



**THE SMB GROUP**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 JULY 2022**

## THE SMB GROUP

### KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

#### Key management personnel

Key management personnel are defined as members of the Executive Management Team and were represented by the following in 2021/22:

Dawn Whitmore – Principal and CEO; Accounting Officer  
Andrew Gedge – Deputy Principal Curriculum, Quality and Student Experience (resigned 31 October 2022)  
Lisa Craddock – Vice Principal Business Services, Resources & Service Improvement  
Sylvia Royle – Vice Principal Resources (resigned 31 October 2021)  
Andrew Hartley – Interim Vice Principal Finance (appointed 11 October 2021 – resigned 31 March 2022)  
Richard Eaton – Chief Finance and Funding Officer (appointed 1<sup>st</sup> April 2022)

#### Board of Governors

A full list of Governors is given on page 14 of these financial statements.

Elise Scotford was appointed as clerk from 1<sup>st</sup> September 2020 until June 2022. Maria Semak was appointed the interim clerk after this time.

#### Professional advisers

<b>Financial statements auditors and reporting accountants</b>	RSM UK Audit LLP Chartered Accountants Rivermead House 7 Lewis Court, Grove Park Enderby Leicestershire LE19 1SD
<b>Internal auditors</b>	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
<b>Bankers</b>	Barclays Bank plc Town Hall Square Leicester LE1 9AA  Lloyds TSB Bank plc PO Box 908 125 Colmore Row Birmingham B3 2DS
<b>Solicitors</b>	Browne Jacobson LLP Mowbray House Castle Meadow Road Nottingham NG2 1BJ

## **THE SMB GROUP**

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## **THE SMB GROUP MEMBERS' REPORT**

### **NATURE, OBJECTIVES AND STRATEGIES**

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 The SMB Group. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

#### **Mission Statement**

The College's Mission as approved by its members is:

“Sustainability, Excellence and Innovation in Learning.”

#### **Vision**

The College's Vision as approved by its members is:

“A sector leader for delivering quality technical and creative education developing a skilled workforce for the future; respected for our innovative and professional staff. Integrated with our local, regional and national partners and valued by the diverse communities we serve for our contributions.”

#### **Public benefit**

The SMB Group is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 14.

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

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

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

The College's subsidiary companies where possible pay over the whole of their distributable reserves to the College under the gift aid scheme to further support the above public benefits.

## **IMPLEMENTATION OF STRATEGIC PLAN**

On the 1<sup>st</sup> February 2020, a Strategic Plan was developed to be reflective and appropriate for The SMB Group for the period 1 February 2020 to 31 July 2021. Following minor changes, The SMB Group Strategic Plan was adopted and approved for a subsequent period from 2021 to 2022. The Values in the Strategic Plan are based around Sustainability, Ethics, Excellence and Innovation supporting the key objectives of:

- Developing the business to be forward thinking ensuring efficient and effective use of systems and resources, which enable high performance within all operations. Leading to outstanding sustainable resources and finances.
- Continually striving for outstanding results through being innovative, digitally enabled, sustainability engaged and learner centric, in a safe environment. Leading to outstanding impact in terms of achievement, destinations and growth.
- Continue to develop a reputation for a quality range of products, a commercial acumen and eco-credentials. Leading to sustained growth, loyal customers and an outstanding reputation with all partners.
- Attracting and developing a high performing, talented and inclusive workforce, which will drive the ambitions of the business putting learners at the heart of all decisions. Leading to sustained growth, high productivity and highly valued and engaged employees who regard the College as an 'Employer of First Choice'.
- Create an effective set of Corporate Services that contribute to the overall success of the college, students, staff and stakeholders. Leading to effective organisational transformation, stakeholder engagement, delivery of innovative sustainable project activity and risk informed management accountability.

### **Financial Objectives and Key Performance Indicators**

The College's financial objectives are:

- To improve the financial health grade, as measured by the Education and Skills Funding Agency, as "Good" or "Outstanding".
- To achieve an annual operating surplus before FRS 102 pension adjustment.
- To pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances.
- To generate sufficient levels of income to support the asset base of the College.
- To fund continued capital investment.
- To increase the efficiency of procurement.

A series of performance indicators have been agreed to monitor the successful implementation of the policies, however some have narrative elements.

Financial health has been calculated as "requires improvement" for the year ending 31 July 2022 against the objective of "Good" or better. This is due to the EBITDA measure being less than 1%, which automatically limits the financial health grade to requires improvement. Despite this, the college repaid its loan during the year, meaning that Gearing is 0% and improving this element of the financial health score, whilst the other component, the current ratio, did reduce during the year due to the loan repayment.

Given increasing inflation and recruitment challenges, managing cost is more difficult however all efforts are being made to do this wherever possible, and further reviews of efficiency measures are ongoing.

SMB Group is working with the DfE on a transformation project at the Brooksby site which when delivered in late 2023/early 2024 should transform operations in Land based Curriculum.

**THE SMB GROUP**  
**MEMBERS' REPORT (continued)**

The result for the year was an operating deficit of £3,617k pre-profit on disposal of fixed assets and FRS 102 pension adjustment. The objective was for a surplus. Results have been impacted through the Covid-19 pandemic.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as achievement rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The College is assessed by the ESFA as having a "requires improvement" financial health grading.

**THE SMB GROUP**  
**MEMBERS' REPORT (continued)**

**FINANCIAL POSITION**

**Financial Results**

The Group generated a deficit before other gains and losses in the year of £3,617k (2020/21 £2,151k deficit), with a total comprehensive gain of £25,627k, (2020/21 £2,100k deficit).

The Group has accumulated income and expenditure reserves of £19,883k (2020/21 £5,240k deficit) and cash balances of £4,336k (2020/21 £7,210k). The Group wishes to accumulate reserves and cash balances in order to create a contingency fund to enable financial sustainability and stability.

	£'000
Deficit before tax 2021/22	(1,222)
FRS 102 pensions adjustment	2,263
Operating gain before FRS 102 pension adjustments	<u>1,041</u>
Contractual and non-contractual restructuring costs	<u>274</u>
Underlying operating surplus 2021/22	<u>1,315</u>

The College has three wholly owned subsidiary companies: Brooksby Enterprises Limited, Brooksby Natural Resources Limited and Melton Leisure Services Limited. The principal business activities of Brooksby Enterprises Limited are weddings, commercial catering, lettings (including conferences and courses for business); and the commercial operation of an equestrian centre, which ceased trading during the year. The primary business activity of Brooksby Natural Resources Limited is collecting royalties from the extraction of sand and gravel from land which forms part of the estate of the SMB Group. The main business activities of Melton Leisure Services Limited are the operation of a theatre and room hire. In the current year Brooksby Enterprises Limited reported a loss before tax of £24k, (2021: £190k loss), Brooksby Natural Resources Limited reported a loss before tax of £6k (2021: £2k loss) and Melton Leisure Services Limited reported a loss before tax of £5k (2021: £51k loss). The Covid-19 lockdown and ensuing pandemic forced the Theatre to close, the quarry to close and the delay or refunding of weddings and events. In 2021/22, the subsidiaries were able to resume operations in full from Spring/Summer 2022.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22 the funding bodies provided 78% (2020/21: 80%) of the College's total income.

**Treasury Policies and Objectives**

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

Short-term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

**Cash flows and liquidity**

The College paid back its loans with Barclays during the year and has no requirement for an overdraft facility at present. The College's total borrowing and its approach to interest rates will continue to be reviewed in line with cashflow requirements.

**THE SMB GROUP  
MEMBERS' REPORT (continued)**

**FINANCIAL POSITION (continued)**

**Reserves Policy**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the College's core activities. At the balance sheet date the income and expenditure reserve stands at a positive of £19,883k (2020/21 £5,240k). It is the Corporation's intention to generate positive reserves over the life of the strategic plan through the generation of operating surpluses.

**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

**Financial Health**

The College assesses its financial health to be "requires improvement".

**Student numbers**

In 2021/22 the College delivered activity that produced £16,549k in funding body main allocation funding (2020/21 £16,927k). The College had 5,593 funded students (16-19, 19+ and Apprentices).

The SMB Group is made up of three distinct campuses. The vast majority of Apprenticeship provision sits at the Stephenson Campus, with the lion's share of the study programme taking place at the Brooksby Campus, where over 40% of that provision is within the land-based sector.

**Student achievements**

The SMB Group calculates that for Education and training, the student overall achievement rate (for all age groups and all campuses) was 79% which is just below the national average performance for classroom-based learning (All ages/all levels) and for apprenticeship achievement, calculates it as 50%, however excluding some employers who transferred their provision elsewhere, this equates to 60%.

Attendance across the College for all provision, including English and Maths was 85.4%.

**Curriculum developments**

Curriculum development for the SMB Group is driven by a combination of employer demand, learner demand and national and local priorities identified in partnership with the Local Enterprise Partnership and other key stakeholders. The College quality department assures its subcontractor partners rigorously.

The College continues to focus on vocational skill development and employability and is the supplier of choice for many national and international companies for dedicated apprentice training schemes. The College continues to deliver Higher Education including Higher Apprenticeships to ensure a wide range of progression opportunities for learners from Level 3 courses.

The SMB Group have also secured agreement to run a number of T-Levels and are now delivering the proposition in 2022-23.



**THE SMB GROUP  
MEMBERS' REPORT (continued)**

**CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)**

**Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The college is committed to achieving this target however 78% of invoices were paid within this target in 2021/22. The College incurred no interest charges in respect of late payment for this period.

**Future prospects**

The College continues to assess the efficiency and effectiveness in all areas of operation to ensure the College is achieving value for money and benefit for all stakeholders. This will provide sustainability into the future for the College.

The College had exchanged contracts for the sale of the Spinney site for housing development. The completion occurred in September 2021 for the sum of £2.725m. The proceeds of the sale minus planning costs will be utilised to refurbish the Melton Theatre, Brooksby Hall, and to secure the estate and provide fit for purpose teaching and learning resources.

The current strategic approach will deliver a College that is strengthening its specialisms, creating and developing stronger partnerships with employers and the continuance of addressing skills shortages in line with government priorities.

The Office for National Statistics clarified the status of General FE Colleges as being in the public Sector on the 29<sup>th</sup> of November 2022. The Department for Further Education subsequently issued a response, with some initial advice for accounting officers. The Department for Education will be further considering the implications of the change in status, and consulting with the sector and sector representatives on this matter, and further updates will be provided in due course.

**RESOURCES**

The Group has various resources that it can deploy in pursuit of its strategic objectives. Tangible resources include the three main college sites.

**Financial**

The Group has net assets of £30,390k, this includes £6,376k of current assets of which £4,336k is cash balances. The net assets include a defined benefit pension scheme liability of £1,404k.

**People**

The Group employs 479 people, of whom 178 are teaching staff.

**Reputation**

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

**THE SMB GROUP**  
**MEMBERS' REPORT (continued)**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The College continues to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. Based on the strategic plan, the Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. In addition to the annual review, the Senior Management Team will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed every term by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, their potential impact on the College and the actions being taken to reduce and mitigate the risks.

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

**1. Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies and through Office for Students (OfS). In 2021/22 78% of the College's revenue was ultimately publicly funded and this level of requirement is expected to continue in the short term. 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.

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

- Devolution of the adult education budget.
- Savings needed by Government from non-protected areas could include adult education budget cuts
- Further Apprenticeship reforms including changes to funding bands for Standards
- The funding focus for adults is shifting to those in work or supporting programmes that result in employment.
- Changes in funding rules deeming qualification to be payable through advanced learner loans as opposed to being funded.
- Limits on subcontracting activity and implementation of the subcontracting standard.

These risks are mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies
- Developing in conjunction with the College's key stakeholders a strategy for growth in response to the devolution agenda and apprenticeship reforms.

**THE SMB GROUP  
MEMBERS' REPORT (continued)**

**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

**2. Tuition fee policy**

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, The SMB Group sets tuition fees in accordance with the need to be competitive in the local market and attract students from both the UK and Overseas for its HE courses. The price elasticity of adult learning for the College and the impact of increases in degree level fees charged by Universities pose the risk for the College that demand falls off as fees increase.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students
- Close monitoring of the demand for courses as prices change
- Comparing prices with other local providers

**3. Maintain adequate funding of pension liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

The risk is mitigated by an agreed deficit recovery plan with the Leicestershire LGPS.

**4. Failure to maintain the financial viability of the College**

The College's current financial health grade is classified as "Requires Improvement" as described above. This reflects the continuing challenge to the College's financial position through environmental factors such as the ONS announcement, high inflation, potential funding cuts, delayed budgets set by government, rising pension contributions, limited time constrained Teachers Pension Grant funding, increasing competition from local schools, Brexit and a changing HE environment.

This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Being responsive to change
- External environment scanning

**THE SMB GROUP  
MEMBERS' REPORT (continued)**

**STAKEHOLDER RELATIONSHIPS**

In line with other colleges and universities, The SMB Group has many stakeholders. These include:

- Students
- Education sector funding bodies
- FE Commissioner
- Staff
- Local employers
- National employer partners including BAM Construct, Cummins, Vinci, Pullman Fleet, Interserve, Renault Trucks, Western Power, NAMA, Petit Forestier, Aggregate Industries, Ryder, Sanctuary Housing and Volvo.
- Local Authorities
- Government Offices/ Regional Development Agencies/LEPs
- The local community
- Other FE institutions
- Trade unions
- Professional bodies
- East Midlands Airport
- East Midlands Gateway
- Leicester Employment Hub
- Ofsted
- University partners

The College is also a member of the AoC, Skills and Enterprise Group, the Leicestershire Schools Forum and the North West Leicestershire Economic Growth Group. SMB Group is included on the list of approved HE providers which is regulated by the OfS.

Through regular communication such as the College's newsletter, representation on Steering Groups, the local Children and Young Peoples Board and other strategic committees the College recognises the importance of these stakeholder relationships.

**TRADE UNION FACILITY TIME**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the college to publish information on facility time arrangements for trade union officials at the college. The reported figures are as per the required timeframe and relate to between April 2021 and March 2022.

**1.Relevant Trade Union Officials**

<b>Number of employees who were relevant union officials during the relevant period</b>	<b>Full time Equivalent number</b>
2	1.8

**THE SMB GROUP  
MEMBERS' REPORT (continued)**

**TRADE UNION FACILITY TIME (continued)**

**2. Percentage of time spent on Facility time**

Percentage of time spent	No of employees
0%	0
1-50%	2
51-99%	0
100%	0

**3. Percentage of pay bill spent on facility time**

	Figures
Total cost of facility time	£2,091
Total pay bill	£14,900,000
Percentage of the total pay bill spent on facility time	0.01%

**4. Paid trade union activities**

	Figure
Time spent on paid trade union activities as a percentage of the total paid facility hours	91.3%

**THE SMB GROUP  
MEMBERS' REPORT (continued)**

**EQUALITY AND DIVERSITY**

The College is committed to ensuring that we provide an inclusive learning and working environment where everyone can reach their full potential, regardless of their background.

Our Equality and Diversity Policy is published on the College's website. It applies to all members of The SMB Group community and is designed to create an environment where equality, diversity and inclusion is naturally part of our everyday life, covering all aspects of our activity.

We aim to:

- Promote equality and diversity across all of our activities
- Foster and promote good relations between people of a diverse background
- Eliminate unlawful discrimination, harassment and victimisation
- Encourage and widen participation, raise standards and advance aspiration for all

In support of our aims and to ensure that we meet our legal duties, we have agreed a number of Equality Objectives. These are published on the College's website. They are reviewed regularly and are an integral part of our business planning.

The College publishes an Annual Equality and Diversity Report to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The College is recognised by the Department for Work and Pensions as a 'Disability Confident Employer' and has committed to the principles and objectives of the Disability Confident Scheme. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential selection criteria for the post, which is outlined in the person specification for the role they are applying for.

Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. In these circumstances the College considers reasonable adjustments to the working conditions or environment that may be required to enable employees to carry out the duties of their role.

The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has maintained an Equality & Diversity training programme which all staff have completed. Refresher training and training for new starters as part of their induction is carried out on an ongoing basis.

**THE SMB GROUP  
MEMBERS' REPORT (continued)**

**EQUALITY AND DIVERSITY (continued)**

**Disability statement**

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

- a) The College campi are Equality Act 2010 compliant
- b) There is specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available upon request.
- c) As part of the College residential accommodation strategy the College updated its access audit.
- d) The admissions policy for all students is described in the College website. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Handbook, which is issued to students together with the Complaints and Disciplinary Procedure in electronic form at induction.
- h) The websites have recently been audited for accessibility and steps are being taken to ensure all recommendations are implemented.

**DISCLOSURE OF INFORMATION TO AUDITORS**

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

Approved by order of the members of the Corporation on 14 December 2022 and signed on its behalf by:



**Jane Wilson  
Chair**

## **THE SMB GROUP STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL**

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

The College endeavours to conduct its business:

1. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the code”); and
3. having due regard to the UK Corporate Governance Code 2018 insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code and it has complied throughout the year ended 31 July 2022. The Governing Body recognises that, as a body entrusted with public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in May 2015.

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



**THE SMB GROUP  
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

**The Corporation**

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

Name	Date of initial appt	End date of current appt	Date of resignation	Category of Governor	Committees served	Directors of College Subsidiary Cos	% Attendance at Board
Simon Ashworth	01.09.18 Reappointed 1.09.22	31.08.22 31.08.26		External	Audit, Quality & Standards. Remuneration w.e.f. 15.12.21		20% (1/5)
Karis-Jade Beaver	07.07.21	Whilst a student		Student	Quality & Standards		40% (2/5)
Chris Brown (Chair of Corporation until 31.08.22)	03.02.20	02.02.24		External	Finance & Resources, Governance & Search, Remuneration		80% (4/5)
Miles Brown	01.06.19	30.05.23		External	Finance & Resources		40% (2/5)
Victoria Cockram	30.03.22	29.03.26		Staff, Melton	Quality & Standards		0% (0/3)
Andy Graham	15.12.21	14.12.25		Staff, Brooksby	Finance & Resources		33% (1/3)
Andrew Hartley	21.06.22	20.06.26		External	Finance & Resources		100% (2/2)
Matthew Humphrey	01.01.19	31.12.22		External	Audit		100% (5/5)
Robert Kelly	03.02.20	02.02.24	31.07.2022	External			40% (2/5)
Nick Lakin	15.12.21	14.12.25		Staff, Stephenson	Quality & Standards		25% (2/4)
Robert Miles	24.02.21	23.02.25		External	Audit		100% (5/5)
Nicholas Sanders	24.02.21	23.02.25		External	Quality & Standards		40% (2/5)
Jennifer Shackleton	03.02.20	02.02.24		External	Quality & Standards (Chair), Remuneration		100% (5/5)
Lorraine Smalley	03.02.20	02.02.24	13.10.21 last attended corporation	Staff	Finance & Resources, Governance & Search, Quality & Standards		100% (1/1)
Olivia Swinbourne	27.01.21	Whilst a student		Student	Finance & Resources		60% (3/5)
Dawn Whitmore	Ex officio			Principal	Finance & Resources, Governance & Search, Quality & Standards	BEL, BNR, MLS	100% (5/5)
Jane Wilson (Chair of Corporation w.e.f.1.09.22)	01.06.17	16.06.25		External	Audit (Chair until 31.08.22), Governance & Search (Chair), Remuneration		100% (5/5)

Key: BEL is Brooksby Enterprises Limited, BNR is Brooksby Natural Resources Limited, MLS is Melton Leisure Services Limited

Elise Scotford was appointed as clerk 1 September 2020 and left June 2022. Maria Semak was subsequently appointed as interim clerk.

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

**THE SMB GROUP**  
**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets approximately every eight weeks, September to July.

The Corporation conducts its business through a number of Committees. Each Committee has terms of reference, which have been approved by the Corporation. These Committees are Audit, Finance and General Purpose, Quality and Standards, Remuneration, Development and Search and Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website [www.smbgroup.ac.uk](http://www.smbgroup.ac.uk) or from

The SMB Group  
C/O Stephenson Campus  
Thornborough Road  
Coalville  
Leicestershire  
LE67 3TN

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

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

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. There is also a programme of briefing and training events for governors to update knowledge of governance issues, and understanding of national policy developments and initiatives.

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

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate, and which have been defined by the Board in separate role descriptions. The Corporation and Committee meets regularly and no issues arose relating to Procurement Policy Notices that were issued during this time, as reported in the Annual Regularity Statement.

### **Appointments to the Corporation**

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

Members of the Corporation are appointed for a term of office not exceeding 4 years. On the 8<sup>th</sup> October 2018 the Corporation agreed a phased approach to a new policy of limiting members to 2 periods of 4 years' service.

**THE SMB GROUP**  
**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

**Corporation performance**

Board self-assessment questionnaires were completed in September 2022. Training and development has ensued and will continue throughout the year. In addition, the new Chair has held one to one meetings with individual governors and senior staff.

The external review is planned for the summer term 2023, Governance4FE have been selected to undertake the review. This is within the recommended three year review period.

**Remuneration Committee**

The Remuneration Committee comprised a Chair and three other members of the Corporation (excluding the Accounting Officer) during the year ended 31 July 2022. The Committee's responsibilities include the making of recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2022 are set out in note 7 to the financial statements.

**Audit Committee**

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

The Audit Committee meets on at least one occasion each term and provides a forum for reporting by the College's Internal and External Auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's Internal Auditors review the systems of internal control, risk management controls and governance in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed recommendations and Internal Audit receives a progress tracking report at each committee meeting to ensure appropriate action is being taken to address the recommendations in the timeframes agreed with the Audit Committee.

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

Committee Members	Meetings Attended
Mr S Ashworth	100% (4 of 4)
Mr M Humphrey	100% (4 of 4)
Mr R Miles	100% (1 of 1)
Mrs J Wilson	100% (4 of 4)

**THE SMB GROUP**  
**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

**Internal Control**

*Scope of responsibility*

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

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

*The purpose of the system of Internal Control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the SMB Group for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

*Capacity to Handle Risk*

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

*The risk and control framework*

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

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

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

*Review of effectiveness*

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

- The work of the Internal Auditors

**THE SMB GROUP**  
**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

- The work of the executive managers within the College who have responsibility for the development and maintenance of the Internal Control framework
- Comments made by the College's financial statements Auditors, the appointed funding auditors in their management letters and other reports.

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

*Risks faced by the corporation*

The Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Executive Management Team and Audit Committee also receive regular reports from Internal Audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At the December 2022 Audit Committee meeting, the Committee carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Executive Management Team and internal audit and taking account of events since 31 July 2022. This will be recommended for approval by the Corporation on 14<sup>th</sup> December 2022.

*Control weakness identified*

The internal auditors carried out audits in year on IT Data Security and Safeguarding during the year, where two medium-grade and one low-grade weaknesses were identified, no high-grade weaknesses were identified. All weaknesses identified were resolved in year, this included enforcing Multi-Factor Authentication, assessing the risk around data storage and sharing, and making the safeguarding policy available on the college website. The follow up audit relating to the prior year audit on overall financial controls concluded that all points have now been satisfactorily resolved.

There were two significant control points raised from the prior years audit around timely management accounts and the completing of balance sheet reconciliations. Both of these points were addressed in the latter half of 2021-22.

*Responsibilities under funding agreements*

The SMB Group has administered funds for specific purposes so they have been properly applied to those and managed in accordance with relevant legislation. Funds provided by the Education and Skills Funding Agency (ESFA), Department for Education (DfE) and Office for Students (OfS) have been applied in accordance with relevant terms and conditions and the requirements of the College accounts direction 2021 to 2022.

*Statement from the audit committee*

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

**THE SMB GROUP  
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

**Going Concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

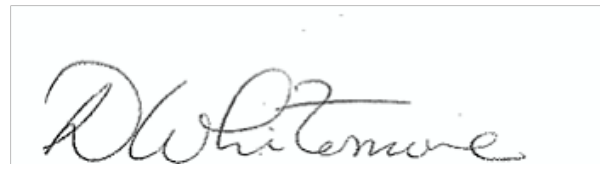
The Corporation assesses its financial health to be "requires improvement". The College's forecasts and financial projections to July 2024 indicate that it will be able to operate within its cash reserves for the foreseeable future. The College's projections include prudent assumptions around the recovery of commercial areas following the pandemic. The high level of inflation will continue to reduce margins depending upon how long it continues.

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

Approved by order of the members of the Corporation on 14 December 2022 and signed on its behalf by:



**Jane Wilson  
Chair**



**Dawn Whitemore  
Accounting Officer**


**THE SMB GROUP  
STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION**

**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.



**Dawn Whitemore  
Accounting Officer  
14th 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.



**Jane Wilson  
Chair  
14th December 2022**

**THE SMB GROUP**  
**STATEMENT OF THE RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION**

The members of the Corporation who act as trustees for the charitable activities of the College are required to present audited financial statements for each financial year.

The law applicable to charities in England and the terms and conditions of the College's funding agreement between the Education and Skills Funding Agency (ESFA) and the Corporation of the College requires the Corporation of the College to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction issued by the ESFA, Accounts Direction issued by the Office for Students and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

The Corporation is 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 the Charities Act 2011 and other relevant accounting standards. It is responsible for taking steps in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that funds from the ESFA are used only in accordance with the authorities that govern them as defined by and in accordance with Further & Higher Education Act 1992, subsequent legislation and related regulations and the Funding Agreement with the Education and Skills Funding Agency and any other conditions that may be prescribed from time to time. They are also responsible for ensuring funds from the Office for Students or other sources are properly applied for the purposes for which they have been given and in accordance with relevant legislation or terms and conditions attached to them.

Approved by order of the members of the Corporation on 14 December 2022 and signed on its behalf by:



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**Jane Wilson**  
**Chair**



## **THE SMB GROUP INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE SMB GROUP**

### **Opinion**

We have audited the financial statements of The SMB Group (the "College") and its subsidiaries (the "Group") for the year ended 31 July 2022 which comprise the consolidated and college statements of comprehensive income, the consolidated and college balance sheets, the consolidated and college statements of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the College's affairs as at 31 July 2022 and of the Group's and the College's deficit of 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 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 group and college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the college's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

### **Other information**

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The governors are responsible for the other information contained within the Report and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine

## **THE SMB GROUP INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE SMB GROUP**

whether this gives rise to a material misstatement in the financial statements themselves. 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**

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2021 to 2022 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;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations required for our audit.

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

- the College's grant and fee income, as disclosed in the note 2 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 Corporation of The SMB Group**

As explained more fully in the Statement of the Corporation's Responsibilities set out on page 21, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the Group's and 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 Group or the College or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

**THE SMB GROUP**  
**INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE SMB GROUP**

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.

**The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the group and College operate in and how the group and college are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Further and Higher Education SORP, the College Accounts Direction published by the Education and Skills Funding Agency, and Regulatory Advice 9: Accounts Direction published by the Office for Students'. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those which are in relation to the Education Inspection Framework under the Education and Inspections Act 2006, Keeping Children Safe in Education under the Education Act 2002 and the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. We performed audit procedures to inquire of management whether the group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant,

**THE SMB GROUP  
INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF THE SMB GROUP**

unusual transactions and transactions entered into outside the normal course of business, and challenging judgments and estimates.

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

**Use of our report**

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

*RSM UK Audit LLP*

RSM UK AUDIT LLP  
Chartered Accountants  
Rivermead House  
7 Lewis Court  
Grove Park  
Enderby  
Leicestershire  
LE191SD

Date: 19/12/22

**THE SMB GROUP**  
**CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME**

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group £'000	College £'000	Group £'000	College £'000
<b>Income</b>					
Funding body grants	2	18,435	18,435	19,005	19,005
Tuition fees and education contracts	3	2,094	2,094	2,105	2,105
Other grants and contracts	4	899	899	908	908
Other income	5	2,244	2,108	1,611	1,776
Investment income	6	16	15	-	-
<b>Total income</b>		<b>23,688</b>	<b>23,551</b>	<b>23,629</b>	<b>23,794</b>
<b>Expenditure</b>					
Staff costs	7	16,879	16,879	16,611	16,611
Restructuring costs	7	274	274	499	499
Other operating expenses	8	7,607	7,941	6,492	6,424
Depreciation and amortisation	11-14	2,043	2,041	1,769	1,760
Interest and other finance costs	9	502	502	409	409
<b>Total expenditure</b>		<b>27,305</b>	<b>27,637</b>	<b>25,780</b>	<b>25,703</b>
<b>Deficit before other gains and losses</b>		<b>(3,617)</b>	<b>(4,086)</b>	<b>(2,151)</b>	<b>(1,909)</b>
Profit/ (Loss) on disposal of tangible fixed assets		2,395	2,395	1	1
<b>Deficit before tax</b>		<b>(1,222)</b>	<b>(1,690)</b>	<b>(2,150)</b>	<b>(1,908)</b>
Taxation	10	-	-	-	-
<b>Deficit for the year</b>		<b>(1,222)</b>	<b>(1,690)</b>	<b>(2,150)</b>	<b>(1,908)</b>
Remeasurement of net defined benefit pension liability	23	26,849	26,849	50	50
<b>Other comprehensive income for the year</b>		<b>26,849</b>	<b>26,849</b>	<b>50</b>	<b>50</b>
<b>Total comprehensive income for the year</b>		<b>25,627</b>	<b>25,159</b>	<b>(2,100)</b>	<b>(1,858)</b>
<b>Represented by:</b>					
Restricted comprehensive income		776	776		
Unrestricted comprehensive income		24,851	24,383	(2,100)	(1,858)
		<b>25,627</b>	<b>25,159</b>	<b>(2,100)</b>	<b>(1,858)</b>

**THE SMB GROUP**  
**CONSOLIDATED AND COLLEGE STATEMENTS OF CHANGES IN RESERVES**

	Income and Expenditure account £'000	Revaluation Reserve £'000	Restricted Reserves £'000	Total £'000
<b>College</b>				
<b>Balance at 1 August 2020</b>	(2,638)	10,141	-	7,503
(Deficit)/ Surplus for the year	(1,908)	-	-	(1,908)
Other comprehensive income	50	-	-	50
Transfers between revaluation and income and expenditure reserves	165	(163)	-	2
<b>Total comprehensive income for the year</b>	<b>(1,693)</b>	<b>(163)</b>	<b>-</b>	<b>(1,856)</b>
<b>Balance at 31 July 2021</b>	<b>(4,331)</b>	<b>9,978</b>	<b>-</b>	<b>5,647</b>
(Deficit)/ Surplus for the year	(2,465)	-	776	(1,690)
Other comprehensive income	26,849	-	5	26,854
Transfers between revaluation and income and expenditure reserves	272	(262)	10	20
<b>Total comprehensive income for the year</b>	<b>24,656</b>	<b>(262)</b>	<b>791</b>	<b>25,185</b>
<b>Balance at 31 July 2022</b>	<b>20,324</b>	<b>9,716</b>	<b>791</b>	<b>30,832</b>
<b>Group</b>				
<b>Balance at 1 August 2020</b>	(3,296)	10,141	-	6,845
(Deficit)/ Surplus for the year	(2,150)	-	-	(2,150)
Other comprehensive income	50	-	-	50
Transfers between revaluation and income and expenditure reserves	156	(163)	-	(7)
<b>Total comprehensive income for the year</b>	<b>(1,944)</b>	<b>(163)</b>	<b>-</b>	<b>(2,107)</b>
<b>Balance at 31 July 2021</b>	<b>(5,240)</b>	<b>9,978</b>	<b>-</b>	<b>4,738</b>
(Deficit)/ Surplus for the year	(1,998)	-	776	(1,222)
Other comprehensive income	26,849	-	5	26,854
Transfers between revaluation and income and expenditure reserves	272	(262)	10	20
<b>Total comprehensive income for the year</b>	<b>25,123</b>	<b>(262)</b>	<b>791</b>	<b>25,652</b>
<b>Balance at 31 July 2022</b>	<b>19,883</b>	<b>9,716</b>	<b>791</b>	<b>30,390</b>

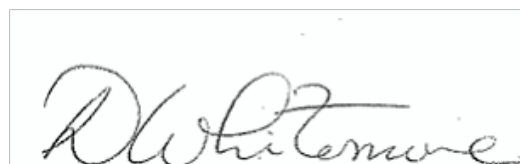
**THE SMB GROUP**  
**CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2022**

	<b>Notes</b>	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Intangible assets	12	44	-
Tangible assets	13	54,418	53,894
Investments	15	1	2
		<u>54,464</u>	<u>53,896</u>
<b>Current assets</b>			
Stocks	16	211	98
Debtors	17	1,828	1,588
Cash at bank and in hand	22	4,336	7,210
		<u>6,376</u>	<u>8,896</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	18	<u>(6,024)</u>	<u>(7,036)</u>
<b>Net current assets</b>		<u>352</u>	<u>1,860</u>
<b>Total assets less current liabilities</b>		54,816	55,756
Creditors: amounts falling due after more than one year	19	(22,887)	(24,859)
<b>Provisions for liabilities</b>			
Defined benefit pension schemes	21	(1,404)	(25,988)
Other provisions	21	(135)	(171)
<b>Total net assets</b>		<u>30,390</u>	<u>4,738</u>
<b>Reserves</b>			
<b>Restricted reserves</b>			
Section 106		776	-
Endowment Fund		15	-
<b>Total restricted reserves</b>		<u>791</u>	<u>-</u>
<b>Unrestricted reserves</b>			
Income and expenditure account		19,883	(5,240)
Revaluation reserve		9,716	9,978
<b>Total unrestricted reserves</b>		<u>29,599</u>	<u>4,738</u>
<b>Total reserves</b>		<u>30,390</u>	<u>4,738</u>

The financial statements on pages 26 to 53 were approved and authorised for issue by the Corporation on 14 December 2022 and were signed on its behalf on by:



Jane Wilson  
**Chair**



Dawn Whitmore  
**Accounting Officer**

**THE SMB GROUP**  
**COLLEGE BALANCE SHEET AS AT 31 JULY 2022**

	Notes	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Intangible assets	12	44	-
Tangible assets	14	53,966	53,440
Investments	15	1	2
		<u>54,012</u>	<u>53,442</u>
<b>Current assets</b>			
Stock	16	204	90
Debtors	17	2,761	3,434
Cash at bank and in hand		4,141	6,565
		<u>7,106</u>	<u>10,089</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	18	<u>(5,862)</u>	<u>(6,866)</u>
<b>Net current assets</b>		<u>1,245</u>	<u>3,223</u>
<b>Total assets less current liabilities</b>		55,257	56,665
Creditors: amounts falling due after more than one year	19	(22,887)	(24,859)
<b>Provisions for liabilities</b>			
Defined benefit pension schemes	21	(1,404)	(25,988)
Other provisions	21	(135)	(171)
<b>Total net assets</b>		<u>30,831</u>	<u>5,647</u>
<b>Reserves</b>			
<b>Restricted reserves</b>			
Section 106		776	-
Endowment Fund		15	-
<b>Total restricted reserves</b>		<u>791</u>	<u>-</u>
<b>Unrestricted reserves</b>			
Income and expenditure account		20,324	(4,331)
Revaluation reserve		9,716	9,978
<b>Total unrestricted reserves</b>		<u>30,040</u>	<u>5,647</u>
<b>Total reserves</b>		<u>30,831</u>	<u>5,647</u>

The financial statements on pages 26 to 53 were approved and authorised for issue by the Corporation on 14 December 2022 and were signed on its behalf by:



Jane Wilson  
**Chair**



Dawn Whitmore  
**Accounting Officer**



**THE SMB GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 JULY 2022**

	2022 £'000	2021 £'000
<b>Cashflow from operating activities</b>		
Deficit for the year	(1,222)	(2,150)
<b>Adjustment for non cash items</b>		
Depreciation and amortisation	2,043	1,769
(Profit)/ loss on sale of fixed assets	(2,395)	(1)
(Increase) / decrease in stock	(113)	4
(Increase) / decrease in debtors	(240)	743
(Decrease)/ increase in creditors	(1,857)	1,963
Increase/(decrease) in provisions	(36)	2
Pension costs less contributions payable	2,265	1,757
Investment income	(16)	-
Interest payable	72	57
<b>Cash generated from operating activities</b>	<u>(1,499)</u>	<u>4,144</u>
Taxation paid	-	-
<b>Net cash flow from operating activities</b>	<u>(1,499)</u>	<u>4,144</u>
<b>Investing activities</b>		
Proceeds from sale of fixed assets	2,725	1
Investment income	16	-
Payments made to acquire fixed assets	(2,917)	(1,323)
Capital grants received	1,182	538
	<u>1,006</u>	<u>(784)</u>
<b>Financing activities</b>		
Interest paid	(72)	(57)
Proceeds of new borrowings	-	-
Repayments of borrowings	(2,310)	(239)
Repayment of obligations under finance leases	-	(6)
	<u>(2,381)</u>	<u>(302)</u>
<b>(Decrease)/ Increase in cash and cash equivalents in the year</b>	<u>(2,876)</u>	<u>3,058</u>
Cash and cash equivalents at beginning of the year	<u>7,210</u>	<u>4,152</u>
Cash and cash equivalents at end of the year	<u>4,334</u>	<u>7,210</u>

**THE SMB GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

**1 Accounting Policies**

**General Information**

The SMB Group is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. A merger between Brooksby Melton College and Stephenson College took place on 1 February 2020. The secretary of state for Education approved the name change of Brooksby Melton College to The SMB Group from 1 February 2020. The address of the College's principal place of business is given on page 14. The nature of the College's operations are set out in the Members' report.

**Statement of Accounting Policies**

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

**Basis of Accounting**

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

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

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain fixed assets.

**Reduced Disclosures**

In accordance with the FE HE SORP and FRS102, the College in its separate financial statements, which are presented alongside the consolidated financial statements, has taken advantage of the disclosure exemptions available to it in respect of presentation of a cash flow statement.

**Basis of Consolidation**

The consolidated financial statements include the College and its subsidiaries, Brooksby Enterprises Limited, Melton Leisure Services Limited and Brooksby Natural Resources Limited, controlled by the Group.

**THE SMB GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

**1 Accounting Policies (continued)**

**Basis of Consolidation (continued)**

Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances and unrealised gains on transactions between the group entities are eliminated on consolidation. The activities of the College and the Student Union are managed on a unified basis. The activities of the Student Union have been consolidated in these financial statements. The College exercises control over the Student Union. All financial statements are made up to 31 July.

**Going Concern**

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members' report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying notes.

The College paid back all outstanding loans of £2.3m during the year. The Corporation assesses its financial health to be "Requires Improvement". The College's projections include prudent assumptions around the recovery of commercial areas following on from the pandemic. Cash balances include £2.725m in respect of the sale of the Spinney in September 2021.

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

**Recognition of Income**

Government revenue grants are accounted for under the accrual model and are recognised where a reliable estimate of the fair value of the asset received or receivable can be made on a systematic basis over the periods in which the related costs for which the grant compensates are recognised. The recurrent grant from OfS represents the funding allocation attributable to the current financial year and is recognised when received or receivable.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the adult skills budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments and is recognised when receivable. Levy-funded and ESFA funding for co-investment model apprenticeships is measured in line with best estimates of the provision delivered in the year.

Government capital grants for assets, other than land, are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method. The deferred income is allocated between creditors due within one year and those due after more than one year. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

**THE SMB GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

**1 Accounting Policies (continued)**

**Other income**

Income from the supply of services is recognised at the fair value of the consideration received or receivable and represents the value of services to the extent there is a right to consideration.

Income from tuition fees is recognised in the period for which it is earned and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

**Retirement Benefits**

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of valuations using a projected unit method. The TPS is a multi-employer scheme but sufficient information is not available to use defined benefit accounting and therefore it is accounted for as a defined contribution scheme, with the amount charged to the statement of comprehensive income being the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme, and the assets of the scheme are held separately. Pension schemes are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability/asset is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

**Short Term Employment Benefits**

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. The cost of any unused holiday entitlement the College expects to pay in future periods is recognised in the period the employees' services are rendered.

**Enhanced Pensions**

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

**THE SMB GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

**1 Accounting Policies (continued)**

**Fixed Assets – Tangible fixed assets**

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

**Land and Buildings**

Land and buildings inherited from the local education authority are stated in the balance sheet at deemed cost (being the valuation amount at the point of inheritance less depreciation). The main educational campuses were valued on the basis of depreciated replacement cost as the open market value for existing use was not readily available; all other properties on the estate were valued at open market values for existing use. The associated credit is included in the revaluation reserve. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of 40 or 50 years. Long leasehold buildings are depreciated on a straight line basis over the shorter of 25 years or the lease term.

Certain items of fixed assets were revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP and are measured on the basis of deemed cost, being the revalued amount at the date of revaluation.

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 income and expenditure account 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 the fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the income and expenditure account.

On adoption of FRS 15 (tangible fixed assets), the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

**Subsequent expenditure on existing fixed assets**

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

- 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

**Equipment**

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life on a straight line basis as follows:

Plant and machinery	20% per year
Fixtures, fittings and equipment	6% - 33%% per year
Motor vehicles	20% per year

**THE SMB GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

**1 Accounting Policies (continued)**

**Fixed assets - Intangible assets**

Software development costs are depreciated over their useful economic life on a straight-line basis as follows:

Purchased software	20% per year
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**Impairments of fixed assets**

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, an estimate is made of the recoverable amount of the asset. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairment of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in comprehensive income or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

**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 to Comprehensive Income on a straight-line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital grants, the associated assets are designated as grant-funded assets.

**Investments**

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

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses in the separate financial statements of the college.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in comprehensive income.

**Stocks**

Stocks are held at the lower of cost and net realisable value. Farm stocks are valued annually by a firm of independent chartered surveyors. Where necessary, provision is made for obsolete, slow moving and defective stocks.

**THE SMB GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

**1 Accounting Policies (continued)**

**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 a maturity of 3 months or less from the date of acquisition.

**Financial instruments**

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

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

**Taxation**

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

The College is partially exempt in respect of Value Added Tax, so it cannot recover all of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation. The farming activities are regarded separately for VAT purposes and hence all input tax suffered relating to goods and services purchased for farming activities are fully recoverable.

**Provisions and contingent liabilities**

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

**Agency arrangements**

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding body and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 28, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs two members of staff involved in the administration of Discretionary Support Fund applications and payments.

**THE SMB GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

**1 Accounting Policies (continued)**

**Judgements in applying accounting policies and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- Determine whether leases entered into by the College either as a lessor or 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.
- Determining whether the use of merger accounting is appropriate. Merger accounting assumes that:
  - no party to the combination was portrayed as either acquirer or acquiree, either by its own board or management or by that of another party to the consideration;
  - there was no significant change to the beneficiaries of the underlying entities or the purpose of the benefits provided as a result of the combination; and
  - all parties to the combination, as represented by the members of the board, participated in establishing the management structure of the combined entity and in selecting the management personnel, and as such decisions were made on the basis of a consensus between the parties to the combination rather than purely by exercise of voting rights.

In preparing these financial statements, the following critical accounting estimates and assumptions have been applied:

- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected 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.
- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 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.



**THE SMB GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2022**

**2 FUNDING BODY GRANTS**

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
	Group	College	Group	College
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	1,400	1,400	2,168	2,168
Education and Skills Funding Agency - 16-18	10,554	10,554	9,903	9,903
Education and Skills Funding Agency - Apprenticeships	4,595	4,595	4,856	4,856
Office for Students	166	166	241	241
<b>Specific grants</b>				
Releases of government capital grants	853	853	655	655
Office for Students grant	79	79	36	36
ESFA Revenue grants	789	789	1,146	1,146
<b>Total Grant Income</b>	<b>18,435</b>	<b>18,435</b>	<b>19,005</b>	<b>19,005</b>
Grant Income from the Office for Students	245	245	277	277
Grant Income from other bodies	18,190	18,190	18,728	18,728
<b>Total Grants</b>	<b>18,435</b>	<b>18,435</b>	<b>19,005</b>	<b>19,005</b>

**3 TUITION FEES AND EDUCATION CONTRACTS**

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Tuition fees	2,051	2,051	2,041	2,041
Education contracts	43	43	64	64
<b>Fee income for taught awards</b>	<b>1,109</b>	<b>1,109</b>	<b>1,013</b>	<b>1,013</b>
<b>Fee income from non-qualifying courses</b>	<b>984</b>	<b>984</b>	<b>1,092</b>	<b>1,092</b>
<b>Total Fee Income</b>	<b>2,094</b>	<b>2,094</b>	<b>2,105</b>	<b>2,105</b>

**4 OTHER GRANTS AND CONTRACTS**

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Other grants and contracts	899	899	908	908
	<b>899</b>	<b>899</b>	<b>908</b>	<b>908</b>

**5 OTHER INCOME**

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Catering & residences	1,047	1,052	568	568
Farming activities	255	255	188	188
Other income generating activities	534	413	580	757
Miscellaneous income	408	388	275	263
	<b>2,244</b>	<b>2,108</b>	<b>1,611</b>	<b>1,776</b>

**THE SMB GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2022**

**6 INVESTMENT INCOME**

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Distribution from subsidiary	-	-	-	-
Other interest receivable	16	15	-	-
	<u>16</u>	<u>15</u>	<u>-</u>	<u>-</u>

**7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION - GROUP AND COLLEGE**

The average number of persons (including key management personnel) employed by the Group and College during the year, expressed as average headcount and calculated on a monthly basis, was:

	2022	2021
	Number	Number
Teaching staff	178	192
Non teaching staff	301	325
	<u>479</u>	<u>517</u>

**Staff costs for the above persons:**

	2022	2021
	£'000	£'000
Wages & salaries	11,005	11,358
Social security costs	1,020	986
Other pension costs	4,261	3,824
<b>Payroll sub-total</b>	<u>16,286</u>	<u>16,168</u>
Contracted out staffing services	592	443
	<u>16,879</u>	<u>16,611</u>
Contractual restructuring costs	247	499
Non contractual restructuring costs	27	-
<b>Total staff costs</b>	<u>17,153</u>	<u>17,110</u>

**Key management personnel**

Key management personnel are those defined as the Executive Team and have authority and responsibility for planning, directing and controlling activities of the College. The key management personnel are represented by the Executive Group which was made up of the Principal, Deputy Principal Curriculum, Quality and Student Experience, Chief Financial and Funding Officer, Vice Principal Business Services, Resources & Service Improvement. The Vice Principal of Resources left the college in October 2021, the college employed an interim Vice Principal of Finance included in key management personnel.

**THE SMB GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2022**

**7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION - GROUP AND COLLEGE (Continued)**

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

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

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

	Key management personnel		Other Staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£20,001 to £25,000 p.a.	1	-	n/a	n/a
£30,001 to £35,000 p.a.	1	-	n/a	n/a
£70,001 to £75,000 p.a.	1	-	-	2
£80,001 to £85,000 p.a.	-	5	-	1
£85,001 to £90,000 p.a.	1	-	-	-
£90,001 to £95,000 p.a.	1	-	-	-
£135,001 to £140,000 p.a.	-	1	-	-
£145,001 to £150,000 p.a.	1	-	-	-
	<u>6</u>	<u>6</u>	<u>0</u>	<u>3</u>

	2022 £'000	2021 £'000
Key management personnel compensation, including the Accounting officer, is made up as follows:		
Salaries	374	460
Other emoluments	71	-
Employer's National Insurance	41	57
Benefits in kind	1	1
	<u>487</u>	<u>518</u>
Pension contributions	86	109
Contractual restructuring costs	55	129
Non contractual restructuring costs	30	-
Total emoluments	<u>658</u>	<u>756</u>

There were no amounts due to key management personnel that were waived in the year. Salary sacrifice arrangements for Childcare Vouchers were in place for two of the above key management personnel. The above includes the emoluments of the interim Vice Principal of Resources who was paid via a limited company.

The emoluments above include amounts payable to the Accounting Officer (who is the highest paid key management personnel) of:

	2022 £'000	2021 £'000
Salaries	145	140
Benefits in kind	1	1
	<u>146</u>	<u>141</u>
Pension contributions	36	34
Total	<u>182</u>	<u>175</u>

During 2021-22 the Board agreed to no longer adhere to the AoC's Senior Staff Remuneration Code.

**THE SMB GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2022**

**7 STAFF COSTS AND KEY MANAGEMENT PERSONNEL REMUNERATION - GROUP AND COLLEGE (continued)**

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

The Principal and Chief Executive reports to the Chair of Governing Council, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

The relationship between the accounting officer's emoluments, expressed as a multiple of all other employees based on full-time equivalents, is set out below for both basic salary and total remuneration.

	2022	2021
	No	No
Basic salary as a multiple of median basic salary of staff	5.9	6.9
Total remuneration as a multiple of median total remuneration of staff	6.0	7.0

**Compensation for loss of office paid to former key management personnel**

	2022	2021
	£'000	£'000
Compensation paid to former post holders - non contractual	27	129

All severance payments are approved by the College Remuneration Committee.

**Governors' remuneration**

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of Principal and staff members under contracts of employment and not in respect of their roles as governors. The other members of the Corporation did not receive any payments from the college in respect of their roles as governors.

During the year 1 (2021: 0) governors with total expenses of £76.50 (2021: £Nil) were paid to or on their behalf in respect of travel and subsistence and other out of pocket expenses incurred in the course of their duties.

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<b>8 OTHER OPERATING EXPENSES</b>	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Teaching costs	1,759	1,760	2,040	2,040
Non teaching costs	3,803	4,136	2,490	2,422
Premises costs	2,044	2,044	1,962	1,962
	<b>7,607</b>	<b>7,941</b>	<b>6,492</b>	<b>6,424</b>

**Deficit before taxation is stated after charging:**

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Fees payable to RSM UK Audit LLP in respect of both audit and non audit fees :				
- Audit of statutory accounts	57	46	52	36
- Other non statutory audit services	5	5	5	5
Internal Audit	8	2	3	3
Hire of assets under operating leases	183	183	135	135

The Financial statements auditors' remuneration includes £11,888 (2021: £12,150) in respect of audit fees for subsidiary undertakings.

**8a ACCESS AND PARTICIPATION EXPENDITURE**

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Access investment	53	53	52	52
Financial support provided to students	11	11	11	11
Support for disabled students	-	-	-	-
Research and evaluation related to access and participation	14	14	14	14
	<b>79</b>	<b>79</b>	<b>77</b>	<b>77</b>

The College's access and participation plan is available on the College's website at <https://www.smbcollegegroup.ac.uk>

**9 INTEREST PAYABLE AND OTHER FINANCE COSTS**

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
	Group	College	Group	College
Interest on bank loans and overdrafts	72	72	56	56
Interest on finance leases	-	-	1	1
Interest on Enhanced Pension Provision	3	3	2	2
Net interest on defined pension liability (note 21 and 23)	427	427	350	350
	<b>502</b>	<b>502</b>	<b>409</b>	<b>409</b>

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**10 TAXATION - GROUP ONLY**

The college was not liable for any corporation tax arising out of its activities during this year or the prior year.

	2022	2021
	£'000	£'000
Current tax in relation to the subsidiaries		
United Kingdom corporation tax	-	-
	<hr/>	<hr/>

The standard rate of tax applied to reported profit is 19% (2021: 19%).

**11 INTANGIBLE FIXED ASSETS (GROUP)**

	Purchased software £'000
<b>Cost</b>	
At 1 August 2021	234
Additions	53
Disposals	(234)
<b>At 31 July 2022</b>	<hr/> <b>53</b>
<b>Amortisation</b>	
At 1 August 2021	234
Charge for the year	9
Disposals	(234)
<b>At 31 July 2022</b>	<hr/> <b>9</b>
<b>Net book value</b>	
<b>At 31 July 2022</b>	<hr/> <b>44</b>
Net Book Value	
At 31 July 2021	<hr/> -

**12 INTANGIBLE FIXED ASSETS (COLLEGE)**

	Purchased software £'000
<b>Cost</b>	
At 1 August 2021	254
Additions	53
Disposals	(254)
<b>At 31 July 2022</b>	<hr/> <b>53</b>
<b>Amortisation</b>	
At 1 August 2021	254
Charge for the year	9
Disposals	(254)
<b>At 31 July 2022</b>	<hr/> <b>9</b>
<b>Net book value</b>	
<b>At 31 July 2022</b>	<hr/> <b>44</b>
Net Book Value	
At 31 July 2021	<hr/> -

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**13 TANGIBLE FIXED ASSETS (GROUP)**

	Land and buildings		Plant & Machinery £'000	Fixtures, Fittings & Equipment £'000	Motor Vehicles £'000	Total £'000
	Freehold £'000	Long Leasehold £'000				
	<b>Cost or valuation</b>					
At 1 August 2021	69,077	427	940	8,084	41	78,569
Additions	2,571	-	119	148	27	2,864
Disposals	(373)	-	-	(25)	-	(399)
<b>At 31 July 2022</b>	<b>71,275</b>	<b>427</b>	<b>1,059</b>	<b>8,206</b>	<b>68</b>	<b>81,035</b>
<b>Depreciation</b>						
At 1 August 2021	17,728	254	884	5,768	41	24,675
Charge for the year	1,318	28	33	649	7	2,034
Disposals	(48)	-	(3)	(42)	-	(93)
<b>At 31 July 2022</b>	<b>18,998</b>	<b>282</b>	<b>913</b>	<b>6,375</b>	<b>48</b>	<b>26,616</b>
<b>Net book value</b>						
<b>At 31 July 2022</b>	<b>52,276</b>	<b>145</b>	<b>146</b>	<b>1,832</b>	<b>20</b>	<b>54,418</b>
Net Book Value At 31 July 2021	51,349	173	56	2,316	-	53,894

**14 TANGIBLE FIXED ASSETS - (COLLEGE ONLY)**

	Land and buildings		Plant & Machinery £'000	Fixtures, Fittings & Equipment £'000	Motor Vehicles £'000	Total £'000
	Freehold £'000	Long Leasehold £'000				
	<b>Cost or valuation</b>					
At 1 August 2021	68,505	427	924	7,933	41	77,830
Additions	2,571	-	119	148	27	2,864
Disposals	(373)	-	-	(25)	-	(399)
<b>At 31 July 2022</b>	<b>70,703</b>	<b>427</b>	<b>1,043</b>	<b>8,055</b>	<b>68</b>	<b>80,296</b>
<b>Depreciation</b>						
At 1 August 2021	17,602	254	868	5,625	41	24,390
Charge for the year	1,318	28	33	646	7	2,032
Disposals	(48)	-	(3)	(42)	-	(93)
<b>At 31 July 2022</b>	<b>18,872</b>	<b>282</b>	<b>898</b>	<b>6,229</b>	<b>48</b>	<b>26,329</b>
<b>Net book value</b>						
<b>At 31 July 2022</b>	<b>51,831</b>	<b>145</b>	<b>145</b>	<b>1,826</b>	<b>20</b>	<b>53,966</b>
Net Book Value At 31 July 2021	50,903	173	56	2,308	-	53,440

Agricultural land was revalued as at 1 August 2014 at fair value by Fox Bennet a firm of independent chartered surveyors.

The net book value of equipment includes an amount of £3k (2021: £0k) in respect of assets held under finance leases. The

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depreciation charge on these assets for the year was £3k (2021: £6k). The historical cost amount of revalued land and buildings is nil as they were inherited.



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**15 INVESTMENTS**

	College 2022 £	College 2021 £
George Hern Trust	1,468	1,746
Investment in subsidiary companies at cost	6	6
	<u>1,474</u>	<u>1,752</u>

The College owns 100 per cent of the issued ordinary £1 shares in the following companies, all of which are incorporated and registered in England and Wales:

Name	Principal business activity
Brooksby Enterprises Limited	Commercial catering and conferences.
Brooksby Natural Resources Limited	Income from mineral extraction.
Melton Leisure Services Limited	Theatre and room hire.

The Corporation are the managing trustees of a trust fund, the George Hern Trust.

**16 STOCKS**

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Farm stocks	161	161	83	83
Other stocks	50	43	15	7
	<u>211</u>	<u>204</u>	<u>98</u>	<u>90</u>

**17 DEBTORS**

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
<b>Amounts falling due within one year</b>				
Trade debtors	494	492	380	343
Amounts owed by subsidiary undertakings	-	938	-	1,887
Amounts owed by Stephenson Studio School (related entity)	-	-	61	61
Other taxation and social security	-	5	-	-
Sundry debtors	100	100	75	75
Amounts owed by the ESFA	369	369	394	394
Prepayments and accrued income	865	857	678	674
	<u>1,828</u>	<u>2,761</u>	<u>1,588</u>	<u>3,434</u>

Amounts owed by subsidiary undertakings are non interest bearing and have no fixed repayment date.

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**18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans and overdrafts	-	-	238	238
Payments received in advance	378	333	341	305
Trade creditors	570	565	688	658
Amounts owed to subsidiary undertakings	-	-	-	16
Other taxation and social security	15	-	297	269
Accruals and deferred income	2,661	2,564	3,080	2,988
Deferred income - Government capital grants	790	790	764	764
Amounts owed to the ESFA	1,599	1,599	1,628	1,628
Amounts owed to the OfS	11	11	-	-
	<b>6,024</b>	<b>5,862</b>	<b>7,036</b>	<b>6,866</b>

**19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans	-	-	2,072	2,072
Deferred income - Government capital grants	22,887	22,887	22,787	22,787
	<b>22,887</b>	<b>22,887</b>	<b>24,859</b>	<b>24,859</b>

**20 MATURITY OF DEBT**

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
In one year or less	-	-	238	238
Between one and two years	-	-	168	168
Between two and five years	-	-	1,904	1,904
In five years or more	-	-	-	-
	<b>-</b>	<b>-</b>	<b>2,310</b>	<b>2,310</b>

Both bank loans were paid back during the year and securities held on Melton Campus and Church House were removed.

The college had no finance leases in 2021-22 (in 2020-21 £ Nil).

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**21 PROVISIONS FOR LIABILITIES - GROUP AND COLLEGE**

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2021	25,988	171	26,159
Amounts utilised	(974)	(9)	(983)
Additions in period	(23,610)	(27)	(23,637)
At 31 July 2022	<u>1,404</u>	<u>135</u>	<u>1,539</u>

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

The enhanced pension provision relates to the cost of staff who have already left the College's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2022	2021
Price inflation	2.90%	2.60%
Discount rate	3.30%	1.60%

**22 ANALYSIS OF CHANGES IN NET FUNDS - GROUP**

	At 1 August 2021 £'000	Cash Flows £'000	At 31 July 2022 £'000
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	7,210	(2,874)	4,336
Overdrafts	-	-	-
	<u>7,210</u>	<u>(2,874)</u>	<u>4,336</u>
Bank loans	(2,310)	2,310	-
Finance leases	-	-	-
<b>Net funds</b>	<u>4,900</u>	<u>(564)</u>	<u>4,336</u>

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**23 RETIREMENT BENEFITS - GROUP AND COLLEGE**

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

**Total pension cost for the year**

	2022		2021	
	£'000	£'000	£'000	£'000
Teachers Pension Scheme: contributions paid		1,027		966
Local Government Pension Scheme:				
Contributions paid	1,399		1,453	
FRS 102 charge	1,835		1,405	
		<u>3,234</u>		<u>2,858</u>
Enhanced pension charge to Statement of Comprehensive Income		-		-
<b>Total Pension Cost for Year within staff costs</b>		<u>4,261</u>		<u>3,824</u>

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

Contributions amounting to £1k (2021: £202k) were payable to the schemes at 31 July and are included in creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

**Valuation of the Teachers' pension scheme**

Not less than every four years the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

The latest actuarial valuation was carried out as at 31 March 2016 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending.

The valuation report was published in April 2019. The key results of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI

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**23 RETIREMENT BENEFITS (continued)**

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2021 onwards (compared to 16.48% during 2020/21). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021/22 academic year (also in prior year 2020/21).

The next valuation result is due to be implemented from 1 April 2024.

The pension costs paid to TPS in the year amounted to £1,027k (2021: £966k).

**Local Government Pension Scheme**

The LGPS is a funded defined benefit plan, with the assets held in separate funds administered by Leicestershire Local Authority. The total contributions made for the year ended 31 July 2022 were £1,741k of which employer's contributions totalled £1,399k and employee contributions totalled £342k. The agreed contribution rates for future years are 24.4% for employers and range from 5.5% and 12.5% for employees depending on salary.

**Principal Actuarial Assumptions**

The following is based on a full actuarial valuation of the Fund at 31 March 2019 updated to 31 July 2022 by a qualified independent actuary:

	At 31 July 2022	At 31 July 2021
	% per annum	% per annum
Inflation assumption (CPI)	10.1%	2.8%
Rate of increase in salaries	3.2%	3.3%
Rate of increase for pensions	2.7%	2.8%
Discount rate for liabilities	3.5%	1.6%
Commutation of pensions to lump sums	50%	50%

The average life expectancy for a pensioner retiring at 65 on the reporting date is:

	2022	2021
	Years	Years
Retiring today		
Male	21.5	21.7
Female	24.0	24.2
Retiring in 20 years		
Male	22.4	22.6
Female	25.7	25.9

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

	Fair value at 31 July 2022	Fair value at 31 July 2021
	£'000	£'000
Equities	28,059	25,750
Bonds	14,997	12,875
Property	4,354	3,108
Cash	968	2,663
<b>Total fair value of plan assets</b>	<u>48,377</u>	<u>44,396</u>
<b>Actual return on plan assets</b>	<u>2,498</u>	<u>7,393</u>

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**23 RETIREMENT BENEFITS (continued)**

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

	2022 £'000	2021 £'000
Fair value of plan assets	48,377	44,396
Present value of plan liabilities	(49,781)	(70,384)
Net pensions liability (Note 21)	<u>(1,404)</u>	<u>(25,988)</u>

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

	2022 £'000	2021 £'000
<b>Amounts included in staff costs</b>		
Current service cost (net of employer contributions)	1,775	1,336
Past service cost	60	69
<b>Total</b>	<u>1,835</u>	<u>1,405</u>

	2022 £'000	2021 £'000
<b>Amounts included in interest payable and other finance costs</b>		
Net interest cost	430	350
	<u>430</u>	<u>350</u>

	2022 £'000	2021 £'000
<b>Amount recognised in Other Comprehensive Income</b>		
Return on pension plan assets	2,498	7,393
Changes in demographic assumptions	242	(902)
Changes in assumptions underlying the present value of plan liabilities	24,292	(7,271)
Other experience gains	(183)	830
<b>Amount recognised in Other Comprehensive Income</b>	<u>26,849</u>	<u>50</u>

	2022 £'000	2021 £'000
<b>Movement in net defined deficit in year</b>		
Net defined deficit in scheme at 1 August	(25,988)	(24,283)
Movement in year:		
Current and past service cost	(3,234)	(2,858)
Employer Contributions	1,399	1,453
Net interest on the defined liability	(430)	(350)
Actuarial gain / (loss)	26,849	50
<b>Deficit in scheme at 31 July</b>	<u>(1,404)</u>	<u>(25,988)</u>

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**23 RETIREMENT BENEFITS (continued)**

**Asset and Liability Reconciliation**

	2022	2021
	£'000	£'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	70,384	59,862
Current service cost	3,174	2,789
Past service cost	60	69
Interest cost	1,146	854
Employee contributions	342	358
Changes in financial assumptions	(24,292)	7,271
Changes in demographic assumptions	(242)	902
Estimated benefits paid	(974)	(891)
Other experience gains	183	(830)
<b>Defined benefit obligations at end of period</b>	<u>49,781</u>	<u>70,384</u>
<b>Changes in fair value of plan assets</b>		
	2022	2021
	£'000	£'000
<b>Fair value of plan assets at start of period</b>	44,396	35,579
Interest on plan assets	716	504
Return on plan assets (excluding net interest on the net defined benefit liability)	2,498	7,393
Employer contributions	1,399	1,453
Employee contributions	342	358
Estimated benefits paid	(974)	(891)
<b>Fair value of plan assets at end of period</b>	<u>48,377</u>	<u>44,396</u>

**24 POST BALANCE SHEET EVENTS**

On 29 November 2022, the Office for National Statistics reclassified all college corporations and their subsidiary undertakings as public sector institutions. The Department for Education consequently introduced some changes to the financial framework for all colleges which take effect in 2022-23. Having considered the announcement and initial government response, the known changes are not expected to have a material impact on the College's operations or financial position, nor the basis on which the financial statements are prepared.

**25 CAPITAL COMMITMENTS**

	Group and College	
	2022	2021
	£'000	£'000
Commitments contracted for at 31 July	<u>905</u>	-

**26 COMMITMENTS UNDER OPERATING LEASES**

The total future minimum lease payments under non-cancellable operating leases are as follows: -

	Group and College	
	2022	2021
	£'000	£'000
Payments due:		
Not later than one year	121	80
Later than one year and not later than five years	16	81
	<u>137</u>	<u>161</u>

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**27 RELATED PARTY TRANSACTIONS**

The Members of the Corporation other than the Accounting Officer and staff members did not receive any payment other than the reimbursement of travelling expenses incurred in the performance of their duties.

The Accounting Officer and the staff members only receive remuneration in respect of services they provide undertaking their roles of principal and staff members under contracts of employment and not in respect of their roles as governors. The total expenses paid to or on behalf of the Governors during the year was £76.50 (2021: £nil). This represents travel and subsistence expenses and other out of pocket expenses.

The college purchased no goods from its subsidiary companies in 2021-22 (2020-21: £ Nil). During the year 2021-22 the college provided services to its subsidiary companies totalling £355,919 (2020-21: £705,309). The subsidiary companies owed the college a total of £1,850,820 (2020-21: £ 2,273,337) at the reporting date, of which £913,000 has been provided for in the college

The Stephenson Studio School Trust is a related party by virtue of the Principal, Vice Principal of Quality and Development and Chair of the College being on the Board of Trustees of the Stephenson Studio School Trust. During the year the College charged The Stephenson Studio School Trust £483,673 (2021: £401,327) in respect of school link, accommodation and related charges. At 31 July 2022 there was an amount of £ Nil (2021: £61,000) that was owed by The Stephenson Studio School Trust and is included in debtors.

No Governor has received any remuneration or waived payments from the College during the year (2021: none). Two individuals were employed via limited companies during the year, prior to being appointed by the Corporation as Governors. There is no overlap between these appointments.

Key management compensation disclosure is given in note 7.

**28 AMOUNTS DISBURSED AS AGENT**

<b>Learner Support Funds</b>	2022	2021
	£'000	£'000
Brought Forward	158	166
Funding body grants - bursary support	264	322
Funding body grants - residential bursaries	64	99
	<u>485</u>	<u>587</u>
Repaid to ESFA	(32)	(41)
Disbursed to students	(165)	(310)
Administration charges	(13)	(16)
Amount consolidated in the financial statements	(46)	(62)
	<u>(256)</u>	<u>(429)</u>
<b>Balance unspent at 31 July 2022, included in creditors</b>	<u>229</u>	<u>158</u>

Funding body grants are available solely for students. In the majority of instances, the College acts only as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the payment of transport, equipment and residential costs by the College on the student's behalf.



# **INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF THE SMB GROUP AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH EDUCATION AND SKILLS FUNDING AGENCY**

## **Conclusion**

We have carried out an engagement, in accordance with the terms of our engagement letter and further to the requirements of the grant funding agreements and contracts with the Education and Skills Funding Agency (the "ESFA") or any other public funder, to obtain limited assurance about whether the expenditure disbursed and income received by The SMB Group during the period 1 August 2021 to 31 July 2022 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

## **Basis for conclusion**

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.

We are independent of The SMB Group in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion

## **Responsibilities of the Corporation of The SMB Group for regularity**

The Corporation of The SMB Group is responsible, under the grant funding agreements and contracts with the ESFA and the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. The corporation of The SMB Group is also responsible for preparing the Governing Body's Statement of Regularity, Propriety and Compliance.

## **Reporting accountant's responsibilities for reporting on regularity**

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.

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 the procedures performed vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 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.

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the grant funding agreements and contracts with the ESFA and those of any other public funder and high level financial control areas where we identified a

material irregularity is likely to arise. We undertook detailed testing, on a sample basis, on the identified areas where a material irregularity is likely to arise where such areas are in respect of controls, policies and procedures that apply to classes of transactions.

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

**Use of our report**

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

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