(43)
Net profit on disposal	**-**	**2,425**

Notes to the Financial Statements (continued)

15. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	221	280
Prepayments and accrued income	763	1,023
Amounts owed by the ESFA	626	1,674
	1,610	**2,977**

16. Current Investments

	2022 £'000	2021 £'000
Short term deposits	6,000	-
Total	**6,000**	**-**

Deposits are held with banks operating in the London market and licensed by the Financial Conduct Authority.

17. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loans (note 18)	283	269
Trade payables	2,104	2,123
Other taxation and social security	508	787
Accruals and deferred income	2,403	2,779
Capital Creditors	235	951
Amounts disbursed as agent	1,648	1,135
Amounts owed to the GMCA/ESFA	1,553	703
Deferred income – capital grants in advance	2,960	3,591
Deferred income - government capital grants	2,115	1,547
Deferred income - government revenue grants	50	116
	13,859	**14,001**

18. Creditors: amounts falling due after one year

	2022 £'000	2021 £'000
Bank loans (note 18)	5,420	5,703
Deferred income - government capital grants	49,963	47,240
	55,383	**52,943**

Notes to the Financial Statements (continued)

19. Maturity of debt

(a) Bank loans and overdrafts are repayable as follows:

	2022	2021
	£'000	£'000
In one year or less	283	269
Between one and two years	295	283
Between two and five years	985	935
In five years or more	4,140	4,485
	5,703	**5,972**

The TCG took out an unsecured loan during the year ended 31 July 2009 with Barclays Bank plc for £8million which was drawn down in full by July 2011. The purpose of this loan was to part fund the redevelopment works at the Altrincham campus. The loan was initially at a variable rate but was fixed at 4.98% from March 2010 and then increased to 6.73% in April 2018 following the merger with Stockport College. A further increase in the fixed rate to 6.98% occurred on 1 August 2020.

The final payment on the loan will be made in September 2036.

Barclays Bank also amended the security on the loan in April 2018 by taking a charge on the premises at:

- Trafford College, Talbot Road, Stretford, Manchester
- Trafford College, Manchester Road, West Timperley, Altrincham
- Land on the South Side of Stamford Brook Road, West Timperley, Altrincham.

20. Provisions

	Enhanced pensions
	£'000
As at 1 August 2021	1,216
Expenditure in the period	(100)
Finance costs	19
Actuarial (gain)/loss	(147)
As at 31 July 2022	**988**

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

The principal assumptions for this calculation are:

	2022	2021
Price inflations	2.9%	2.6%
Discount rate	3.3%	1.6%

Notes to the Financial Statements (continued)

21. Cash and cash equivalents

	As at 1 August 2021 £'000	Cash flows £'000	Other changes £'000	As at 31 July 2022 £'000
Cash and cash equivalents	16,189	(4,630)	-	11,559

22. Analysis of net debt

	As at 1 August 2021 £'000	Cash flows £'000	Other changes £'000	As at 31 July 2022 £'000
Cash and cash equivalents				
Cash	16,189	1,370	-	17,559
Borrowings				
Debt less than one year	(269)	269	(283)	(283)
Debt greater than one year	(5,703)	-	283	(5,420)
	(5,972)	**269**	**-**	**(5,703)**
Net (debt)/cash	**10,217**	**1,639**	**-**	**11,856**

23. Capital commitments

	2022 £'000	2021 £'000
Commitments contracted at 31 July	5,723	519

The Trafford College Group has contractual capital commitments relating to the second phase of the redevelopment of the Stockport College campus which is due to complete in December 2022.

Notes to the Financial Statements (continued)

24. Lease Obligations

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

	2022 £'000	2021 £'000 Restated
Future minimum lease payments due		
Land and buildings		
Not later than one year	439	418
Later than one year and not later than five years	1,373	1,662
Later than five years	1,931	1,996
	3,743	**4,076**
Other		
Not later than one year	101	23
Later than one year and not later than five years	273	38
	374	**61**
Total lease payments due	**4,117**	**4,137**

Lease payments due in respect of land and buildings have been restated in the comparative year to reflect a long term lease liability of 125 years previously reflected as annual. Values were previously reflected as £620k, £1,670k and £47k over the respective maturity periods reflected above.

25. Contingent liabilities

The Corporation is in receipt of a capital grant from the Department for Education (DfE) which contains an overage element. Dependent on the future financial performance of the TCG, the DfE may undertake a review of the recovery of any overage and its impact on the TCG's financial position at any time and may, in its discretion and following consultation with the TCG, determine that some of the grant could be repayable. Overage will be in place on certain elements of the grant until 31 July 2061.

26. Events after the reporting period

There are no events after the reporting period to disclose.

Notes to the Financial Statements (continued)

27. Defined benefit obligations

The TCG'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 Greater Manchester Pension Fund (GMPF), a Local Government Pension Scheme for non-teaching staff, which is managed by Tameside MBC. Both are multi-employer defined-benefit plans.

	2022	2021
	£'000	£'000
Teachers' Pension Scheme: contributions paid	2,508	2,077
Local Government Pension Scheme:		
Contributions paid	1,777	1,564
Additional accrued pension costs	(11)	133
FRS 102 (28) charge	2,655	1,732
Charge to the Statement of Comprehensive Income	6,929	5,506
Enhanced pension charge to Statement of Comprehensive Income	(128)	38
Total Pension Cost for Year	**6,801**	**5,544**

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

Contributions amounting to £482k (2021: £478k) were payable to the schemes at 31 July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

Valuation of the Teachers' Pension Scheme

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

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The TCG is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the TCG 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 TCG has set out above the information available on the plan and the implications for the TCG in terms of the anticipated contribution rates.

Notes to the Financial Statements (continued)

27. Defined benefit obligations (continued)

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (DfE) 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.

The 31 March 2016 Valuation Report was prepared in accordance with the benefits set out in the scheme regulations and under the approach specified in the Directions, as they applied at 5 March 2019. However, the assumptions were considered and set by the DfE prior to the ruling in the 'McCloud/Sargeant case'. This case has required the courts to consider cases regarding the implementation of the 2015 reforms to Public Service Pensions including the Teachers' Pensions.

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgement that transitional provisions introduced to the reformed pension schemes in 2015 gave rise to unlawful age discrimination. The government is respecting the Court's decision and has said it will engage fully with the Employment Tribunal as well as employer and member representatives to agree how the discriminations will be remedied.

The TPS is subject to a cost cap mechanism which was put in place to protect taxpayers against unforeseen changes in scheme costs. The Chief Secretary to the Treasury, having in 2018 announced that there would be a review of this cost cap mechanism, in January 2019 announced a pause to the cost cap mechanism following the Court of Appeal's ruling in the McCloud/Sargeant case and until there is certainty about the value of pensions to employees from April 2015 onwards. A proposed solution to the cost cap mechanism was proposed by the Government's Actuary in June 2021.

In view of the above rulings and decisions the assumptions used in the 31 March 2016 Actuarial Valuation may become inappropriate. In this scenario, a valuation prepared in accordance with revised benefits and suitably revised assumptions would yield different results than those contained in the Actuarial Valuation.

Until a remedy to the discrimination conclusion has been determined by the Employment Tribunal it is not possible to conclude on any financial impact or future changes to the contribution rates of the TPS. Accordingly, no provision for any additional past benefit pension costs is included in these financial statements.

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 2019). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs from the 2020 academic year through to 2022.

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

Notes to the Financial Statements (continued)

27. Defined benefit obligations (continued)

The pension costs paid to TPS in the year amounted to £2,508k (2021: £2,077k).

Local Government Pension Scheme

The Greater Manchester Pension Fund (GMPF) is a funded defined-benefit plan, with the assets held in separate funds administered by Tameside MBC. The total contribution made for the year ended 31 July 2022 was £2,249k (2021: £1,977k) of which employer's contributions totalled £1,777k (2021: £1,564k) and employees' contributions totalled £472k (2021: £413k).

The agreed contribution rates for future years are 23.8% for employers and range from 5.5% to 12.5% for employees depending on salary.

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 by a qualified independent actuary.

	2022	**2021**
	% per annum	**% per annum**
Rate of increase in salaries	3.4%	3.6%
Future pensions increases	2.8%	2.9%
Discount rate for scheme liabilities	3.5%	1.6%
Inflation assumption (CPI)	2.8%	2.9%

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

	2022	**2021**
	years	**years**
Retiring today		
Males	20.3	20.5
Females	23.2	23.3
Retiring in 20 years		
Males	21.6	21.9
Females	25.1	25.3

Notes to the Financial Statements (continued)

27. Defined benefit obligations (continued)

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

	Fair Value 2022 £'000	Fair Value 2021 £'000
Equities	96,651	93,825
Bonds	21,320	19,822
Property	12,792	7,929
Cash	11,371	10,572
	142,134	**132,148**
Actual return on plan assets	**10,478**	**19,247**

The weighted average long term rate of return on plan assets is 3.5% (2021: 1.6%).

The amount included in the Statement of Financial Position in respect of the defined benefit pension plan is as follows:

	2022 £'000	2021 £'000
Fair value of plan assets	142,134	132,148
Present value of plan liabilities	(121,237)	(176,707)
Present value of unfunded liabilities	(156)	(183)
Effect of non-recognition of net defined benefit asset	(20,741)	-
Net pensions liability	**-**	**(44,742)**

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	4,295	3,327
Past service cost	231	-
	4,526	**3,327**
Amounts included in Interest and other finance costs		
Net interest income	737	620
	737	**620**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	8,369	17,922
Experience gains/(losses) arising on defined benefit obligations	(376)	2,360
Changes in assumptions underlying the present value of plan liabilities	60,882	(14,892)
Effect of non-recognition of net defined benefit asset	(20,741)	-
	48,134	**5,390**

Notes to the Financial Statements (continued)

27. Defined benefit obligations (continued)

Movement in net defined benefit liability during the year

	2022	2021
	£'000	£'000
(Deficit) in scheme at 1 August	(44,742)	(42,356)
Movement in year:		
Transfer of defined benefit liability on merger into scheme	-	(5,424)
Current service cost	(4,295)	(3,327)
Employer contributions	1,871	1,595
Past service cost	(231)	-
Net interest on the defined benefit liability	(737)	(620)
Actuarial gain	68,875	5,390
Effect of non-recognition of net defined benefit asset	(20,741)	-
Net defined benefit liability at 31 July	**-**	**(44,742)**

Asset and Liability reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	176,890	131,542
Transfer of defined benefit obligations on merger into scheme	-	29,807
Current Service cost	4,295	3,327
Interest cost	2,846	1,945
Contributions by Scheme participants	469	417
Experience gains and losses on defined benefit obligations	376	(2,360)
Changes in demographic assumptions	(736)	760
Changes in financial assumptions	(60,146)	14,132
Estimated benefits paid	(2,832)	(2,680)
Past Service cost	231	-
Defined benefit obligations at end of period	**121,393**	**176,890**

	2022	2021
	£'000	£'000
Reconciliation of assets		
Fair value of plan assets at start of period	132,148	89,186
Transfer of defined benefit assets on merger into scheme	-	24,383
Interest on plan assets	2,109	1,325
Return on plan assets	8,369	17,922
Employer contributions	1,871	1,595
Contributions by Scheme participants	469	417
Estimated benefits paid	(2,832)	(2,680)
Fair value of plan assets at end of period	**142,134**	**132,148**

Notes to the Financial Statements (continued)

27. Defined benefit obligations (continued)

These accounts show experience gains on obligations in respect of the McCloud/Sergeant judgement, Guaranteed Minimum Pension (GMP) indexation and GMP equalisation. GMP indexation and GMP equalisation have been included in the triennial valuation of 31 March 2019 so are implicit in the results to the balance sheet date of 31 July 2022.

In respect of the McCloud / Sergeant judgement, which ruled that the transitional protection for some members of public service schemes implemented when they were reformed constituted age discrimination, a provision of approximately £725k at 0.41% of the 2021 liability was included in 2021. This has been rolled forward and included within the closing position at 31 July 2022. The calculation of this adjustment arising from the outcome of the Court of Appeal judgement is based on a number of key assumptions including:

- the form of remedy adopted
- how the remedy will be implemented
- which members will be affected by the remedy
- the earning assumptions and
- the withdrawal assumption.

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions or making other adjustments to reflect behavioural changes stemming from the judgement, would be expected to change the disclosed past service cost. Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI.

In July 2020 Ministry of Housing, Communities and Local Government (MHCLG) issued a consultation on the proposed McCloud remedy. The proposal is that only members who were active in the LGPS at both 31 March 2012 and 1 April 2014 would be eligible for the benefit underpin. The impact of this announcement means that any McCloud adjustment applied to liabilities will be lower than previously expected, allowing now for the restricted eligibility criteria, however, the remedy is yet to be agreed. Given this consultation, but that the form of remedy remains to be disclosed, there has been no change to the assumptions applied for the McCloud adjustment since 2020.

In determining the carrying value of the defined benefit pension scheme, management judgment has been utilised to determine that no defined benefit asset should be recognised. The actuarial valuation determined a net asset of £20,741k against a liability in 2021 of £44,742k. The definitions of an asset and contingent asset require probable future economic benefits, which are not considered to exist given the nature of the fund, the volatile economic circumstances and inconsistencies with the near and medium term past which raises doubts about the likely continuation of the asset position. The asset position does not directly drive the deficit contribution calculation at the triennial review and therefore a direct flow through to reduced contribution rates cannot be expected. Given that the opinion of the expert is such that it is possible that there is no liability however, the TCG have recognised a £nil defined benefit liability, through reducing the gain recognised in other comprehensive income by £20,741k to £48,134k.

Notes to the Financial Statements (continued)

27. Defined benefit obligations (continued)

Potential pension increases from 1 April 2023 of the order of 10% aligned with CPI have not been reflected in the pension valuation presented, given that decision on the pension increase is a future and highly uncertain event. The expected impact is 5.5%-6% adjustment, which would see an additional liability of c£7m, bringing the overall valuation to a defined benefit pension scheme asset of £12m from £20m.

28. Business Acquisitions and Mergers

On 4 May 2021, the Trafford College Group merged with Cheadle and Marple Sixth Form College. Given the relative size of the two College Groups, along with lasting governance arrangements, this has been accounted for using the acquisition method of accounting. The net assets of the Cheadle and Marple Sixth Form College on 4 May 2021 were as follows:

		Net Book value at 4 May 2021 £'000	Fair Value adjustment £'000	Total value on merger £'000	Fair Value adjustment 2022 £'000	Total value on merger £'000
Tangible fixed assets	(i)	14,602	3,972	18,574	-	18,574
Current Assets						
Debtors		258	-	258	-	258
Cash and cash equivalents		543	-	543	-	543
Creditors falling due within one year	(ii)	(1,128)	(980)	(2,108)	799	(1,309)
Total assets less current liabilities		**14,275**	**2,992**	**17,267**	**799**	**18,066**
Creditors falling due after one year		(4,016)	-	(4,016)	-	(4,016)
Provisions		(36)	-	(36)	-	(36)
Defined benefit pensions liability		(5,424)	-	(5,424)	-	(5,424)
Total net assets		**4,799**	**2,992**	**7,791**	**799**	**8,590**
Recognised to 31 July 2021						7,791
Recognised to 31 July 2022						799
						8,590

Fair value adjustments have been applied as follows:

(i) The fair value of land and buildings was obtained through a valuation conducted on a depreciated replacement cost basis for accounting purposes by Gerald Eve, Independent Chartered Surveyors on 26 April 2021.

(ii) Adjustment has been made in respect of VAT and other liabilities that have crystalised at point of merger. During 2022 discussions with HMRC concluded, which resulted in release of a provision held on merger, as this confirmation was received within 9 months of merger, the adjustment has been applied to the fair value of merger in the financial year to 31 July 2022.

Notes to the Financial Statements (continued)

29. Related party transactions

Owing to the nature of the Trafford College Group's operations and the composition of the Board of Governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. No transactions were identified which should be disclosed under FRS 102 Section 33 on

29. Related Party Transactions (continued)

Related Party Disclosures. However, if such transactions were to arise such would be conducted in accordance with the TCG's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £59; 1 Governor (2021: £50; 2 Governors). This represents travel and subsistence, and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2021: £Nil).

30. Amounts disbursed as agent

Learner support funds

	2022	2021
	£'000	**£'000**
Balance brought forward	1,135	772
Funding body grants – 16-18 bursary grants	1,072	712
Funding body grants – other	113	204
Local authority grants	26	27
	2,346	**1,715**
Balances transferred in on merger	-	142
Disbursed to students	(646)	(687)
Administration costs	(52)	(35)
Balance unspent as at 31 July, included in creditors	**1,648**	**1,135**

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