LTE group

Learning | Training | Employment

FINANCIAL STATEMENTS

31 JULY 2023

KEY MANAGEMENT PERSONNEL, BOARD OF GOVERNORS AND PROFESSIONAL ADVISERS

Key management personnel

Key management personnel are defined as members of the Executive Team and were represented by the following in 2022/23:

John Thornhill
CEO/Accounting Officer

Alison Close
Chief Finance Officer

Peter Cox
Managing Director Novus / Group Lead for Bids and Tenders, LTE Group

Rachel Curry
Principal, The Manchester College and UCEN Manchester (from 1 December)

Angela Hunter
MD Group Operations

Lorna Lloyd-Williams
Company Secretary and General Counsel

Melanie Nicholson
Managing Director Total People Limited / Exec Lead MOL

Lisa O'Loughlin
Principal, The Manchester College and UCEN Manchester (until 30 November)

Board of Governors

A full list of Governors is given on page 51 of these financial statements.

During 2022/23, the Board of Governors was supported by a cohort of Co-optees, who were appointed to enhance the Board's knowledge, expertise and range of skills on key projects. A full list of Co-optees is given on page 52 of these financial statements.

Mrs Lorna Lloyd-Williams acted as Clerk to the Board of Governors throughout the year.

Registered office:

Openshaw Campus & Administration Centre, Ashton Old Road, Manchester, M11 2WH

PROFESSIONAL ADVISERS

External auditors:

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Internal auditors:

RSM Risk Assurance Services LLP
9th Floor
3 Hardman Street
Manchester
M3 3HF

Solicitors:

Mills & Reeve LLP
No. 1 Circle Square
3 Symphony Park
Manchester
M1 7FS

Addleshaw Goddard
1 St Peter's Square
Manchester
M2 3DE

DAC Beachcroft
3 Hardman Street
Manchester
M3 3HF

Bankers:

Santander UK PLC
4 St. Paul's Square
Liverpool
L3 9S

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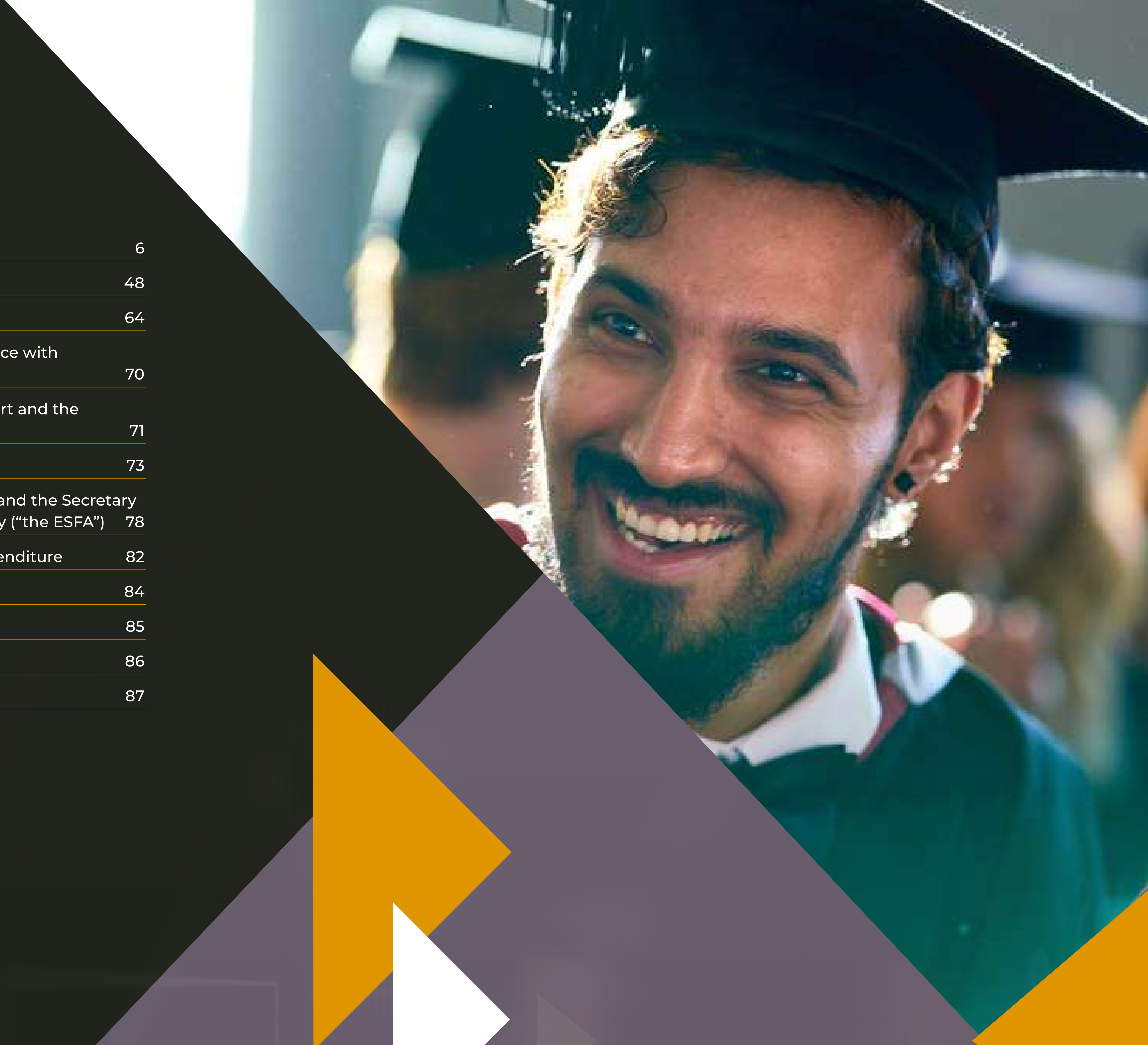


STRATEGIC REPORT

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements For the year ended 31 July 2023.

Legal status

LTE Group is a statutory corporation established under the Further and Higher Education Act 1992 (statutory instrument 2008 No. 1418). LTE Group is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

On the 29 November 2022, the Office for National Statistics (ONS) reclassified colleges into the central government sector. This decision encompasses providers that operate within the statutory further education sector as defined under section 91(3) of the Further and Higher Education Act 1992, and therefore is applicable to LTE Group. Related subsidiaries of LTE Group are also covered by the requirements and processes.

Following the ONS reclassification of the Group to the government sector, the Group continues to be a self-governing charity regulated by the Secretary of State for Education. However, the Group is now subject to the framework for financial management set out in Managing Public Money (MPM).

The operating divisions of the Group are Novus (delivering learning and skills in custodial settings), The Manchester College (Further Education delivery), UCEN Manchester (Higher Education delivery), Total People (Work Based Learning) including MOL (blended distance learning) and LTE Group Operations.

LTE Group includes:

- Total People Holdings Limited ("Total People"), an independent training provider, which was acquired on 31 July 2015, and, following the integration of this business on 1st November 2021, also includes MOL;
- Novus Cambria, a joint venture with Coleg Cambria, which was incorporated on 29 September 2016;
- LTE Professional Services Limited ("LTE Professional Services"), a provider of information and communications technology services and equipment, which was incorporated on 30 July 2019;
- Novus Gower Limited ("Novus Gower"), a joint venture with Gower College, which was incorporated on 6 July 2022; and,
- Novus Transforming Lives Limited ("Novus Transforming Lives"), a provider of prison education, which was incorporated on 24 November 2022.

For the purposes of these financial statements, the results of the parent undertaking – i.e. excluding subsidiaries Total People and Novus Cambria, Novus Gower, Novus Transforming Lives and LTE Professional Services – are referred to as the "Corporation". Reference to "the Group" in this document means LTE Group, while the further education (FE) and higher education (HE) businesses will be referred to as The Manchester College (TMC) and UCEN Manchester where appropriate.

The Key Performance Indicators

A series of key performance indicators have been agreed to monitor the successful implementation of the Group objectives.

The Group is committed to observing the importance of sector measures and indicators. The Group is required to complete the annual Finance Record for the Education and Skills Funding Agency ("ESFA"). The Group is assessed by the ESFA as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome and maintains a 11th year of a good rating with the key funding agency.

Indicators include: Financial health measures/benchmarks; Contract performance; Learner success rates, educational quality indicators and employer/learner feedback.

Financial health score:

RATIO		2021/22	2022/23	2022/23 budget
Adjusted current ratio*		1.19	1.56	1.43
EBITDA as % to income – education specific		8.29%	8.25%	8.04%
Borrowing as % to income		32.73%	29.05%	32.05%
	Score	Good	Good	Good

*The adjusted current ratio (as defined by the ESFA) is calculated by dividing current assets (excluding restricted cash from disposal of fixed assets held for future reinvestment and assets held for resale) by current liabilities (excluding deferred capital grants and holiday pay accruals).

Contract performance

The table below shows, for each of the Group's main funding body grants, the actual contract performance (for the ESFA contracts this is the final ILR – R14) compared to the contract allocation:

FUNDING STREAM	2022/23 Current Actual – (for the ESFA contracts this is the final ILR - R14)	2022/23 Contract Allocation
ESFA programme funding (16- 18 and 19-24 students with an LDA or EHCP) – note 1	£30,592,886	£31,028,904
Adult Education Budget (Incl. ALS, DLSF) – note 2	£19,228,040	£19,221,944
Total People - Non-Levy Apprenticeships – note 3	£5,111,326	£372,001
Total People - Apprenticeships Carry-In – note 3	£26,114	£90,000
Total People - 16-19 Education – note 3	£827,006	£830,055

1. The full contract for ESFA 16-19 grants is £39.8m. This comprises the programme funding as above and also includes high needs, additional targeted grants (Teachers' Pension Scheme, 16-19 Tuition Fund and Capacity Development Fund) and learner support funding.
   16-18 Classroom Learning – There was a 103.4% achievement of the ESFA learner number target and a 101.4% achievement of the programme-funding target.
2. The full contract for Adult recurrent grants is £19.2m. The contract performance includes 'Adult Discretionary Learner Support Funding, Additional Learning Support, Greater Manchester Local Level 3 and Free Courses For Jobs Funding'. The majority is from the Greater Manchester Combined Authority, with a small value from ESFA for learners who are resident outside of a devolved area.

Adult Education Budget (R14) – There was a 100% achievement of the Adult Education Budget (including Discretionary Learner Support) allocation. However, the GMCA contract achieved 102% and the majority of the shortfall is in the non-devolved AEB from the ESFA.

3. The Non-Levy Apprenticeships contract allocation of £372k is for non-levy apprenticeship starts and non-levy apprenticeship carry in only, whilst the actual performance of £5,111k also includes levy apprenticeships. Levy apprenticeships are contracted with individual employers and not through a direct ESFA contract allocation.

In addition to the contracts listed in the table above, LTE Group also operated several contracts in relation to the education of offenders in prisons, the largest of which is the Prison Education Framework (PEF) that has a contract year of April to March. For the period 1st April 2022 to 31st March 2023 the funding for the contract continued to operate under the emergency COVID-19 regulations on a cost-recovery basis, subject to MoJ validation and reconciliation as the custodial environment transitioned to a business-as -usual state. Following the successful re-negotiation of up to a 2-year extension to the PEF contract, for the period 1st April 2023 to 31st March 2025, the contract is now operating under a refreshed payment mechanism which was agreed as part of the contract negotiations, based on delivery and performance. All KPIs to trigger year 2 of the extension were exceeded this securing the contract to the 31st March 2025.

Success Rates Table

DIVISION / SUBSIDIARY	AGE	LEVEL	EDUCATION AND TRAINING - OVERALL ACHIEVEMENT (SUCCESS) RATE		
			2020/21	2021/22	2022/23
The Manchester College – note 1	16-18	All Levels	91.8%	91.1%	87.9%
The Manchester College – note 1	19+	All Levels	91.9%	92.3%	90.9%
The Manchester College – note 1	All Ages	All Levels	91.9%	91.7%	89.5%
UCEN – note 1	All	All	85.5%	89.6%	87.3%
Novus (Youth) – note 2	14-18	Prison Education	86.0%	88.0%	93%
Novus (PEF) – note 2	18+	Prison Education	84.7%	96.0%	96%
MOL - CIPD	All	All	91%	91%	92%
MOL - CMI	All	All	100%	100%	100%
Total People – EPA pass rates	All	All	96%	95%	97%

1. For the TMC and UCEN Manchester data, there are currently a small number of outstanding results due to summer retakes of external examinations. The confirmation of additional results would have a minimal impact on the overall achievement figures, though this could push the achievement rates upwards from the data shown here. The data reported for both business units is comparable with previous years.
2. In 2020/21 & 2021/22, education in prisons was impacted by restricted, and then recovering, regimes due to Covid, which skewed the normal achievement rates. During 2022/23, there was an increase in consistency as prison regimes recovered from Covid. As a result, the 2022/23 achievement rate has normalised to a business-as-usual position resulting in continued good outcomes for learners being achieved. However, there continue to be regime disruptions at several locations due to HMPPS staff shortages.

The above table includes all classroom-based provision.

Public Benefit

LTE 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 Board of Governors, who are trustees of the charity, are disclosed on page 51.

On the 29 November 2022, the Office for National Statistics (ONS) reclassified colleges into the central government sector. This decision encompasses providers that operate within the statutory further education sector as defined under section 91(3) of the Further and Higher Education Act 1992, and therefore is applicable to LTE Group. Related subsidiaries of LTE Group are also covered by the requirements and processes.

Following the ONS reclassification of the Group to the government sector, the Group continues to be a self-governing charity regulated by the Secretary of State for Education. However, the Group is now subject to the framework for financial management set out in Managing Public Money (MPM).

In setting and reviewing the Group's strategic objectives, the Board of Governors 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 Group provides the following identifiable public benefits through the advancement of education:

- Delivering strategic impact and outcomes for Government, communities, and employers, widening participation, and tackling social exclusion,
- Delivering good / outstanding student outcomes, teaching and learning, student experience and destinations,
- Working with stakeholders, implementation of the Greater Manchester Local Skills Improvement Plan, to ensure we contribute to the skills and community needs of Manchester, ensuring our provision is relevant and supports learners to gain the skills needed to secure good jobs and progress,
- Strong student support systems,
- Links with employers, industry and commerce with excellent employment record for students,
- Links with Local Enterprise Partnerships (LEPs), especially in Lancashire, Cheshire and Merseyside,
- Reducing re-offending and increasing rehabilitation of offenders,
- Strong ongoing Gross Value Add (GVA) impact and support for inclusive growth,
- Significant investment in educational facilities for mandatory public education in Manchester.

STAKEHOLDER RELATIONSHIPS

In line with other large education and skills groups, LTE Group has many stakeholders. These include:

- Students, apprentices, and working professionals,
- Customers – including government departments (e.g. MoJ), national employers, SMEs, and fee paying individuals,
- Education sector funding bodies and standards agencies e.g. DfE, Ofsted, Office for Students (OfS), Quality Assurance Agency (QAA), Institute for Apprenticeships and Technical Education (IFATE),
- Colleagues and trade unions,
- Local authorities, devolved government, metro mayors and elected members of parliament,
- Local Enterprise Partnerships (LEPs) and Chambers of Commerce,
- The local communities and community groups,
- Collaborative partnerships; FE working groups; national bodies e.g. Association of Colleges (AoC), Collab Group, Association of Employers and Learning Providers (AELP),
- External funding partners,
- Strategic partnerships including joint venture arrangements.

LTE Group recognises the importance of these relationships and engages in regular communication with them through the Group's digital channels, meetings and regular collaboration on projects and initiatives. The Group, as part of a commitment to wider good governance, regularly submits itself and its operations to external scrutiny and review by elected members.

Strategic plan

Mission

The Strategic Vision for the Group:

"To improve lives and economic success through learning and skills"

INTEGRITY

honest, open and trustworthy

ONE TEAM

we collaborate, respect each other and contribute to team goals

'CAN DO'

positive, inclusive, flexible and proactive

ALWAYS IMPROVING

forward thinking, innovating and taking ownership

SUSTAINABLE

we take a long term view, environmentally, financially and socially

Previously, in light of the Covid pandemic, the LTE Group Board amended its strategic vision to 2025, to approve a Resilience Plan for 2020/21 and a Transition Year Plan for 2021/22. Like many organisations in 2022/23 we have continued to deal with the legacy impacts of Covid, while looking to set and agree a forward plan against a wide range of significant and changing external factors.

In essence, 2022/23 has been a further transition year, with a great deal delivered to set us up for success for the next 5-year plan period. Key achievements include: -

- Strong & growing learner and apprentice outcomes and quality improvements across all operating divisions,
- Achievement rates and outcomes for students are high and in the top percentiles nationally and good progress in Prison education and apprenticeships was noted by Ofsted during the year,
- Delivery of a largely self-funded £139m campus investment (completed on time and to budget) that is now paying dividends, and provides strong foundations to support the City region going forward into the strategic plan, albeit it has already reached capacity,
- The delivery of the planned outturn for 2022/23,
- Positive outcomes from DfE funding applications,
- The refinancing of existing revolving credit facilities to DfE backed loans,
- New contracts and successful retenders in Novus, including Novus Gower, Novus Transforming Lives, and Novus Cambria
- A reshaped apprenticeship offer and a strategic options appraisal for our apprenticeship business, given downward apprenticeship market trends, and
- Enabling works for Phase 2 of the Estates strategy completed and the application for degree awarding powers, are underway.

From Autumn 2021, The Executive and Group Board revisited the strategic plan, with the Group building a new plan from 2022 to 2027. The formulation of the 2022-2027 Strategic Plan, has however been an iterative process. In July 2022, the LTE Executive Team presented the first iteration of the Strategic Plan for the 2022-2027 period to the Group Board with the final plan due to have been presented to the Group Board for approval in December 2022. It was important that the final 5-year Plan was not 'locked' until this date to permit time to understand how important factors, with likely influence on underpinning planning assumptions, would be impacted by the election of a new prime minister (in September 2022), the formation of a new cabinet with a potential shift in priority spending areas and / or new ministers in each of LTE's core sectors, who may have introduced different agendas or priorities for reform. In addition, the macro-economic environment remained a cause for concern, with an escalating economic crisis and high and persistent inflation.

The short-term outlook for all organisations in the Sector, including LTE Group, was and is challenging, given the macroeconomic context and the geo-political environment. On 29 November 2022, the Office for National Statistics (ONS) reclassified colleges into the central government sector. The Group is now subject to the framework for financial management set out in Managing Public Money (MPM). Reclassification to the government sector resulted in new requirements for colleges relating to financial management oversight, principally associated with approvals from DfE.

At a summary level, as the Group was setting out its new strategic plan, it was faced with both a substantial change in its operating environment, from new funding arrangements, to new intervention powers, and new stakeholders, and a fundamental shift in its operating context from new approvals, new processes, governance, guidance, and compliance frameworks.

This shift necessitated a review and possible revision of the underpinning assumptions in the Plan. Significant parts of the planned strategy had to be tested, re-tested and settled before we could formally set the plan and make forward commitments. These areas included the impact on borrowing, funding for a Phase 2 Estates strategy, the legal status and operating parameters for subsidiary organisations, leadership retention and renumeration, future pension funding and new fair deal, post ONS optimal structures, managing and improving the quality of the learner experience, place and geographical expansion, regularity and propriety, and increasing cost pressures that were out stripping our ability to grow income that needed to be solved for.

The strategy for 2024-2028 approved by the Group Board has established a set of new key strategic themes informed by both regional and national policy i.e. FE White Paper and Prison Education reform with all our organisation predicting a significant level of change in the near term 1-2 years and 3 years +, not least as reform will disrupt the sectors we operate within. Unpredictability continues to be the key theme in assessing our sectors, particularly with a further election pending within the next 12 months.

A significant evidence base has been collated to inform the underpinning planning assumptions (both financial and non-financial) and external consultancy support has provided an independent lens through additional deep dives on Ed Tech, Accountability Reform, the HE sector and Group Structures.

Strategically we can see opportunities and impact for all our organisation with demand accelerating for skills and talent and growing employer, learner, economic and societal need. Our own demand is growing, UCEN applications are up, TMC enrolments are strong and increasing and our Bid Pipeline remains healthy and strong, with high quality contracts renewed and new contracts secured.

Each of the Group's Business Units has developed a strategic plan to support and inform the development of the Group's strategic plan. The Group has also developed enabling strategies linked to the Strategic Plan including the 'People Strategy' and more digitisation and automation to reduce central overhead and improve organisational effectiveness.

Our new strategic plan has been developed around 8 core themes, sectors, customers, economic impact, environmental impact, quality & product, talent, target operating model, finance, and investment. The plan is seeking to deliver the following outcomes: -

- Strengthened market share and reputation for each part of the Group,
- Diversification of income and contract / customer base to reduce income risk,
- Logical extensions to the reach of our propositions at product, sector, and cohort level,
- A position of national and regional influence in a reformed sector,
- Capacity and capability for ongoing investment and growth (given sustained multi-year population growth in 16-18 and school leavers),
- Consistently good / outstanding quality and upper quartile learner satisfaction,
- More digitisation and automation to reduce central overhead and improve organisational effectiveness, and
- A reputation as employer of choice, in each of the sectors we serve.

LTE Group is a unique organisation in the UK skills sector with established strong foundations and market leading units in each of the key segments we operate in.

The Group has developed strong quality, good workforce engagement levels, and delivered eleven years of on target financial performance with a Good Financial Health Grading. These factors now allow the Group to go forward with an offer that meets the strategic needs of communities, the economy, and key stakeholders. Our existing work in collaborations, joint ventures and partnerships with other FE providers will also support further strategic responses to the reform agenda.

Overall, our strategic aim is to harness the power of the group to be a national leader in Education and Skills and continuing to deliver on our mission to improve lives and economic success through learning and skills. We will focus on delivering our group-wide KPIs and a range of key strategic projects and initiatives to our learners, students, customers, employers and stakeholders.

The Group's strategic objectives to 2028 are to:

Key Strategy Priorities

- Delivering strategic impact and outcomes for Government, communities, and employers,
- Deliver good / outstanding student outcomes, teaching and learning, student experience and destinations, upper quartile performance against all key educational measures,
- Working with stakeholders we will align our Strategy to the Greater Manchester Local Skills Improvement Plan, to ensure we contribute to the skills and community needs of Manchester, ensuring our provision is relevant and supports learners to gain the skills needed to secure good jobs and progress,
- Maintaining and growing our offer and the quality of it including logical extensions to the reach of our propositions at product, sector, and cohort level, including clear pathways to continuous learning,
- Meeting income and growth targets and allied opportunities, strengthening and growing our market share, diversifying our income and contract / customer base, and becoming a partner of choice,
- Completing our investment strategy (estates, IT, equipment etc).

Underpinned by enabling strategies:

- Strategic curriculum review,
- Successful implementation of reform requirements,
- TMC to UCEN progression strategy,
- Completion of the estate's strategy (Phase 2) and delivery of the associated benefits,
- Risks of apprenticeship model mitigated,
- Investing in our people, through pay and flexible rewards,
- More digitisation and automation to reduce central overhead and improve organisational effectiveness.

Specific Objectives

- To successfully deliver our national prison education contracts, to remain the MoJ partner of choice for this activity in the UK.
- To grow and develop our partnerships, joint ventures and collaborations in the Justice Sector to support rehabilitation and reduced reoffending.
- To become a Market Leader in Blended Learning Delivery Models across the Justice Sector.
- To deliver an Industry Excellence Curriculum Strategy – Deliver the 16-19 and Adult IEA strategies, developing clear pathways to occupations, aligned to policy, regional and national skills priorities and learner need.
- To ensure that TMC provision is delivered in the highest quality facilities for Technical and Professional Education.
- To position TMC as the regional and national lead for Technical and Professional Education through stakeholder partnerships.
- To position UCEN Manchester as the regional lead for Level 4 & 5 Technical Education Strategy within GM.
- To deliver Degree Awarding Powers and TEF GOLD for UCEN Manchester.
- To embed new products in TP/MOL aligned to employer demand and local/regional/national skills plans, with a focus on level 3 and higher, national levy and a smaller defined SME sector offer.
- To further extend our offer in MOL to new industry sectors and to grow our proportion of digital only delivery.
- To deliver outstanding student outcomes, teaching and learning, student experience and destinations.
- To deliver an industry excellence people strategy including a competitive and attractive total reward package, whilst embedding a culture of engagement and support for well-being.
- To maintain good to outstanding quality in all units across the Group with strong and sustainable financial performance.
- To adequately balance risk and opportunities though periods of political and structural change driven by external factors e.g. evolving pension landscape.

The Group remains on track for delivering these objectives despite the current macro-economic headwinds.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial health

Whilst the 2022/23 financial year has continued to bring significant challenges for the education and skills sector, the Group reports a surplus in the year (excluding the minority interest shares in Novus Cambria and Novus Gower) of £5.1m, which is £0.1m higher than the prior year results (2022: £5.0m surplus) and is £10.1m better than the budgeted deficit of £5.0m. £8.9m of this positive variance to budget is due to a significantly lower FRS 102 pension charge and pension finance costs. Based on the 2021/22 charge (£10.3m) this charge was budgeted in 2022/23 to be £10.5m. However, high UK corporate bond yields in 2022/23 caused the discount rate to increase from 3.57% to 5.08%, which resulted in a much lower charge of £1.5m.

LTE Group financial health grading with the ESFA is Good, which is considered an acceptable outcome and maintains a 11th year of a good rating with the key funding agency. Group banking facilities in support of this grading show a positive cash balance of £26.9m (2022: £19.6m) at year end and total debt (including finance leases) owing of £49.2m (2022: £51.1m). There have been no significant events that have adversely affected financial health, for example notices of concern.

NOVUS
FOUNDATIONS FOR CHANGE ®

During 2022/23, a new five-year strategic plan for Novus was developed, agreed and implemented. The key objectives of the new plan include ongoing quality improvement, diversification of delivery with new customers and geographies and development of our workforce.

As a result, Novus has continued to build upon its position as the largest provider of offender learning and skills in England and Wales, including the creation of a new subsidiary and joint venture which have secured new long-term contracts.

A range of Consumer Price Index (CPI) based contracts and strong employee engagement have helped to ensure positive industrial relations and enabled the award of better than average pay rises in-year.

We have improved our continuing professional development (CPD) offer for all Novus colleagues with the launch of the Novus online 'Staffroom' in January and its accompanying Teaching, Education and Development (TED) Toolkit in April. Colleagues have embraced the platform, with over 2,000 views of the cultural capital training sessions following its launch in May.

In September 2022, the new contracts for Youth Offender Institution (YOI) establishments at His Majesty's Young Offenders Institution (HMPYOI) Wetherby and HMPYOI Cookham Wood commenced, with Novus continuing to provide the education provision at both establishments following a tender process. These contracts are designed to continue to transform education in our YOIs, enabling new ways of working for everyone involved in the wellbeing of the children in the establishments.

In December 2022, following the success of Novus Cambria, a partnership contract between Novus and Gower College Swansea was awarded for up to 10-years, by HM Prisons and Probation Service (HMPPS) Wales to deliver Learning and Skills at HMP&YOI Parc in Bridgend.

Novus, in partnership with Coleg Cambria, successfully retained the Novus Cambria contract at HM Prison (HMP) Berwyn for up to a further 7 years. We are working on a new initiative to transform an entire Workshop space at HMP Berwyn into an enriching Wellbeing Hub for Staff and Prisoners. This multi-use space will enhance partnership working and be a safe space for prisoners and staff.

Part of the space will contain a complete industry standard restaurant and we are working with Celebrity Maître de, Fred Sirieix and his charity 'The Right Course' to create this. The space will also feature a fully functional barber's shop. The project will be completed in 2023/24.

In February 2023 we welcomed HMP Lowdham Grange colleagues to Novus, under a 10-year contract, with the prison joining our group of establishments under the Novus Transforming Lives brand, created for new private prisons joining the estate.

In June 2023 Novus successfully commenced a new 10-year education contract at HMP Altcourse following the announcement of a successful MoJ tender, partnering with Sodexo. This will build upon our previous 25 years as the education provider under a PFI contract.

Our diversification strategy continues at pace with a strong opportunity pipeline. During 2023/24 we will receive the outcome of a number of tenders we have submitted for long-term contracts, as well as continuing to respond to new opportunities.

Novus continues to build on its specialism in delivering programmes to offenders working in collaboration with national and devolved governments, HMPPS, HMPPS Wales, New Futures Network, Probation services and wider stakeholders with a focus on meeting the needs of offenders and facilitating progression and employment outcomes on release.

In 2023/24 Novus will be celebrating 30 years of delivering and supporting education provision in prisons. During that time Novus has developed significant capacity, experience, expertise, and technical knowledge through a dedicated local and national infrastructure that facilitates a responsive and innovative service based on individuals' needs aligned to service specification.

During 2023/24 we will continue to work collaboratively with Ministry of Justice (MoJ) and HMPPS to rebuild the education services post-Covid, and delivery has now reverted to normal face to face provision.

Following the introduction of the Education Inspection Framework (EIF) in England, Novus no longer receives a provider inspection grade, as prisons are judged on overall effectiveness across the entirety of learning and skills provision. However, in 2022/23 Ofsted introduced a new paragraph within HM Inspectorate of Prisons (HMIP) Inspection Reports assessing the education provider. Novus self-assesses its quality through a variety of internal metrics; the most significant being the Self-Assessment Report (SAR) grade. Novus currently has 63% of its prisons rated Good on the SAR or interim SAR report.

Novus has continued to invest in the improvement of the quality of teaching and learning, including support and collaboration with HMPPS prison-based colleagues. During 2022/23 this has resulted in 5 prisons, where Novus is the Prison Education Framework (PEF) provider, being graded by Ofsted as Overall "Good".

Novus Works continue to provide strong outcomes for learners, with partner relationships key to improving outcomes for learners on release. The 'Yorkshire model', as showcased in our Yorkshire and Humber region, joins up education and employment support and was featured in a Centre for Social Justice report as one solution to improving outcomes. This was due to the fact that, in Yorkshire, we've seen a 65% increase in the number of prisoners moving into work or training upon completing their sentence over the last three years.

During 2022/23, Novus Works supported almost 1,000 learners into employment or voluntary work or further training.

We continue to strengthen our relationships with key employers including Greene King, Marstons, Kier Construction, The Right Course, Wilmott Dixon and Bluegyp Ltd.

Greene King and Kier Construction continue to work closely with us to provide employment for learners on release from prison and following the landmark change to legislation made by the Department for Education and Ministry of Justice, offenders in open prisons can now undertake an apprenticeship while serving their sentence. One of the first individuals to benefit from this policy shift is a Novus learner at HMPYOI Thorn Cross who began an apprenticeship with Greene King in October 2022.

In October 2022, we launched our Creative Enrichment Strategy for 2022/23, improving access to arts and culture for our learners, strengthening our existing creative partnerships and forging new ones across our whole estate. Putting creativity at the forefront of our learning, our mission is to promote creative enrichment throughout Novus education delivery nationally and enable Novus colleagues and learners to access art in all forms, across all curriculum areas, using arts and creativity as a platform to engage and empower.

So far, we have worked with a range of partners from Tate Liverpool, White Water Writers and the National Justice Museum to Museums Northumberland, Odd Arts, and many more. Arts and Enrichment opportunities have been showcased in all subjects including vocational classes, English, maths and science, technology, engineering and maths (STEM).

Digital Awareness Month took place in May 2023 and provided the perfect opportunity to highlight the fantastic work that Novus are doing to reduce the digital divide across the prison estate. Teaching colleagues from across our establishments have been embedding digital techniques into their classes, helping learners to leave prison up to date on technological advances. Some examples include blending digital learning with traditional joinery classes at HMP Berwyn; learners at HMP Hatfield using digital skills to help them to apply for jobs; writing blogs at HMP Leeds and embedding digital tools such as Triptico and Wordwall at HMP Low Newton's hairdressing salon. The teams have also embraced AI to support their teaching and lesson planning using the Teachermatic tools.

The Manchester College®
be amazing

In 2022/23, the College delivered activity that has generated £48.2m [Education and Skills Funding Agency (ESFA) and Greater Manchester Combined Authority (GMCA) Funding Contracts] in funding body main allocation funding (2021/22: £44.4m). The College delivered approximately 40,235 (2021/22: 43,001) funded qualifications and approximately 3,170 (2021/22: 3,759) non-funded qualifications.

Students continue to prosper at the College. Overall achievement rates are estimated to be strong at 89%. The national rate performance data (NARTS) for 2022/23 will not be released until 2024, however, the College anticipates that an 89% achievement rate will continue to place it above the national rate which was 83.8% in 2021/22. Students continue to make good progress with 62% of students achieving high grades at level 3.

An Ofsted inspection was carried out at The Manchester College in January 2019 with a 'Good' rating in all seven of the graded categories, and a 'Good' rating overall. The college has self-assessed as 'Good' and continues to provide high quality provision across all age groups.

The College continues to offer a broad range of further and higher education curriculum, which both supports the local communities and compliments the Greater Manchester skills priorities; from Entry Level courses through to Higher Education degrees. Our strategy to focus on technical and professional qualifications and support the government reform agenda through growing new qualifications such as T levels continues to work, and we have seen continued growth in recruitment across all T Level routes and transition programmes in 2022/23, despite the national challenges faced by other providers in recruitment to this provision.

Throughout 2022/23, curriculum teams have introduced new courses to accommodate employer demand and in response to funding changes due to the removal of qualifications. The first cohort of T Levels students to complete the qualification has been very successful with high pass rates (98.4%) and strong high-grade achievement (74%), both exceeding national averages. Due to the excellent implementation plans and outcomes from our first cohort to complete the qualification the College has been successful in its application to offer further T Levels and Transition courses for 2024 in all accredited T Level and Transition courses.

The College continues to be at the forefront of these qualifications and is recognised for its ambition and good practice across the country. The Industry Excellence Academy (IEA) has continued to grow with 25% of students studying courses within the IEA at levels 2 and 3. Industry Boards in every department are well established and inform the sequencing and content of the curriculum. There is an increasingly broad range of work placements aligned to local, regional and national needs and learners benefit from these opportunities across all levels. 91% of learners progressed to a positive destination following the completion of their course in 2022.

The revised English and maths management structure is starting to impact and GCSE high grade achievement in both English and maths is now above national average. Further revisions to the delivery model and a revised approach which focuses on learner progress will continue to improve the quality of English and maths provision moving into 2023/24.

Enrolment and student numbers are positive. Population growth continues to fuel demand, and this coupled with great new facilities, a very strong offer and good quality means the College may be oversubscribed going forward.

Phase 2 of the property strategy has now commenced which will add some capacity, reduce reliance on the last listed buildings in the estate and extend our City Centre campus significantly boosted by a significant £38m investment that has been enabled through a capital grant from DfE.

A significant reform agenda on local skills planning, accountability, qualifications and more has been well supported in-year and will continue to inform future curriculum strategies in line with the further roll out of Level 2 and level 3 curriculum reform. The College produced its first accountability statement demonstrating its contribution to the skills needs articulated in the Local Skills Improvement Plan (LSIP).

In-year much lobbying was made regarding funding both nationally and regionally. Historically there has been no cost-of-living increase applied to the Adult Education Budget, commissioned by the GM Mayor which has reduced the College's ability to award pay rises at the level needed given that this area is a third of College income. Efficiency programmes and reductions in some areas have helped but going forward funding increases from government and the GMCA will be needed.

This was a pivotal year for The Manchester College as it opened the much anticipated £96m flagship City Campus Manchester, ready for students from both The Manchester College and UCEN Manchester. The impressive four-storey campus offers a range of facilities to create an exceptional student experience and is home to the College's Industry Excellence Academies for Hospitality and Catering, Creative and Digital Media, Music, Computing and Digital as well as their Centres of Excellence for Visual Arts and Performing Arts.

In January 2023 the College transitioned to a newly appointed Principal and Deputy CEO – Rachel Curry – who replaced Lisa O'Loughlin. Rachel's vision mirrors that of her predecessor, to provide the best possible technical education to students in the Greater Manchester region and raise aspiration in deprived communities.

UCEN MANCHESTER
FIND YOUR FUTURE

In January 2018, the Group launched a new and unique Higher Education offer - UCEN Manchester - which has continued to recruit strongly in an increasingly competitive market. UCEN Manchester has established itself as a strong alternative offer in GM for higher education (HE) and has continued to add new programmes following a comprehensive portfolio review to inform its Curriculum Strategy 2022-25.

In 2022/23, UCEN Manchester became one of the first providers in the country to introduce Higher Technical Qualifications (HTQs) to increase and improve Level 4 and 5 provision. This has been facilitated through the development of the Faculty of Higher Technical and Professional Industries, and strong progress has been made on developing five new Schools to deliver our Higher Technical Education programmes. This provision is focused on preparing students for careers rather than just courses and ensuring future employability, and will be further supported by the development of part-time and modular courses to meet the skills need identified by the Greater Manchester Local Skills Improvement Plan (LSIP).

Alongside this UCEN Manchester will continue to expand its offer in the Faculty of Creative Arts and Media Industries in its brand-new state-of-the-art City Campus Manchester. This includes a number of Schools which have developed national reputations, notably The Manchester Film School and The Arden School of Theatre, and which continue to attract students from across the UK. These Schools will be at the forefront of the work to secure a successful application for Degree Awarding Powers (DAPs) which was submitted to the Office for Students (OFS) in February 2023, positioning UCEN Manchester as a major presence within the college-based higher education environment. To date, we have not had feedback from the OFS on the timeline for progressing the application.

Student pathways and progression from The Manchester College to UCEN Manchester are now becoming more formalised and a significant range of activities have been put in place to highlight progression pathways. The introduction of a Programme Leader role will also strengthen this aspect of work by providing a liaison point between The Manchester College and UCEN Manchester.

UCEN Manchester previously achieved Teaching Excellence Framework (TEF) Silver status under the old framework and during 2022/23 submitted an application under the new TEF. The outcome of this will be known shortly but the provisional judgement is positive. This is underpinned by an expanding culture of research and scholarly activity within the organisation, with the embedding of Communities of Practice and an annual Higher Education Symposium creating a genuine collegiate approach amongst academic staff. Our National Student Survey (NSS) results are comparable to or better than many universities, and under the revised NSS in 2022/23 we secured an 87% satisfaction score for "the teaching on my course", the highest we have ever achieved.

Shortly after the launch of UCEN Manchester the decision was made to draw together the many and varied strands of student support – welfare, housing, financial support, careers guidance, etc. – under one over-arching service, Future U. This provides comprehensive support to our students, both face-to-face in our new Future U Hub in the City Campus Manchester and on-line to allow all students to engage.

The changes to structure, refreshed Strategy, enhanced support for students and focus on quality have all contributed to notable improvements in outcomes for UCEN Manchester's students. Following improvements in retention, pass and achievement rates in 2021/22 performance has remained strong in 2022/23, e.g. at over 87% for achievement, significantly above the national average for college-based HE providers, with a Level 6 pass rate of over 95%.

Planning for future periods for The Manchester College and UCEN Manchester is through an annual robust business planning process and aligns to the strategic plan and estates strategy. The annual planning includes the use of a curriculum planning tool, using knowledge of historic trends, local skills priorities, our strategy and demographic data when planning student recruitment. The curriculum plan is then used to determine the resources required to deliver the planned curriculum, identifying areas for investment or cost saving, and highlighting where efficiencies need to be made.

In 2022/23 UCEN Manchester delivered 1,262 qualifications (2021/22: 1,212 qualifications).

Building on its commitment to ensure that its courses align with local and regional skills demands, ensuring students can develop skills that employers need, UCEN Manchester students participated in a range of 'industry led' activities. This included a project delivered in partnership with the Intellectual Property Office where students developed "The Real Cost" campaign aimed at raising awareness of the dangers of counterfeit goods. Students in the School of Art, Media and Make-Up took part in Two+Two, a unique one-day event organised by recruiter for the marketing sector Creative Resource. The event is well-known across the industry and requires attendees to work as part of a small team alongside students from other higher education providers – enabling them to work creatively and collaboratively together, supported by external agencies.

As part of its strategy to align with industry, in June UCEN Manchester launched a brand-new degree designed specifically for professional and aspiring football players and those in player-facing support roles. The BSc(Hons) Football Industry, in partnership with Ahead In Sport and awarding partners Sheffield Hallam University, is a three-year online degree that combines practical learning in all aspects of the football industry with core business and leadership skills.

This followed on from UCEN Manchester and Rugby League Cares bespoke training programme to support Super League Player Welfare Managers. They welcomed player welfare managers from all 12 of the Super League clubs and 3 Championship Clubs to City Campus Manchester for a two-day CPD event aimed at supporting the managers to gain further knowledge and skills to support them in their valuable roles. The sessions, organised and delivered by UCEN Manchester's expert tutors and trainers, are part of a developing partnership between UCEN Manchester, Rugby League Cares and the RFL enabling best practice and learning to be shared.

TOTAL PEOPLE LEADERS IN LEARNING ® MOL LEARN DEVELOP EXCEL

The company has undergone another challenging year as a direct result of the cost-of-living crisis and inflation. The company experienced staff retention and recruitment issues, including specialist staff shortages due to the cost-of-living crisis, pay pressures and a buoyant labour market. This also affected learner start volumes due to employers also dealing with the same inflationary and capacity issues. This was exacerbated further by the fact that apprenticeship funding levels have remained unchanged now for 7 years, with no indexation or funding rate increases against the backdrop of a cost-of-living crisis and double-digit inflation.

Total People responded rapidly and robustly to these challenges, considering a range of strategic options in relation to its Apprenticeship business, to understand how the risks can best be mitigated. As a result, the business exited a number of unviable apprenticeship sectors in the second half of FY23 (Adult care, Dental, Hair & Electrical) along with undertaking a restructure, resulting in a staff reduction in line with the reduced offer and learner volumes.

Throughout 2022/23, the company experienced the impacts of the macro-economic environment and the effect that this had on employer's buying and recruitment decisions. This had a direct impact on starts, learners leaving employers and leaving programmes along with employer staffing issues that affected access to learners in the workplace. This led to lower starts than planned together with the associated on-programme payments (OPPs) and lower achievement payments in year The impact was especially felt in the final quarter of the year as learners reached Gateway later than planned, which resulted in End Point Assessments (EPAs) and achievement falling outside of the contract year.

Despite these difficulties, good progress was made in the year in reducing Apprenticeship "out of funded" volumes (OOF) which have reduced by more than 73% (excluding learners in Gateway) compared to January 22 with aged OOF reducing by more than 90% over the same period. These out of funding learners were as a direct result of the extended covid impacts. Out of funded learners took up caseload capacity with tutors, which exacerbated the ability to onboard new starts in a timely manner. However, there was an increase in learner volumes in some specific key sectors, for example in childcare, HR and construction. The company exited apprenticeship markets that were unviable, to concentrate on growth areas aligned to local, national and employer priorities.

The integration of MOL and Total People successfully took place on 1st November 2021, with 2022/23 incorporating a full year trading for MOL. MOL and Total People complement each other's offer, especially with MOL being one of only four preferred suppliers of CIPD, and also being a preferred provider for Propertymark. This enabled the company to maximise its expertise across the business, to cross-sell products and to offer an expanded portfolio of services and qualifications to our clients. MOL remains a leader in commercial Ondemand and live online courses with over 4,000 learners in 2022/23

Despite the challenges of 2022/23, the underlying performance of the combined Total People business, including MOL, is improving. Underlying profitability improved, as a result of exiting commercially nonviable apprenticeship standards (resulting in a 16% overall reduction in starts and occupancy), and Functional Skills commercial contracts grew by 82%. In addition, CIPD starts grew by 8%, and this growth continues to be supported by MOL securing a partnership agreement early in 2021/22 with CIPD, to become one of only four preferred providers of commercial CIPD products. There was considerable progress during the year in terms of income mix between funded income and commercial contracts, as the company transitions away from being fully reliant on ESFA-funding and third-party subcontracting.

The company will continue to face some challenges during 2023/24, with no planned blanket funding uplifts on Apprenticeship, along with the rises in the cost-of-living and inflationary challenges. To minimise the impact on the business the company plans to further reduce the volume of apprenticeships offered, concentrating on apprenticeships and qualifications that are aligned to the business strategy and to the local and national skills priorities.

Throughout 2023/24 there will be continued investment in the Total People and MOL workforce to tackle and settle the attrition issues seen in 2022/23. This will include continued investment in the real living wage, maintaining a minimum salary for Learning Coaches, along with an increase to all colleague's holiday entitlements. The company took a strategic decision to further downsize their premises footprint by exiting large, high lease premises and obtaining smaller premises where required, which will see a cost saving of over £110k in 2023/24.

The levy and commercial markets remain a significant opportunity, whilst also being a busy and competitive external market. The company has been successful in starting to expand its geographical reach through the award of large national levy contracts along with commercial contracts. Throughout 2023/24, the company will continue to develop its national footprint. This will be through levy and commercial clients in targeted markets, whilst also maintaining its Manchester, Cheshire, and Northwest focus, particularly for classroom and workshop provision.

There remains continued demand for the company's services in the training, apprenticeships and commercial market. The company is situated in economic growth areas and has begun to align its portfolio with the local skills agendas. The company has maintained its strong links with local employers whilst building links with new local employers and large national employers. The company is expanding its commercial offer into the non-devolved nations along with a transnational delivery offer aligned through its CIPD partnership.

The company will continue to focus on supporting employers through either levy gifting or the digital service which was introduced in April 2020. The company has a clear focus and sales strategy, in line with the sectors which it intends to maintain and grow and will focus on offering a full solution to small, medium and large levy and non-levy paying clients whilst expanding its reach into curriculum priority sectors and local demand.

There has been significant investment 2022/23 on systems and infrastructure with the implementation of a new CRM system within MOL. This will enhance reporting for both B2C and B2B with improved client contact management and enhanced integration across group communication systems that will support future growth across the commercial business

The company remains positive entering 2023/24 and maintains robust employer and stakeholder relationships. The company is benefitting from a pipeline of quality starts on both apprenticeships, AEB, 16-19 and commercial contracts. There is an improved apprenticeship pipeline visibility of 46% full year starts of 851, and 78% of MOL pipeline in commercial revenue.

group operations

Group Operations is our professional services function that sits alongside Finance, Procurement, Internal Audit, Governance & Legal Services at the heart of the LTE Group.

A team of around 160 people supporting over 3,500 colleagues across multiple locations in England and Wales, Group Operations performs a broad range of corporate functions for LTE Group and its constituent parts – Novus, The Manchester College, UCEN Manchester, Total People and MOL. It comprises a number of specialist teams including Information Systems, Student Records, People & Talent, Health & Safety, Risk Management, Marketing, Communications, PR and Public Affairs.

The purpose of Group Operations is to fulfil an efficient business support model. This avoids duplication of cost and effort for each of our units whilst providing consistency of approach to essential organisational enablers and control frameworks, for example HR policy and Health & Safety standards.

Group Operations employs colleagues with specialist skills that are in demand across multiple sectors beyond education, meaning the organisation faces its own local recruitment issues within the sector-wide problem of talent attraction and retention. Despite this perennial challenge the organisation has performed well, supporting the Group with a number of material projects whilst maintaining core control frameworks such as our ISO and Cyber Essentials + accreditations.

Group Operations has led or supported several important change initiatives for the Group in the past year:

- All functions within Group Operations have been involved in the Group Estates Strategy which saw us exit premises that were not fit for the future and invest in a large purpose-built campus in Manchester City Centre.
- Ongoing asset refresh strategy to bring newer technology to more learners and colleagues in more classrooms.
- Our new online Risk Management platform is now fully embedded and adopted throughout every area of the Group.
- Closer collaboration between Health & Safety, IT and Student Experience to ensure the highest levels of safety for all in busier campuses as our learner numbers grow.
- A Group-wide project to enhance pay, terms and conditions for our colleagues to help us attract and retain great talent whilst also helping with the cost-of-living crisis.
- Centralised engagement with Trade Union colleagues to understand and respond to member concerns whilst mitigating the impact of industrial action that has affected much of the FE and HE sectors.
- Our efforts to influence positive change for the sector, particularly in the specialist area of prison education, has been recognised with several nominations for independent industry awards.

Estates strategy

Phase 1 of our Estates strategy (a self-funded project), to consolidate our provision on fewer campuses through the development of a centre of excellence model is almost complete. The new city centre campus opened in September 2022. The new build activity and refurbishment of our Openshaw campus is complete along with improvement works at Shena Simon. Major refurbishment works at Wythenshawe and Harpurhey have been completed with only minor refurbishments works remaining to be completed in summer 2024.

The construction programmes have been delivered on time and within the overall budget of £139m with a healthy contingency remaining, some of which will be used for a Phase 2 programme at the new city centre campus.

The cost of the Phase 1 project, £139m, has been and will be incurred over 2017/18 to 2023/24, with £5m of spend yet to be incurred. £6m of spend has been deferred for Phase 2.

The £38m Phase 2 scheme, which is a DfE grant funded project, will provide an opportunity to create a centre of excellence for Business and Professional services at the new city centre campus, replacing the Shena Simon campus with new purpose-built accommodation. A DfE grant has been received to support Phase 2, the financial plan includes the disposal of two further aged buildings along with further funding from LTE Group. Phase 2 enabling works commenced in June 2023. A fixed price contract has been agreed with the principal contractor. Main contract works commenced in September 2023.

All Phase 1 disposals have been completed, with disposal proceeds exceeding business case. The final 3 disposals were completed in the year ending 31st July 2023 and following the disposal of Fielden, the bridging loan from Manchester City Council has been repaid.

Marketing activity has commenced for Phase 2 disposals, with a significant level of interest.

The Estates Strategy has and will continue to deliver better learning and facilities for our students at a more economic cost for our stakeholders.

The rationalisation of the Estate has significantly improved the overall condition of the Estate and reduce property running costs in 22/23 and over the coming years.

The growth in students is ahead of plan, as the projected population growth expectations in the City of Manchester are now being significantly exceeded. This adds further confidence to forward income projections but has exacerbated capacity constraints, even earlier than envisaged, even with the Phase 2 scheme.

The interest and capital repayments for all funding is covered by maintaining a steady EBITDA growth driven by estate efficiencies, specifically optimised running costs and staffing efficiencies. Phase 1 benefits have been delivered in line with the plan.

Good management, of overall expenditure versus budget and the timing of loan drawdowns compared to our original business case has resulted in a better project cashflow than the plan. The financial covenants for our lenders are achieved in year with headroom, and during the term of the financial plan.

The public sector refinancing of our existing revolving credit facilities with commercial lenders completed in July 2023. This replaced the revolving credit facilities previously with Santander with 2 DfE backed loans, a £16.5m DfE refinancing loan and a £15.6m capital loan facility for Phase 1 and Phase 2 of which the first £2.5m was received in July 2023.

Student Numbers

Novus

In 2022/23, 26,207 PEF Adult learners (18 and above) accessed 64,108 enrolments on accredited / non-accredited provision. This is a significant increase compared to 2021/22 and reflects the return to a more business-as-usual position as prison regime recover from the impact of Covid.

For the same period, 497 Youth Custody Service (YCS) learners (aged 14 to 18) accessed 3,164 learning aims (in 2022/23 there were 3 sites to the end of November when HMPYOI Werrington transferred out under the new contract) and 1,331 Adult learners at Novus Cambria accessed 3,382 learning aims.

The Manchester College and UCEN

The College enrolled approximately 13,831 students. The College's student population includes 5,895 16-to-18-year-old students, 1,243 higher education students, 6,693 adult learners (of which, 5,275 funded and 1,418 unfunded).

Total People

In 2022/23, Total People worked with approximately 3,756 learners. This included approximately 543 16-to-18-year-old apprentices, 2,424 19-year-old + apprentices, 159 16-to-18-year-old Study Programme learners and 630 adult learners.

In 2022/23, MOL worked with approximately 4,200 learners. This included 69 CMI learners, 45 APM learners, 322 Property Law learners, 1,702 CIPD learners, 31 MSc learners and approximately 2,014 Property Agency learners.

FINANCIAL POSITION

Financial results and objectives

The 2022/23 financial year has continued to bring significant challenges for the education and skills sector. The decisions and actions we have taken have been guided by our commitment to remain financially sustainable, provide for extra financial contingencies and maintain our cash balance.

Our aims in 22/23 have been:-

- to grow our learner numbers;
- to invest in our people, through pay and flexible rewards;
- to continue to invest in our estate to provide appropriate learning environments and an improved overhead cost base;
- to deliver solid and strong financial performance;
- to successfully refinance our existing revolving credit facilities to DfE backed loans; and
- to diversify our income customer and contract base to set us up for success for the next 5 year plan period.

The Group reports a surplus in the year (excluding the minority interest shares in Novus Cambria and Novus Gower) of £5.1m, which is £0.1m higher than the prior year results (2022: £5.0m surplus) and is £10.1m better than the budgeted deficit of £5.0m. £8.9m of this positive variance to budget is due to a significantly lower FRS 102 (28) pension charge and pension finance costs. Based on the 2021/22 charge (£10.3m) this charge was budgeted in 2022/23 to be £10.5m. However, high UK corporate bond yields in 2022/23 caused the discount rate to increase from 3.57% to 5.08%, which resulted in a much lower charge of £1.5m.

This is equivalent to an EBITDA (education specific, as per ESFA guidance) of £14.0m (8.25% of adjusted income) compared to a budget of £13.9m (8.04%). Adjusted income is total income less the release of deferred capital grants (as defined by the ESFA).

The Group has continued to work with its partners, and through other work such as property disposals, to create better value and to maintain a strong cashflow position. Whilst our operating activity cash flow has decreased by £4.1m (25%), from £16.4m last year to £12.2m in the 2022/23 financial statements, the year-end cash balance of £26.9m is £7.3m higher than the prior year and significantly exceeds the budgeted year end cash balance of £14.1m by £12.8m (91%). As at the year-end, total borrowing is £49.2m (2022: £51.1m) and £5.8m or 11% favourable to budget.

The current ratio of 1.56 and gearing (debt as a percentage of income) at 29.05% combine with the performance ratio to deliver a funding body health grade of 220 points (Good).

These results provide evidence and confirmation that the Group is meeting its financial objectives. These are:

- To maintain the financial viability of the FE Corporation.
- To generate sufficient income to enable maintenance and improvement of its infrastructure.
- To diversify income streams, through a broad offer that responds to multiple areas of education/skills demand, rather than solely traditional FE.
- To generate operating cash flows that can fund investment for learners, customers, stakeholders and colleagues. To improve the learner experience and deliver efficiencies in teaching and support costs.
- To maintain adequate funding to service future pension liabilities.
- To protect it from unforeseen changes in policy and the impacts resulting from any future changes in funding or political upheaval.
- To improve the learner, employer and customer experience.

This also enables the Group to execute its plan and expand its reach to learners and other stakeholders in support of national and regional devolved government policies, to grow provision and add value to the lives of an increasing number of learners. Finally, the Group wishes to maintain, or enhance the confidence of funders including the DfE, suppliers, bankers and auditors.

The Group (excluding the minority interest shares in Novus Cambria and Novus Gower) has accumulated reserves of £120.7m (2022: £130.9m), including cash balances of £26.9m (2022: £19.6m). The £10.3m year-on-year reduction in accumulated reserves is driven by an actuarial loss on the Greater Manchester Pension Fund (GMPF) of £15.4m, thus reducing the pension asset to £nil (2022: pension asset of £17.0m), offset by the surplus (excluding minority interest shares) of £5.1m. The Group maintains reserves to ensure financial viability and to meet future liabilities, such as the repayment of loans, and any pension fund deficits.

The Group has diversified its income streams and reduced reliance on the traditional education sector funding bodies for its principal funding source, largely from recurrent grants. In 2022/23, the FE funding bodies provided 23.0% of the Group's total income (2021/22: 22.7%), with AEB income accounting for 10.4% (2021/22: 10.5%).

The LTE Group is the parent company of Novus Cambria which is a private company limited by guarantee without share capital with two members: LTE Group and Coleg Cambria. LTE Group controls 60% of the voting rights of the members while Coleg Cambria control 40%.

The LTE Group is also the parent company of Novus Gower which is a private limited company and has two shareholders: LTE Group and Gower College. LTE Group controls 60% of the voting rights of the members while Gower College control 40%.

The LTE Group has three wholly owned trading subsidiary companies - Total People Limited, LTE Professional Services Limited and Novus-Transforming Lives Limited.

The Local Government Pension Scheme (LGPS) valuation for 2023 resulted in an actuarial valuation loss of £15.4m (2022: gain of £94.3m) see note 28. However, the decrease in the pension asset to £nil does not impact on our funders' net assets banking covenant test, as this is a non-cash item and, as such, is excluded from this test.

Cash flows and liquidity

Overall, cash has increased £7,316k year-on-year, from £19,625k to £26,941k. This is because whilst the net operating inflow of £12,224k is £4,131k lower than the prior year, and the net outflow from investing activities is £3,434k higher, the net cash inflow from investing activities is £9k, compared to a £15,612k outflow in the prior year.

Operating cashflow is £4,131k lower year-on-year, despite a higher education-specific EBITDA (£14,032k compared to £13,012k in the prior year), due to adverse working capital movements.

Net investing activities of £9k, comprise of £17,414k of payments made to acquire fixed assets and £200k capitalised development expenditure, offset by £12,764k of disposal proceeds, £4,376k of capital grant receipts and £483k of investment income.

Net cash outflow from financing activities, comprises of £2,375k of loan interest payments, £1,485k of finance lease payments, a £57k minority interest distribution and a net loan capital outflow of £1,000k.

The year end cash balance was £12.9m higher than the budget of £14.1m, principally due to strong cash generation in the year, earlier than planned initial drawn down on the capital loan and deferral of expenditure on Phase 2 of the estates strategy whilst refinancing with the DfE was completed.

Treasury policies and objectives

Treasury management is the management of the Group's cash flows, its banking, and money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The Group has a treasury management policy in place.

The LTE Group Board is responsible for the solvency of LTE Group, and, acting through the CEO, have responsibility for the overall security and management of funds.

However, following the ONS reclassification of the Group to the government sector, the Group is permitted to repay its existing commercial loans to maturity, but any new private sector finance arrangements require prior written consent from DfE. Private sector borrowing refers to any borrowing from commercial lenders but also loans from local authorities and any other non-public sector organisations.

The Group Board does not have delegated authority to agree amendments to existing private borrowing which may be within the scope of Managing Public Money (MPM). These could include but are not limited to:

- changes relating to the term of a loan;
- repayment profile change;
- interest change outside of the existing agreement terms, including any move between a variable and a fixed interest rate; and
- providing additional security.

Any such amendments would require prior consent from the DfE.

On the 20 July 2023, the public sector refinancing of College Debt with Commercial Lenders completed. The Group's previously held Santander revolving credit facilities (£34m in total) were replaced by a £16.5m DfE refinancing loan (fully drawn) and a £15.6m DfE capital loan for the Estates Strategy (£2.5m received in July 2023, with further drawdowns planned in 2023/24 and 2024/25). In addition, the Group also has loan agreements with The Council of the City of Manchester (£8.8m outstanding at year end), and Santander facilities covering a term loan (£20.9m outstanding at year end).

In October 2022, following the disposal of the Fielden Campus, and as per the terms of the loan agreement, the LTE Group settled in full the remaining balance on its bridging loan facility with Manchester City Council.

Short-term cash requirements are monitored weekly, such that the Group minimises its borrowings and thereby interest charges. Going forward, the Group will be optimising the balance between its borrowings and money on deposit, where certainty on forward cash flows exist, which may result in lower end of month balances.

Reserves policy

The Group recognises that its major sources of income are government funded and as such are not explicitly guaranteed for a set period of years. To this end the Group has been diversifying its income streams so that there will be multiple funding sources – Education and Skills Funding Agency, Ministry of Justice, Apprenticeship Levy, Youth Justice Board, European Structural and Investment Funds, Welsh Assembly, devolved mayoral authorities and commercial income. Where possible, the Group will continue to develop medium to long term income streams as part of its strategic plans.

In the past few years, the Group has invested in the reshaping of the business, in response to government funding cuts and allocation changes. This has been achieved without reducing reserves or the need to secure additional finance arrangements with funders.

The Group (excluding the minority interest shares in Novus Cambria and Novus Gower) has £120.7m (2022: £130.9m) of unrestricted reserves as at 31 July 2023, which the Group feels is adequate to implement any further reshaping required, should there be any further government funding cuts or allocation changes. The £10.3m year-on-year reduction in accumulated reserves is driven by an actuarial loss on the Greater Manchester Pension Fund (GMPF) of £15.4m, thus reducing the pension asset to £nil (2022: pension asset of £17.0m), offset by the surplus (excluding minority interest shares) of £5.1m. However, the decrease in the pension asset to £nil does not impact on our funders' net assets banking covenant test, as this is a non-cash item and, as such, is excluded from this test.

The current forward forecasts ensure clearance of bank covenants and have been tested with sensitivities that take account of reductions in funding as described above.

The level of reserves will be monitored and reported on within the monthly management accounts and reviewed by the Board of Governors.

The Board of Governors will review this policy annually or whenever there are significant changes in income or operating costs.

The LTE Group has set a reserves policy which requires:

- Reserves be maintained at a level which ensures that LTE Group's core activities could continue during a period of unforeseen difficulty.
- A proportion of unrestricted reserves be maintained in a readily realisable form.
- It has sufficient resources to meet its liabilities as they fall due.

The calculation of the required level of reserves is an integral part of the organisation's planning, budget and forecast cycle. Our strategic plans involve delivering a breakeven or better year-end position each year with an operating cash contribution each year. This, allied to our capital expenditure plans, is intended to deliver an increasing year-on-year reserves position.

It takes into account:

- Risks associated with each stream of income and expenditure being different from that budgeted.
- Planned level of activity.
- Organisation's future commitments.

Events after end of reporting period

In November 2023, LTE Group received DfE consent to extend its parent guarantee in respect of Total People to July 2026.

In October 2023, the Group entered into a contract for £31.897m with Wilmot Dixon who have been appointed as the principal contractor for the phase 2 development at the City Centre Campus Manchester.

From 30 August 2023 onwards, the Santander loan has moved from a fixed interest rate to a variable interest rate of 2.5% margin + SONIA (non-cumulative 5 day lag basis) + a credit adjustment spread of 0.1193%, until the end of the loan term on 26 February 2026.

RESOURCES:

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

Financial

The Group (excluding the minority interest shares in Novus Cambria and Novus Gower) has £120.7m (2022: £130.9m) of net assets. This includes a cash balance of £26.9m (2022: £19.6m) at year end and long-term debt (including finance leases) owing of £46.0m (2022: £47.8m). The £10.3m year-on-year reduction in net assets is driven by an actuarial loss on the Greater Manchester Pension Fund (GMPF) of £15.3m, thus reducing the pension asset to £nil (2022: pension asset of £17.0m), offset by the surplus (excluding minority interest shares) of £5.1m.

People

At year end, the Group has 3,158 people in post, of whom 1,865 are teaching colleagues.

Tangible Assets

Tangible resources include the six main college campus sites, including the Wythenshawe and Openshaw campuses. Also included is £4.3m (2022: £81.5m) of buildings currently under construction as part of the estates strategy, which has reduced by £77.2m in 2022/23 due to the new city centre campus coming into use for students from September 2022.

Senior Leaders' pay

The Board acknowledges that as a charitable organisation and social enterprise we do not aspire to remunerate at the maximum level in the sector. In 2022/23, the Board reiterated its expectation that, despite the wider macro-economic challenges, senior leaders should have some element of pay at risk, based on performance.

In addition, that our current pay policy with constrained resources should be focused on lower paid colleagues and frontline delivery staff. This includes moving the Real Living Wage up again in line with recent changes. Senior base pay increases were restrained in year at 1.25%.

The Board continued its ongoing policy of regularly benchmarking senior pay and reviewed an independent external report comparing the approach at LTE Group with peers and comparators elsewhere in the sector. Despite LTE Group being large in scale, scope and complexity compared to many organisations, senior pay approaches in peer and comparator organisations appeared in many cases to be noticeably higher than at LTE Group. The Board agreed to monitor this in 2022/23, alongside the changes proposed by the ONS reclassification.

In April 2019, the LTE Group Board adopted the Association of Colleges' (AoC's) Senior Staff Remuneration Code and assesses pay in line with its principles. These principles remain unchanged as follows:

- That all senior roles are benchmarked externally against recognised comparators and through nationally recognised methods such as Hay (which is used for all colleagues). Such comparators will include other large FE College groups, HE institutions, other third sector employers of similar size and scale and commercial organisations, including private training providers, who operate in the same or similar sectors.
- That senior leaders should, as a principle, have some of their reward at risk and linked to the impact and performance of the organisation. An annual review of the CEO/Accounting Officer's performance is undertaken against the Group's overall objectives using both qualitative and quantitative measures of performance.
- That senior pay levels are monitored to ensure that sensible ratios between front line staff and the most senior employees are within the public sector guideline 1:12 ratio (from lowest to highest paid individuals in the organisation).
- That regular reviews of gender-based pay are completed and that the Board's longstanding commitment to a living wage policy will be maintained.

The Board is also conscious of the need to attract and retain the right calibre of senior colleagues to ensure it can continue to deliver for all stakeholders. As indicated above, the Committee assesses performance across a balanced scorecard of metrics. Each item has a level of threshold performance that needs to be met. The range of factors used in the annual performance scorecard, which applies to all Senior Post Holders, includes measures on quality of delivery, financial performance, health and safety, people, learner and customer satisfaction and delivery of key strategic projects.

The CEO/Accounting Officer's basic salary as a multiple of the median of all staff remains well within the 1:12 ratio.

Relationship of CEO/Accounting Officer pay and remuneration expressed as a multiple:

	2023	2022
CEO/Accounting Officer's basic salary as a multiple of the median of all staff	7.0	7.1
CEO/Accounting Officer's total remuneration as a multiple of the median of all staff	7.9	8.0

Please see note 10 for further details of the CEO's total remuneration package.

The 2022/23 Annual Remuneration Report was presented to the Group Board on 14th December 2023.

Governor remuneration

In accordance with the permission granted by the Charity Commission, modest remuneration of trustees was commenced in April 2018. Remuneration payments were set within the quantum approved by the Charity Commission by an Independent Review Panel, with all members being external to LTE Group. The membership of the panel comprised Mr C Memmott (Manchester Chamber of Commerce), Mr Richard Caulfield (AoC North west) and Mr Dave Powers (One Manchester). As the remuneration is now set at the limit allowed under Charity Commission permission, the Panel did not meet in 2022/23.

Details are disclosed in the notes to the financial statements under related party transactions.

Reputation

The Group and its constituent units have a strong reputation, and leading positions, locally and nationally. Newly developed and launched brands have established themselves quickly with strong identities in their relevant sectors.

Following on from the 'Moving on 2022 Conference', the future of Prison Education, that was held in the previous financial year, in August 2022, Novus launched our brand-new podcast Inside learning: Talking Prison Education. The first episode included interviews with speakers from the conference and has been followed up with episodes on employment, working in the prison sector and arts and enrichment.

Novus also ran two further round tables this financial year; in Yorkshire to discuss the Yorkshire model of combining education with employment and in Wales to discuss 'Making prison education work for Wales'. Both were well attended with collaborative discussions on how to improve future outcomes for prison learners.

Novus has continued to retain and win new contracts, with successful bids in the re-procurement of learning & skills provision at HMP Berwyn (£4m pa), delivery of education at HMP Altcourse (£1.6m pa) and HMP Lowdham Grange (£1.4m) plus re-bids under the Prison Education Dynamic Procurement System (PEDPS) which included: contract extension for provision of IAG services across the Yorkshire prisons lot (£1.3m); IAG provision at HMP Onley (£0.3m) and GMMC Enrichment (£0.1m). The value of contracts won during the year totals £60m over the contract life.

Novus is a MATRIX accredited provider in every region of its operations.

In July 2023, Novus conducted its twice-yearly QDP survey. Novus demonstrated strong learner satisfaction with results showing that 88% of learners are satisfied with the education and training they have received from Novus. This performance has improved over the year, returning to pre-Covid levels: 2022 – 84.2%, 2021- 88%, 2020 – 86%, 2019 – 89%.

In 2022/23 the College's successes included:

- The success of the College's commitment to ensuring students develop the skills they will require for a future career was showcased in the annual 'Greater Manchester Skills' competition, where students demonstrated exceptional and advanced skill levels to claim first overall prize in both the Performing Arts Competition and the Sport & Public Service Competition. Students also claimed second place in the Computing Competition and third place in the Health & Social Care (Level 1) and Hospitality & Catering Competitions, demonstrating the advanced skills that College students develop across the breadth of its programmes. Following on from this success, City Campus Manchester has been chosen as the venue for this year's 'UK World Skills Competition' – with the high-profile national event due to take place in November 2023. Two Hospitality and Catering students from the College have made it through to the World Skills finals.
- Three Media students achieved national recognition as part of the King's Coronation generation design challenge. Their work was exhibited around the Country and focused on key sustainability challenges.
- T level Health and Social Care students have completed sector leading placements with Manchester Foundation Trust.
- The first cohort of 40 middle managers have now successfully completed our Leaders of learning programme.
- The College has made progress in its strategic goal to contribute to the Greater Manchester Combined Authority's goal to achieve carbon neutrality by 2038 and improving the organisations long term sustainability. The College's work was highlighted in the prestigious Platinum Jubilee Challenge report on reducing the FE sector's carbon footprint.
- The Careers and Welfare team, the Employability team, Schools Liaison and the Transition team at The Manchester College and UCEN Manchester all successfully maintained the standards and quality required for the matrix quality Standard. The matrix Standard is the international quality standard for organisations that deliver information, advice and/or guidance (IAG). It is recognised by the Department for Education (DfE) to ensure the quality of the delivery of high-quality information, advice and guidance.
- Thanks to a unique partnership with the Intellectual Property Office, Content Creation, Digital Film and Broadcast students at The Manchester College, along with B.A. (Hons) Creative Media and Visual Communication students from UCEN Manchester, worked on a campaign that could potentially have a huge impact on the counterfeit goods market in Manchester.
- In February seven colleagues at the College were recognised for the transformative work they undertake in supporting students to achieve their full potential in the Group's first 'Outstanding Achievement Awards' since the pandemic, with English and maths tutor Louise Ince winning the overall 'Chair's Award'.

In early 2021/22, Total People secured its place on the Register of Apprenticeship Training Providers (RoATP), and gained accreditation for Secured ISO27001 and ISO9001, Matrix Information Advice and Guidance Standard in August 23. An Ofsted monitoring visit was undertaken in June 23 on Apprenticeships where Total People received Significant Improvement and Reasonable improvement across the five areas for improvement identified at the May 22 inspection.

The business, with the support of the Group Quality Team, has put in place a detailed and comprehensive Quality Improvement Plan to drive continuous improvement across all of its provision. Improvement is measured and tracked through a dashboard focused on key quality indicators.

Total People's Learner and employer satisfaction remain very high at 85% for apprentices, 93% for classroom learners and 89% for employers. ESFA learner and employer satisfaction is also rated as "Good".

MOL's customer satisfaction data is the highest amongst their competitors, with a Feefo score of 4.8 out of five stars and has maintained a Platinum status Trusted Service Award. The Feefo Platinum accreditation is based purely on interactions with our learners. All reviews are verified as genuine, so the accreditation is a true reflection of our commitment to delivering an outstanding customer experience. The award recognises organisations consistently achieving a service rating of at least 4.5 stars. MOL also holds the highest accreditation with CIPD and is one of only four organisations to be a CIPD Business to Business Partner.

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.

NUMBERS OF EMPLOYEES WHO WERE RELEVANT UNION OFFICIALS DURING THE RELEVANT PERIOD	39
FTE EMPLOYEE NUMBER	6.59

PERCENTAGE OF TIME	NUMBER OF EMPLOYEES
0%	0
1-50%	35
51-99%	1
100%	3

TOTAL COST OF FACILITY TIME	£425,761
TOTAL PAY BILL	£102,978,498
PERCENTAGE OF TOTAL BILL SPENT ON FACILITY TIME	0.41%

TIME SPENT ON PAID TRADE UNION ACTIVITIES AS A PERCENTAGE OF TOTAL PAID FACILITY TIME	0%

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. During 2022/23, LTE Group paid 84% of invoices within 30 days (2021/22: 82% of invoices paid within 30 days). The Group incurred no interest charges in respect of late payment for this period.

In 2022/23 the Group has undertaken a number of actions to improve the timeliness of payments to suppliers, including the move in July 2023 to a new e-invoicing solution to improve speed on processing and payments to suppliers.

In the future reporting period, the Group anticipates changes in Government contracts that will result in an extension in payment terms. This, in turn, may impact on the Group's payment terms with sub-contractors.

PRINCIPAL RISKS AND UNCERTAINTIES:

The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

During the year, the Group has continued to develop and embed the system of internal control, including strategic, financial, operational and risk management which is designed to protect the Group's assets and reputation.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the Group is exposed. This includes horizon scanning exercises with the Executive Team to ensure that emerging external threats are also considered. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the Group. The internal controls are then considered, evaluated and implemented, and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions.

In addition to the annual review, the Risk Management Group also considers any emerging risks and any risks which may arise because of a change in the external environment in which the Group operates. The most significant change that the Group has reviewed in relation to the management of risk in the 2022/23 financial year is the impact of the reclassification of the English college sector into the central government sector. A key implication of the reclassification is that there are new requirements relating to financial management oversight, with a particular focus on ensuring the effective management and use of public sector funds including value for money, set out in "Managing Public Money." To maintain the relevance and adherence of our Risk Management approach to the key principles outlined in "Managing Public Money" (honesty, impartiality, openness, accountability, accuracy, fairness, integrity, transparency, objectivity, and reliability), and the new Risk Categorisation Framework, the Group has undertaken a significant review of policies, documents, bite sized guidance and engaged with key stakeholders, seeking formal advice where required in relation to new strategic themes. This approach will instil trust and confidence in our ability to manage public funds and our compliance with legislation and regulatory requirements.

Risk Registers are fully embedded in every business unit and at Group level within LTE. The Registers are continuously updated via our software platform, Protecht, and formally reviewed and approved by the Executive Team on a quarterly basis and then subsequently by the Audit and Risk Committee.

The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Group and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risk throughout the Group.

The Group approach to risk management is defined and articulated within the Risk Management Policy Statement and Risk Management Arrangements. These documents are reviewed by Audit and Risk Committee and LTE Group Board on an annual basis.

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

Strategic Risks, Operational & Financial Risks:

STRATEGIC RISKS

Risk / Uncertainty: Macro-Economic Environment.

Macro-economic pressures, including inflationary pressure resulting in increasing union activity and industrial action to demand better pay rises, supply chain disruption and higher debt servicing costs. Not all income streams are indexed linked.

Mitigation

- Indexed linked contracts in some cases, particularly in Novus and funding rate increase for 16-19 year olds, with cost of living increases in respect of Adult Education (mainly devolved funding).
- Past performance demonstrates the Group's ability to effectively manage financial performance and cashflow.
- Income and cost contingencies are built into the financial plan to mitigate and aid management of any unanticipated in year financial impacts. We have included sensible and prudent levels of contingency and these levels have been maintained above pre pandemic levels reflecting the more challenging geo-political and macro – economic environment.

Risk / Uncertainty: Actual Reduction in Government Funding or Reduction in Real Terms.

Cuts in government funding, ESFA, MoJ, OfS, which could be made with minimal notice, making it very difficult to manage the implementation of medium-term strategies.

Apprenticeship funding is problematic, with no overall increase in funding levels since 2015, resulting in a substantial reduction in real terms, with a number of standards, economically unviable to deliver. The trading environment for apprenticeship providers remains challenging, with only a limited number of standards having been reviewed to date and having benefitted from a funding uplift.

Mitigation

The Group already has a diversified approach to income and is continuing to reduce its reliance on continued government funding through one single stream. We receive significant funding from a range of government departments, agencies and public bodies including the ESFA, MoJ, OfS, GMCA, as well as earning significant multi-year commercial contract income, full cost fee income and adult loans thus diversifying and spreading risk.

Total People are focusing its provision on commercially viable apprenticeship standards aligned to priority skills sectors, given employer disengagement, the lack of funding increases to keep pace with inflation, and the complexity and commercial implications of the funding rules.

Risk / Uncertainty: Education Sector Reform.

Education sector reform arising from the FE White Paper, which may include organisational structure change, and could limit autonomy to set strategy and curriculum, HE Policy Reform consultation including Civic universities and the repositioning of higher technical qualifications, the Prison Strategy White Paper for education including HMPPS structures and ways of working focused on employment outcomes, employer engagement and digital developments.

Mitigation

The Group has already conducted a significant review and analysis of the implication, short, medium and long term of the white papers and proposed reform within the context of the economic and political environment.

Regular dialogue with funding bodies and active participation in national consultations.

Risk / Uncertainty: Accountability Reform.

The new FE funding and accountability system, part of a wider set of reforms underway to transform the skills sector includes a duty to collaboratively plan. New statutory guidance places the responsibility for meeting local needs (in line with the Local Skills Improvement Plans) on the Governing Bodies of Further Education Colleges, Sixth Form Colleges, and FE Designated Institutions. Accountability reform has led to a growing number of accountability tensions as we seek to balance the needs of different stakeholders Dfe, GMC, MCC, GM Chamber and LSIP.

Mitigation

Active collaboration combined with experience of national and regional commissioning with national allocations and devolved allocations through GMCA ensures the College is well placed to respond.

By ensuring the College is rigorous in delivering high quality technical education, thus ensuring value for money for students and strong outcomes and student destinations into jobs aligned to the skills needs of Manchester and Greater Manchester.

Curriculum designed and delivered in line with local skills needs.

Risk / Uncertainty: Skills Devolution.

Although there is a broad agreement across the political divide on the need to build a high-wage, high-skill economy to drive up productivity and enable economic growth, the move to devolve skills policy from Westminster to the regions has created multiple overlapping layers of accountability and governance for providers to negotiate. Additionally, significant differences have already emerged between the AEB funding rates on offer in different parts of England where responsibility for allocating the adult education budget (AEB) to providers to develop the skills that local employers needed has been devolved.

Mitigation

The Group has already undertaken a significant review and analysis of the implication of skills devolution within the context of the economic and political environment, utilising LTE Group's Centre for Policy and Research. First LTE Group white paper on skills and devolution published in November 2023

Active collaboration with both the Conservative-run administration in Westminster and the Labour- led administration at the Greater Manchester Combined Authority

OPERATIONAL RISKS

Risk / Uncertainty: Prison Education Income

Re-procurement of prison education contract by MoJ with the new generation contracts (PES) due to start April 2025.

Additionally, the MoJ has introduced a market cap for the new contracts, which would result in a reduction in the Novus Prison Education Framework (PEF) contract size as we transition to the new Prison Education Service (PES) contract.

The timing of the next general election may also result in a delay to the awarding of the contract.

Mitigation

We are diversifying via tender bids (see below) to protect against any loss of income from the re-procurement of the prison education contract.

Continued strong performance and delivery with over 30 years' experience in offender rehabilitation provision, and a good track record. Novus is the market leading supplier of Prison Education.

New operating models are being designed for corporate support functions to reduce costs in line with lower income.

Risk / Uncertainty: Business Development

New business & retention, and our ability to deliver on contract wins for example within the offender learning sector.

Mitigation

We are diversifying via tender bids to protect our overall income levels. Recent contract successes include the retention of YES, the retention of HMP Berwyn, and contracts wins for the provision of education to HMPPS Parc and the subcontracted delivery of education at HMPPS Lowdham Grange, all of which have been successful mobilised in 22/23. We are awaiting outcomes on a number of additional prison education bids submitted.

Risk / Uncertainty: Tuition Fee Policy

Higher Education tuition fees are competitive locally and reviewed annually. For 2023/24 entrants all years' tuition fees range from £7,200 to £9,000, with the higher rate for the resource intensive subjects. The Teaching Excellence Framework rating supports the College position versus competition favourably. As more fees are payable by loan it is uncertain the impact this will have on learner numbers.

Mitigation

By ensuring the College is rigorous in delivering high quality technical education, thus ensuring value for money for students and strong outcomes and student destinations into jobs aligned to the skills needs of Manchester and Greater Manchester.

Close monitoring of the demand for courses as prices change and careful management of any fee increases.

A strong progression offer at level 4 and 5 in UCEN.

Risk / Uncertainty: Income Assurance

Income assurance underpinning EBITDA generation

Mitigation

As can be seen from the above we are very focussed on assuring the overall level of Group income. In addition, we hold a contingency at group level for unforeseen circumstances. We note the recent CSR's commitment to significant investment for reskilling and upskilling (especially of adults).

Risk / Uncertainty: Estates Strategy

The second phase of the estate's strategy presents risk to the organisation due the congested nature of the development site, change in how the Group must access borrowing facilities with associated new Government approval processes, the continued back drop of higher inflation, and the requirement to provide appropriate learning environments and an improved overhead cost base.

Mitigation

LTE Group already has a good track record in planning for, and mitigations for, any delays in the programme or overspends, securing disposal proceeds according to plan timetable and delivering EBITDA and estates strategy related savings to support debt service costs. A DfE grant and a capital loan have been secured for Phase 2.

Risk / Uncertainty: Core Infrastructure

Core Infrastructure - If we don't maintain efficient and robust business systems (e.g. core infrastructure, servers, as well as HR, Finance and Payroll systems), this could limit our ability to adapt to changes in the business environment and hinder the achievement of our vision.

Mitigation

The continued development of our Group Operations, a central professional support organisation, which has been of benefit across the whole Group. This organisation has achieved many nationally recognised industry standards in IT and Health and Safety.

Continued investment in core systems such as the finance system, the HR system, existing systems to support on-line learner enrolments and our on-line training system.

The group currently operate a highly resilient and complex twin data centre model. This ensures continuous operation should an entire data centre fail and aids in system maintenance. The equipment in the 2 data centres will be refreshed in the 23/24 utilising a hybrid cloud model from Hewlett Packard Enterprise. This solution will replace all of the servers, primary storage and networking in the data centres.

Risk / Uncertainty: Cyber Security

LTE is at risk of financial loss, disruption or damage to reputation resulting from the failure of its Information Technology systems. This could materialise in a variety of ways including deliberate and unauthorised breaches of security to gain access to information systems. The cyber security risk is growing across the sector.

Mitigation

Focus on cyber security and cyber essentials +, and maintenance of business continuity readiness to ensure that we remain resilient.

The Group maintains ISO 27001 accreditation and has its security controls, processes and technology independently audited to ensure that it remains effective or to assess where is requires additional investment.

Significant device refresh strategy, and rollout of multi-factor authentication to all colleagues completed.

Mandatory training for all colleagues.

Risk / Uncertainty: People & Change

Colleague Attraction, Recruitment and Retention given a high demand for talent within the sector, and the demand for trade and vocational skills. This is coupled with low pay relative to schools which persists as a fundamental issue for the sector.

Mitigation

Investing in our People through pay and flexible benefits, ensuring we have a reputation as employer of choice, in each of the markets we serve. Terms and conditions have been revised to help compete with pay scales in industry, schools and other colleges. Recruitment strategies within different job sector markets e.g., ex-forces, and "grow your own" initiatives are also being explored for certain roles.

We have further progressed with the mitigation of risk through a new recruitment framework, and additional resources within the Talent Acquisition Team.

Additional core funding 16-19 announced in July 2023 for colleges to address key priorities as they see fit, including tackling recruitment and retention issues in high-value technical, vocational, and academic provision.

FINANCE RISKS

Risk / Uncertainty: Financial Sustainability

Financial Sustainability - Failure to maintain the financial viability of the FE Corporation.

Mitigation

LTE Executive and Board have focussed heavily on cash management, creating contingencies in operating and capital expenditure, and doing the right things early, for example restructure where necessary to create sustainability.

The Group's current financial health grade is classified as "Good" as described above. This is largely the consequence of a consistently strong operating performance, management of cash and delivery on strategic objectives for over a decade. Notwithstanding that, ongoing vigilance is needed to guard against macro-economic pressures, government funding reductions, policy changes, or changes prompted by future Comprehensive Spending Reviews.

This risk is mitigated by rigorous budget setting procedures and sensitivity analysis, including real and active financial contingencies in budgets, regular in year budget monitoring, robust financial controls, exploring ongoing procurement efficiencies, tendering for new contracts with a focus, where possible, on long term multi-year contracts.

The Estates Strategy to rationalise the estate will generate operating efficiencies that underpin medium to long term sustainability.

The Group currently has total debt of £49.2m including bank debt of £20.9m with Santander, MCC of £8.8m and DfE £19m (which was commercial debt that has been successfully refinanced during 22/23 with the DfE). The EBITDA generation is at the appropriate level to service this debt.

The Group has a strong relationship with our external funders, Santander and MCC, who both attend regular stakeholder meetings on the estate's strategy.

Risk / Uncertainty: Pension Liabilities

Pension Liabilities - Maintain adequate funding to service future pension liabilities.

Mitigation

Teachers' Pension scheme the DfE published the delayed 2022 teacher pension valuation on Friday 3rd November 2023. There will be a 5-percentage point increase in employer contribution rates from 23.68% to 28.68%. This will apply in April 2024 for three years. The Association of Colleges has confirmed that the DfE will cover the costs for schools and colleges, but this is only certain for one year (2024/25) with anything beyond that depending on the next spending review i.e. colleges will be alongside schools in the group that will continue to get a grant to cover higher costs. The Group will continue to consider its strategic options given the potential increases in both TPS and Local Government Pension Scheme (LGPS) schemes.

In line with the requirements of FRS 102, the Group's share of the Local Government Pension Scheme (LGPS) is reported on the Group's balance sheet.

In 2021/22, the Group reported a surplus of £17m as at July 2022, this has reduced to £nil as at July 2023. Throughout 2022/23, the Group maintained the required employer contribution set out by GMPF of 18.1% (2021/22 18.1%). This rate will next be reviewed in March 2025.

The most recent actuarial valuation (the "funding valuation") carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that GMPF's assets, which at 31 March 2022 were valued at £29,324million (31 March 2019: £23,844m million), were sufficient to meet 104% of the liabilities (31 March 2019: 102%%).

Health and Safety

The number of RIDDOR incidents remained the same in 2022/23 at 9 incidents (2021/22: 9 incidents).

Policy and Arrangements

Stakeholders understand roles and responsibilities. Policies, procedures and guidance are appropriate to Group activities and available to stakeholders. Failure to deliver may result in non-compliance with regulatory requirements. An effective Safety, Health and Environment (SHE) policy provides direction and defines/communicates roles, responsibilities and authorities for identifying hazards, managing risks, preventing incidents and improving work processes. LTE Group will continually develop its organisational arrangements to ensure: a sensible and proportionate approach to SHE management is evident; foreseeable risks are controlled; colleagues, learners, partners and visitors understand roles and responsibilities.

Additional Controls:

- ISO 45001 Accreditation – certification achieved in August 2021.
- ISO 45001 Surveillance Audits annually.
- Internal Audit reviews.

Communication and Engagement

The Safety, Health and Risk Team have outlined a Safety Communication matrix as part of the Arrangements for SHE. This document underpins the Health and Safety Policy and is reviewed annually by the Group Board.

LTE Group encourages participation of colleagues, learners, partners and visitors. Positive behaviours are recognised and encouraged. The LTE Group encourage participation in SHE matters by:

- Raising stakeholder awareness of SHE performance and requirements.
- Embedding an understanding of hazard and risk.
- Encouraging stakeholder participation in SHE initiatives.
- Communicating SHE performance and requirements to stakeholders.

Additional Controls:

- Regular Safety Committee meetings.
- Inclusion of SHE on operational review agendas.
- Monitor progress against KPIs.
- Improved staff recognition.
- Greater emphasis on near miss and potential concern reporting.

Emergency Preparedness and Response

The Group has determined the need to prepare for, and respond to, potential emergency situations by.

- Planning actions to prevent or mitigate adverse impact from emergency situations.
- Establishing a planned response to emergency situations including provision of first aid.
- Providing training for the planned response to employees, relevant interested parties including employees under our control.
- Periodically testing and exercising the planned response capability.
- Evaluating performance and, as necessary, revising the planned response, including after testing and after the occurrence of emergency situations.
- Communicating and providing relevant information to all employees on their duties and responsibilities.
- Communicating relevant information to contractors, visitors, emergency response services, government authorities and, as appropriate, the local community.
- Considering the needs and capabilities of all relevant interested parties and ensuring their involvement, as appropriate, in development of the planned responses.

Going concern

The financial statements have been prepared on a going concern basis, which the Board of Governors considers to be appropriate for the following reasons.

Past performance demonstrates the Group's ability to effectively manage financial performance and cashflow.

The Board believes that the Group and Corporation will be able to continue in operation and meet their liabilities taking account of the current position and principal risks.

The Board have revisited the strategic plan from Autumn 2021, with the Group building a new plan for 2024 to 2028.

The formulation of the new Strategic Plan has been an iterative process. In July 2022, the LTE Executive Team presented the first iteration of the Strategic Plan to the Group Board with the final plan due to have been approved by the Group Board in December 2022. It was important that the final 5-year Plan was not 'locked' until this date to permit time to understand how important factors, with likely influence on underpinning planning assumptions, would be impacted by the election of a new prime minister (in September 22), the formation of a new cabinet with a potential shift in priority spending areas and / or new ministers in each of LTE's core sectors, who may have introduced different agendas or priorities for reform. In addition, the macro-economic environment remained a cause for concern, with an escalating economic crisis and high and persistent inflation.

On 29 November 2022, the Office for National Statistics (ONS) reclassified colleges into the central government sector. LTE Group is now subject to the framework for financial management set out in Managing Public Money.

At a summary level as the Group was setting out its new strategic plan, it was faced with both a substantial change in its operating environment, new funding arrangements, new intervention powers, new stakeholders, and a fundamental shift in its operating context from new approvals, new processes, governance, guidance, and compliance frameworks. Significant parts of the planned strategy had to be tested, re-tested and settled before we could formally set the plan and make forward commitments.

The strategy for 2024-2028, approved by the Group Board in July 2023 has established a set of new key strategic themes informed by both regional and national policy with all our organisation predicting a significant level of change in the near term 1-2 years and 3 years +, not least as reform will disrupt the sectors we operate within. Unpredictability continues to be the key theme in assessing our sectors, particularly with a further election pending within the next 18 months. We have therefore adopted a 2+3 approach for the purposes of financial planning.

Detailed operational planning underpins the financial budgeting process each year, ensuring that the financial income targets and associated costs are derived from robust curriculum and operational plans.

Income and cost contingencies are built into the financial plan to mitigate and aid management of any unanticipated in year financial impacts. The Budget for 2023/24 and the Plan for 2024/25 provide for a greater level of central contingency than in normal years, this will enable key elements of future strategy to progress, such as the diversification of income and contract / customer base, and more digitisation and automation to reduce central overhead and improve organisational effectiveness. Contingency levels have been maintained above pre pandemic levels.

A key part of the scenario testing work that went to the Board was a forward cash view supported by a detailed, integrated forward cash flow forecast.

These cash flow forecasts have been tested with sensitivities, including several reasonably possible downside scenarios, and are regularly updated and reviewed by both the Executive team and Board of Governors. Key risks such as reductions in funding, growth cases not being met, challenges to commercial income, the macro-economic situation including sticky and persistent inflation, the increase in the cost of debt funding and our estates strategy, along with reasonable mitigating actions, have been factored into the sensitivities which have been performed on the forward cash flow forecast.

The Group's recent cash performance has been strong, whilst borrowing has been lower than plan and reduced year on year.

The public sector refinancing of our existing revolving credit facilities with commercial lenders completed in July 2023. This replaced the revolving credit facilities previously with Santander with 2 DfE backed loans, a £16.5m DfE refinancing loan (replacing monies drawn) and a £15.6m capital loan facility (available to 31st March 2025) for Phase 1 and Phase 2 of which the first £2.5m was received in July 2023. Further development funding will be drawn down from this DfE capital loan facility to support remaining expenditure on Phase 1 and the Phase 2 estates build.

All Phase 1 disposals have been completed, with disposal proceeds exceeding business case. Marketing activity has commenced for Phase 2 disposals, with a significant level of interest.

Consequently, the Board of Governors is confident that the Group and College will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Equality, Diversity and Inclusivity

The LTE Group is committed to providing an environment where everyone is valued as an individual, and where learners and staff can work, learn, flourish and develop their skills and knowledge in an atmosphere of dignity and respect. One of the elements we encourage learners across the Group to focus on is progress. It is a key ingredient to their success, so it's important for our organisation to take positive steps forward too. It is heartening to see us build on the momentum of previous years by making progress with regards to equality, diversity and inclusivity in our Group.

Promoting equality is more than a statement of how we as a Group will meet statutory requirements, it is an essential part of how we operate and fundamental to the values and mission of our Group. They are a shared commitment across LTE Group, Novus, Novus Cambria, The Manchester College, UCEN Manchester, MOL and Total People.

We intend to promote equality and prevent discrimination through our role as:

- An Education Service provider
- An employer
- Community and/or business partner

The scope of the Strategy covers the nine 'protected characteristics' defined in law:

- Age
- Disability
- Gender Re-assignment
- Marriage and Civil Partnership
- Pregnancy and Maternity
- Race
- Religion and Belief
- Sex
- Sexual Orientation

The overall purpose of the Strategy is to ensure that for each of the 9 protected characteristics listed the Group will:

- Eliminate discrimination, harassment and victimisation.
- Promote equality of opportunity.
- Foster good relations between people from different groups.
- Celebrate what we have in common and capitalise on our diversity and recognise and take account of people's differences.
- Promote student and staff inclusivity through promoting the understanding of sex and gender, challenging stereotypes and prejudices.

It is also our job to continue to be ambitious in our goals for equality, diversity and inclusivity both for every student we teach and for every member of staff we employ. Through this Strategy we hope to characterise our vision to embrace our wider differences, respond to the changing political and legal landscape and ensure that we are furthering inclusivity in our policies and practice. We publish our Equality and Diversity updates annually online to ensure compliance with all relevant equality legislation including the Equality Act 2010. The Group also publishes its annual Gender Pay Statement in January, in accordance with legislation.

Amongst the Executive team, there have been significant changes in gender diversity and also positive steps taken to increase diversity within the membership of the LTE Group Board and the Co–optees group.

Disability Confident

The LTE Group is a Disability Confident employer and has undertaken to:

- ensure our recruitment process is inclusive and accessible.
- communicate and promote vacancies.
- offer an interview to disabled people.
- anticipate and provide reasonable adjustments as required.
- support any existing employee who acquires a disability or long term health condition, enabling them to stay in work.
- make a difference for disabled people.

The LTE Group seeks to achieve the objectives set out in the Equality Act 2010 (which brings together and restates the previous legislation in this area).

Each Operating Division complies with the Equality Act 2010 and the regulatory guidelines for its sector as appropriate, including funding regulations and MoJ guidelines for HM Prison Service.

Mental Health and Wellbeing

We recognise that we have a responsibility to create an environment that promotes student and staff wellbeing and that proactively supports student and staff mental health. We:

- Ensure that wellbeing and mental health work is led by a senior manager and supported by a member of staff with particular responsibility for mental health.
- Create an open and inclusive College ethos which includes respect and support for those with mental ill health.
- Promote equality of opportunity and challenge mental health stigma through curriculum teaching and also promote wellbeing through enrichment activities.

- Provide appropriate mental health training for staff.
- Engage the student body on mental health and wellbeing by working with the Students' Union and other student representative bodies.
- Ensure a consistent and positive approach to staff wellbeing.
- Provide targeted individual mental health support and where appropriate signpost to independent, external support services procured by the College.
- Provide relevant information to parents and carers.
- Further develop our effective links with local health and voluntary sector mental health groups.
- Promote the benefit that physical activity and sport has on mental wellbeing.

Black Lives Matter

Having observed events globally, the LTE Group felt it was important to reflect on actions that will make a real difference and help to deliver fundamental change that goes beyond making symbolic gestures. As a Group we have always been, and always will be, committed to standing up against racism, promoting inclusion and equality and educating against hate. However, during this period of reflection it became evident that we need to think about reshaping and re-educating our institution to make sustained and systemic change.

In response to this very clear civil rights issue, the Group Executive team are committed to supporting this long-term review, to re-education and change and to working together as a community to co-create a new future for our organisation. As such, we have started the process of engaging with our internal and external stakeholders and implementing change in earnest.

Phase 1

- Stakeholder engagement; including colleagues, stakeholders, students and Student Union.
- Re-education; through formal training for colleagues and students, targeted at improving equality and diversity and tackling unconscious bias.
- Independent support and challenge; through appointment of an external agency to ensure our response leads to fundamental, lasting and meaningful change.

Phase 2

- Introduction of role leading Equality, Diversity and Inclusion across the Group, recruited in June 22.
- Review findings from external agency as part of initial diagnostic and strategy development.
- Implementation of a 2 year Action Plan following agreement and approval of group strategy.
- Continuation of Independent support and challenge.
- Continuation of awareness raising and formal training for colleagues and students.

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 Group's auditors are unaware. 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 Group's auditors are aware of that information.

This Strategic Report was approved by order of the Corporation on 14 December 2023 and signed on its behalf, on 21 December 2023, by:

Philip Johnson
Chair of LTE Group Board

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the strategic report and financial statements of LTE Group to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2022 to 31 July 2023 and up to the date of approval of the strategic report and financial statements.

LTE Group endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to Colleges from the Association of Colleges in Code of Good Governance for English Colleges ("the Governance Code") and from March 2022 the Charity Governance code;
iii. including the Senior Post Holder Remuneration Code; and
iv. having due regard to the UK Corporate Governance Code 2018 ("the Code") insofar as it is applicable to the further education sector.

LTE Group is committed to exhibiting best practice in all aspects of Corporate Governance and in particular LTE Group has resolved to adhere to and comply with the Code of Good Governance for English Colleges and, from March 2022, the Charity Governance code. It has not adopted and therefore does not apply the UK Corporate Governance Code. However, the corporate governance arrangements of the Group draw upon best practice available and have due regard to the principles and guidance of the UK Corporate Governance Code, insofar as they apply to the further education and charity sectors.

At its meeting on 29th March 2022, the governing Board considered and confirmed its compliance with the provisions of the Charity Code of Governance, the Board having adopted this in March 2022. The LTE Group Board recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of Corporate Governance at all times. This includes compliance with the ongoing conditions of registration stipulated by the OfS. In carrying out its responsibilities, the Board took full account of the Code of Good Governance for English Colleges which was published by the Association of Colleges in March 2015, and which was formally recognised by the Board of Governors in May 2015. From March 2022, the Board took full account of the Charity Governance Code and continued observance of the AoC code on the remuneration of senior postholders.

LTE Group 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.

Corporation performance

The Corporation have commissioned an external board review to assess its performance for the year ended 31st July 2023, due to commence in January 2024.

Governors and co-opted members have undertaken mandatory training in relation to the Boards responsibilities for matters relating to safeguarding for example and training in relation to the Education inspection Framework. Additionally, members have participated in link visits including meetings with staff and students and prison visits.

LTE GROUP BOARD

The composition of the LTE Group Board is set out on page 51. It is the Board's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Group Board is provided with regular and timely information on the overall financial performance of LTE Group together with other information to enable it to discharge its strategic and statutory responsibilities under s.18 of the Further and Higher Education Act 1992. This includes information on performance against funding targets, proposed capital expenditure, estates strategy, quality matters and related matters such as risk, health and safety and environmental issues. The Group Board meets quarterly.

The Group Board conducts its business through a structure of Divisional Boards and cross group Committees. Each Board and Committee has terms of reference, which have been approved by the Group Board. For 2022/23, the Divisional Boards were: The Manchester College, UCEN Manchester, Novus and Group Operations. The cross-group Committees were: Audit & Risk, Governance, Remuneration and the Investment and Estates Strategy Group. From time to time the work of the Board may be augmented by Single Task Groups (STG), established under generic terms of reference as required. No STGs were convened during 2022/23.

In order to undertake effective and appropriate governance of the Group, the Group Board augmented the membership of Divisional Boards and cross group Committees with a number of co-optees with appropriate professional expertise.

Full minutes of all meetings, except those deemed to be confidential, are available on the LTE Group website www.ltegroup.co.uk or from the Governance & Legal Department at:

LTE Group, Whitworth House, Ashton Old Road, Openshaw Manchester M11 2WH

The Company Secretary & General Counsel maintains a register of the financial and personal interests of Governors and Co-optees. The register is available for inspection at the above address.

All Governors can take independent professional advice in furtherance of their duties at LTE Group's expense and have access to the Company Secretary & General Counsel, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Company Secretary & General Counsel are matters for the LTE Group Board as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to the LTE Group Board meetings.

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

There is a clear division of responsibility in that the roles of the Chair of the LTE Group Board and the Chief Executive Officer of the LTE Group are separate.

There were four ordinary meetings of the LTE Group Board in 2022/23, 18th October 2022, 15th December 2022, 28th March 2023, 18th July 2023.

APPOINTMENT TO THE LTE GROUP BOARD

Any new appointments to the LTE Group Board are a matter for the consideration of the Group Board of as a whole. The Governance Committee is responsible for the selection and nomination of any new member for the Group Board's consideration (other than staff and student members). The Group Board is responsible for ensuring that appropriate training is provided as required.

Members of the LTE Group Board are ordinarily appointed for up to three terms of office not exceeding three years.

Mr Garry Bridges was appointed for a term of office from 18th July 2023

Ms Amber Ahmed was appointed as a student Governor from 15th December 2022

Mr Malcolm Sugden was reappointed for a further term of office from 18th July 2023.

Mrs Ann Limb was appointed for a term of office from 1st January 2023

Mr Malcolm Todd was appointed for a term of office from 1st January 2023

MEMBERS

Those serving on the LTE Group Board during 2022/23 and up to the date of signature of this report are set out in the table below. This also lists which of the Boards of the subsidiary companies they served on during 2022/23:

Name	First appointed	Current appointment	Term of office	End o f membership	Reason	Status of appointment	Committees served	Attendance in 22/23
Lady Rhona Bradley	20.05.21	20.05.21	3 years			Independent member	Novus Board	11/13
Ms J Burden MBE	08.12.14	08.12.21	3 years			Independent member	TMC Board, Governance	4/8
Mrs P Cole	16.07.19	20.07.22	3 years			Independent member	Audit & Risk, Novus Board	18/21
Ms Amber Ahmed	15.12.22	15.12.22	1 year			Student member	UCEN MCR Board	3/5
Ms A Ephraim	1.01.21	1.01.21	3 years			Independent member	Novus Board	8/11
Mr N Garbett	19.10.21	19.10.21	3 years			Staff member		6/6
Cllr J Hacking	10.09.08	13.09.19	3 years	31.12.22	End of term of office	Independent member	TMC Board, UCEN MCR Board, Remuneration	3/4
Ms L Jacques	20.10.20	20.10.20	3 years	19.08.22	Retirement	Staff member		-
Mr P Johnson	08.12.15	08.12.21	3 years			Independent member	Group Operations Board, TMC Board, UCEN MCR Board, Investment & Estates Strategy Group, Governance, Remuneration	30/30
Mr P Lanigan	03.06.14	02.06.21	3 years			Independent member	Audit & Risk, Total People Ltd, Remuneration	16/19
Mrs Ann Limb	01.01.23	01.01.23	3 years			Independent member	TMC Board	4/7
Mr B J Lynch	14.12.10	12.12.20	3 years			Independent member	Novus Board, Group Operations Board, Total People Ltd, Governance	19/23
Mr T Sargeant	13.09.19	20.07.22	3 years			Independent member	Group Operations Board	9/10
Mr M Sugden	18.07.17	18.07.23	3 years			Independent member	Audit & Risk, Novus Board, Novus Cambria, Remuneration	21/22
Mr J Thornhill	01.10.12	01.10.12	Ex officio			CEO	Total People Ltd, Novus Cambria, Investment & Estates Strategy Group	20/25
Mrs P Waterhouse OBE	12.12.13	12.12.20	3 years	31.12.22	Resignation	Independent member	TMC Board	3/3
Mr Malcolm Todd	01.01.23	01.01.23	3 years			Independent member	UCEN MCR Board	6/7
Mr A White	25.05.18	25.05.21	3 years			Independent member	Investments and Estates Strategy Group	12/12
Mr Garry Bridges	18.07.23	18.07.23	3 years			Independent member	TMC Board	0/0

Members' attendance is calculated on the basis of the actual number of meetings attended out of the potential total number of meetings for each member. The potential total number of meetings differs for each member, based on the number of boards/committees they sit on.

Includes both ordinary and special Group Board meetings and ordinary and special Committees or Divisional Boards as appropriate.

Lady Rhona Bradley is the appointed safeguarding nominated governor for LTE Group.

Mrs Lorna Lloyd-William served as Company Secretary & General Counsel (which encompasses the role of Clerk to the Board of Governors).

Co-optees

To enhance the effectiveness of its governance profile LTE Group Board appoints a number of Co-optees to Divisional Boards and Committee with specific professional skills and knowledge. These individuals add specific professional skills and knowledge to the membership of that Board/Committee and do not act in the capacity of trustee.

The following appointments were made by LTE Group Board during the year:

Ms Catherine Hill was reappointed as a director of Total People for one further year from 29th March 2023

Mr M Bruce was reappointed as a director of Total People for one further year from1st August 2023

Name	First appointed	Current appointment	Term of Office	End of Appointment	Board or Committee
Ms J Atherton	16.09.22	16.09.22	3 years		Group Operations
Mr Ged Barlow	02.04.19	01.04.22	3 years		Total People Ltd
Mr M Bruce	01.08.22	01.08.23	1 year		Total People Ltd
Mr N Carberry	16.09.22	16.09.22	3 years	14.11.23	Total People Ltd
Mr Mark Dewhurst	21.11.22	21.11 .22	3 years		Investment & Estates Strategy Group
Miss Louise Durose	31.07.16	31.07.22	3 years		Total People Ltd
Mr Justice Ellis	01.01.21	01.01.21	3 years		The Manchester College, UCEN MCR
Mr Mark Fletcher	01.01.21	01.01.21	3 years		The Manchester College
Ms Catherine Hill OBE	02.04.19	02.04.22	3 years		The Manchester College, Total People Ltd
Mr M Todd	16.09.22	16.09.22	3 years		UCEN MCR
Mr Philip Wheatley CB	20.05.21	20.05.21	3 years		Novus
Mr Leo Nicholas	14.10.21	14.10.21	1 academic year	31.07.22	The Manchester College
Mr M Todd	16.09.22	16.09.22	3 years		UCEN MCR
Mr Philip Wheatley CB	20.05.21	20.05.21	3 years		Novus

GOVERNANCE STRUCTURE

As part of its strategic plan LTE Group has operated within a governance framework structured to recognise the delivery of education, skills and services by business unit and to enable a more detailed oversight, scrutiny and accountability of its operation. This is ameliorated by a series of cross group committees with oversight of key areas of accountability which impact the Group as a whole. Divisional Boards have been established to assure detailed governance and oversight of the Group's business units. None of the Divisional Boards have any powers of determination, other than those which may be granted explicitly by the Board for a specific purpose but are instead required to give assurance to the Board on the performance of the unit or recommend a course/courses of action for determination by the LTE Group Board. The cross-group committees in operation during the year were: Audit & Risk, Governance, and Remuneration. The Investment and Estates Advisory Group has also been established to oversee the significant Estates Strategy currently being undertaken by the Group.

In furtherance of the social mission of the Group, four subsidiary companies either owned or controlled by the Group exist to deliver education and training under specific contracts or remits, with a third subsidiary existing to deliver specialist support services for education contracts. As companies and separate legal entities these operate under their own Articles of Association but the majority of Directors in each instance are appointed by the LTE Group Board.

REMUNERATION COMMITTEE

Throughout the year ended 31 July 2023, LTE Group's Remuneration Committee comprised Mrs P Cole, Mr P Johnston and a member of the Audit & Risk Committee ex officio (in each instance being either Mr P Lanigan or Mr M Sugden), and in attendance was the Company Secretary. Cllr J Hacking also sat on the committee until the 31st December 2022. The Committee's responsibilities are to make recommendations to the Board of Governors on the remuneration and benefits of the CEO and other senior post holders.

The LTE Group Board has adopted the AoC Senior Post Holder Remuneration Code and has considered all matters relating to senior post holder terms and conditions, including pay, in line with this. The AoC Code reflects the regulatory guidance on disclosure of senior post holder pay as required by ESFA and OfS.

Details of remuneration for the year ended 31 July 2023 are set out in note 10 to the financial statements. The Committee met on four occasions during 2022/23.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee comprised Mr P Lanigan, Ms P Cole and Mr M Sugden. In attendance were the Company Secretary; representatives of LTE Group's external auditors KPMG LLP, LTE Group's internal auditors RSM and Group Officers, including the Chief Finance Officer and MD Group Operations.

The Committee operated in accordance with written terms of reference approved by the LTE Group Board. Its purpose is to advise the Group Board on the adequacy and effectiveness of LTE Group's system of internal control and its arrangements for risk management, control and governance processes.

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

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

The Audit & Risk Committee advises the LTE Group Board on the appointment of both the internal and the regularity and financial statements auditors and on their remuneration for audit and non-audit work. The Audit & Risk Committee reports annually to the Group Board.

Other duties include:

i. the scrutiny of the Financial Statements/Report of Members.
ii. to review LTE Group's Financial Statements.

iii. to review arrangements for securing value for money, solvency and safeguarding assets.
iv. to monitor compliance in respect of the statutory duties of the corporation including but not limited to fraud, bribery, money laundering, public interest disclosure, health and safety and data protection.

The Committee met on three occasions in 2022/23.

INVESTMENT AND ESTATES ADVISORY GROUP

The Investment and Estates Strategy Group was established to have oversight of the investment and estates strategy of the Group. The Investment and Estates Strategy Group comprised Mr P Johnson, Mr J Thornhill, Mr A White, Mrs A Close and Mr M Dewhurst (from 21st November 2022).

The Committee met on five occasions during 2022/23.

GOVERNANCE COMMITTEE

The Committee has oversight of the development and standards of governance in the Group; including the performance of the Board and individual governors; it is required to make recommendations in respect of the skills needs of governors and co-optees required to deliver effective governance and from 2020 also has the remit to consider appointments prior to recommendation to the Board. The membership of the Committee comprised Mr B Lynch, Mr P Johnson, Mr M Sugden (from 16th September 2022), Mrs R Bradley (from 28th March 2023) and Mrs L Lloyd-Williams.

The Committee met on four occasions during the year.

DIVISIONAL BOARDS

All Divisional Boards are required to undertake the following duties as they relate to the relevant business area:

1. To monitor the performance of the relevant provision of the College against targets set by the Corporation.
2. To develop relevant strategy.
3. In respect of the relevant provision, to have oversight of:
   i. the quality of teaching and learning (or delivery of professional services).
   ii. the learner/customer voice
   iii. the financial performance against budget.
   iv. health & safety, safeguarding and equality & diversity.
   v. risk management.
   vi. HR/IT.
4. To escalate any issues arising from the above to the attention of the Board of Governors.
5. To approve any policies specific to the delivery of relevant provision, as delegated by the Board.
6. In respect of the relevant provision, to consider any business case or investment plan prior to its recommendation to the Board.
7. In undertaking the above the Divisional Board shall undertake appropriate engagement with relevant staff and student bodies.

The Manchester College Divisional Board

Throughout the year ended 31 July 2023 the membership of The Manchester College Divisional Board was made up of Ms J Burden MBE, Mr J Ellis, Cllr J Hacking (until 31st December 2022), Ms C Hill OBE, Mrs L O'Loughlin (until 31st December 2022), Mr P Johnson, and Mrs P Waterhouse OBE (until 31st December 2022), Dame Ann Limb (from 1st January 2023), Mrs R Curry (from 1st January 2023)

The Board met on four occasions in 2022/23.

UCEN Manchester Divisional Board

Throughout the year ended 31 July 2023 the membership of the UCEN Manchester Divisional Board was made up of Mr J Ellis, Cllr J Hacking (until 31st December 2022), Mr P Johnson, Mrs L O'Loughlin (until 31st December 2022) and Mrs R Curry (from 1st January 2023)

The Committee met on three occasions in 2022/23.

Novus Divisional Board

Throughout the year ended 31 July 2023 the membership of the Novus Divisional Board was made up of Lady R Bradley, Mr B Lynch, Mrs P Cole, Mr P Cox, Ms A Ephraim, Mr M Sugden, Mr P Wheatley CB.

The Board met on four occasions in 2022/23.

Group Operations Board

Throughout the year ended 31 July 2023 the membership of the Group Operations Divisional Board was made up of Mr B Lynch, Ms A Hunter, Mr P Johnson, and Mr T Sargeant and Ms J Atherton (from 16 September 2022).

The Board met on three occasions in 2022/23.

WHOLLY OWNED OR CONTROLLED SUBSIDIARIES

Total People Limited

Throughout the year ended 31 July 2023 the membership of the Board of Total People Limited (a wholly owned company limited by shares) was made up of Mr B Lynch, Mr P Lanigan, Ms L Durose, Mr G Barlow, Ms M Nicholson, Mrs A Close, Mr J Thornhill, Mr M Bruce, Mr N Carberry, (from 16 September 2022 to 14 November 2023) and Ms C Hill OBE (from 29 March 2022). Mrs L Lloyd-Williams was appointed Company Secretary.

The Board met on five occasions during 2022/23.

Novus Cambria (A company limited by guarantee)

Throughout the year ended 31 July 2023 the membership of the Board of Novus Cambria (a joint venture company limited by guarantee and linked charity in partnership with Coleg Cambria) was made of Mr M Sugden, Ms M Nicholson, Mr J Thornhill, Mr P Cox, Mr S Jackson, Ms Y Williams, Mr T Wheeler. Mrs L Lloyd-Williams was appointed Company Secretary on 26 September 2022.

The Board met on five occasions in 2022/23.

Novus Gower Limited

Throughout the period ended 31 July 2023 the membership of the Board of Novus Gower (a joint venture private limited company in partnership with Gower College Swansea) was made of Mrs P Cole, Mr P Cox. Mr M Jones, Ms M Leyshon, Ms A Platt, Mr J Thornhill and Ms C Jenkins. Mrs L Lloyd-Williams was appointed Company Secretary.

The Board met on three occasions in 2022/23.

Novus-Transforming Lives Limited

Throughout the period ended 31 July 2023the membership of the Board of Novus-Transforming Lives a wholly owned company limited by shares) was made up of Mr P Cox, Mr M Sugden (Chair),Mr J Thornhill and Mr P Wheately. Mrs L Lloyd-Williams was appointed Company Secretary.

The Board met on two occasions in 2022/23.

LTE Professional Services Limited

Throughout the year ended 31 July 2023 the membership of the Board of LTE Professional Services Limited (a wholly owned company limited by shares) was made up of Mrs A Close, Mr P Cox and Ms A Hunter. Mrs L Lloyd-Williams was appointed Company Secretary.

The Board met on one occasion in 2022/23.

INTERNAL CONTROL

Scope of Responsibility

The LTE Group Board is ultimately responsible for LTE Group'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 Group Board has delegated the day-to-day responsibility to the Chief Executive Officer, as Accounting Officer. The CEO is responsible for maintaining a sound system of internal control that supports the achievement of LTE Group's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Funding agreement between LTE Group and the funding bodies. He is also responsible for reporting to the Group Board any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Group 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 at LTE Group for the year ended 31 July 2023 and up to the date of approval of the strategic report and financial statements.

LTE Group retains the internal audit services of RSM Risk Assurance Services LLP, who conducts an annual programme of internal audit assurance and reports to the Audit & Risk Committee. In addition, the Finance Department monitors the implementation of the internal auditors' recommendations and reports separately on these to the Audit & Risk Committee.

Capacity to Handle Risk

The LTE Group Board has reviewed the key risks to which LTE Group is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Group Board is of the view that there is a formal ongoing process for identifying, evaluating and managing LTE Group's significant risks. This process has been in place for the year ended 31 July 2023 and up to the date of approval of the strategic report and financial statements. The process is regularly reviewed by the Audit & Risk Committee and the LTE Group Board.

The Risk and Control Framework

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

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

The Group's Safety Health and Environment (SHE) and Risk Director is responsible for LTE Group's Corporate Risk Register and oversees the development and delivery of an Action Plan to manage identified risks. The Risk Register and Action Plan are reviewed by the Risk Management Group which meets regularly and consists of the senior managers responsible for the identified areas of risk. The work of this group is reviewed by the MD Group Operations and reported regularly to LTE Group's Audit & Risk Committee and LTE Group Board.

LTE 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 the analysis of the risks to which LTE Group 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 Group Board on the recommendation of the Audit & Risk Committee. As a minimum annually, the internal auditor provides the Group Board with a report on internal audit activity in LTE Group. The report includes the internal auditor's independent opinion on the adequacy and effectiveness of LTE Group's system of risk management, controls and governance processes.

Risks Faced by the Corporation

LTE Group considers risk management to be an ongoing process and a key component of decision making and strategic planning. The Group acknowledges that effective risk management is essential for effective governance and realisation of strategic objectives and ambitions.

Ultimately, it is the LTE Group Board who is responsible for determining the nature and extent of the principal risks, it is willing to accept in order to achieve the Group's strategic objectives.

The risk management process is overseen by the Audit & Risk Committee, to gain the necessary assurances on the efficacy of the process, to relay to the Board. The Board, through the Audit Committee, and/or where appropriate through other ad-hoc due diligence groups, evaluates the risks inherent in all major plans and proposals, including the identification of the steps that would be required to mitigate, eliminate and control such risks. This includes evaluation and review of business, strategic, operational, compliance and financial risks. Please see the principle risks and uncertainties section with the strategic report for a list of the principal risk factors that may affect the Group.

Underpinning the risk management processes is the Risk Management Policy, which describes the Group's approach to risk management and defines the roles and responsibilities of the various committees/forums and colleagues involved in the risk management process. In addition to the Risk Management Policy, the Group also has Risk Management Arrangements in place which provides more detailed explanations of risk management activities, including the processes for identifying, assessing and reporting risk information.

Roles and responsibilities relating to risk management processes are detailed separately within the Risk Management Policy and the Risk Management Arrangements. This includes arrangements and timeframes in place for reviewing risk registers across the Group's governance framework.

All colleagues across the Group's business units are required to complete an online risk management training module as part of the Group's mandatory training requirements. The Group SHE and Risk Director receives a monthly training completion report highlighting completion levels in business units so that action can be taken to address any areas where completion levels are below target.

Control Weaknesses Identified

The external and internal auditors have not identified any significant areas of weakness or significant deficiencies in internal control during the course of their audit work for the year ended 31 July 2023.

Responsibilities Under Funding Agreements

The Members of the Corporation are collectively responsible for observing the duties set out in the grant funding agreements and contracts with the ESFA and any other relevant funding bodies.

A number of these responsibilities, and how the Group has met them, are addressed elsewhere in these financial statements. Namely, the requirement to have an Audit and Risk Committee (page 53), accountability to parliament and the requirement to have appropriate financial and management controls in place (pages 58 and 71), responsibilities relating to the accounts (page 71), and the requirement to produce a statement of regularity, propriety and compliance (page 70).

Regarding the Corporation's other contractual responsibilities, these have been met as follows:

Articles of Government

As required, the Corporation has Articles of Government, which set out the main responsibilities of the Corporation, including the effective and efficient use of resources, its solvency, and the safeguarding of its assets.

Incoming resources and funding validation

The Corporation has approved policies in place for identifying and complying with specific terms attached to incoming funding. During 2022/23, the Corporation completed and returned all necessary funding claims and returns, which were reconciled to the specific eligible costs incurred and/or activities delivered. The Corporation also has processes in place to ensure it is aware of funding rules and the evidence required to demonstrate learner eligibility. These processes include internal auditor controls, internal funding validation routines (including weekly ILR production), error free validated ILR Returns, Provider Data Self-Assessment Toolkit and Funding Rules Monitoring Reviews.

Sub-Contracting

In 2022/23, the Corporation ensured it complied with all subcontracting requirements, and submitted signed subcontracting standard assurance declarations to the ESFA for both The Manchester College and Total People.

Fraud, regularity and reporting

The Corporation has established robust internal controls to prevent and manage fraud, irregularity, theft, bribery, corruption. These are communicated to all colleagues via the Group's financial regulations, anti-bribery and corruption policy, and the counter-fraud policy and fraud response plan. Regular reviews of processes and controls are performed, with new or improved processes and controls introduced, as and when deemed necessary.

Statement from the Audit & Risk Committee

The Audit & Risk Committee has advised the Group Board that the corporation has an effective framework for governance and risk management in place. The Committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the Audit & Risk Committee in 2022/23 and up to the date of the approval of the financial statements are:

Internal Audit

In Spring 2023, the tender for internal audit services was carried out in a timely manner. RSM were re-appointed internal auditor for LTE Group for a period of two years from 1 August 2023 (with the option to extend for a further two years).

The Committee considered the 2022/23 Internal Audit Strategy and recommended it for approval to the Group Board. As set out in that strategy, during 2022/23, the Group's internal auditor, RSM, has completed several audits and advisory reviews. The Committee receive regular reports from RSM, which provide an independent opinion on the adequacy and effectiveness of the Group's system of internal control and risk management, together with any recommendations for improvement and timescales for implementation.

External Audit

The Committee is responsible for approving the external audit strategy and planning memorandum and for communicating with the external auditor, KPMG, on the audit approach, reporting timetables and findings. KPMG presented their Audit Plan and Strategy to the Committee in July 2023, and the Committee considered and discussed the risks identified within this document. At the November 2023 meeting, the Committee reviewed KPMG's report on the 2022/23 audit.

The Committee have also performed their annual review of the Group financial statements before they are presented to the Group Board, focusing on accounting policies, compliance with accounting standards, and the findings of the external auditor.

Health and Safety

In 2022/23, the Committee maintained oversight of the implementation of health & safety practices and risk assessments across the Group. The Committee was assured, via regular detailed reporting, that robust procedures and processes were in place to ensure the effective discharge of its responsibilities under health & safety legislation by the Board.

Strategic Risk Management

The Risk sections above outline the Group's risk management process and the role of the Committee in this process.

Other

Other Committee activities during 2022/23 included oversight of any subject access or freedom of information requests and of public interest disclosures and oversight of the fraud register and gifts and hospitality declarations.

Opinion

Having considered all the above, the Committee is of the opinion that adequate and effective assurance arrangements are in place and that the framework of governance, risk management and internal control processes allow for the effective and efficient use of resources, maintains the solvency of the institution and ensures the safeguarding of its assets.

Review of Effectiveness

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

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

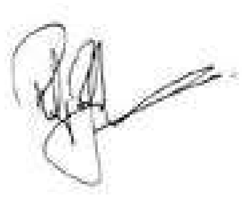
The CEO has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit & Risk Committee which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the department and reinforced by risk awareness training. The Executive Team and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The LTE Group Board of Governors includes as a standing part of any report presented to it a section for consideration of risk and control. This is in addition to reports on key strategic risks from the senior management team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2023 meeting, the LTE Group Board carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2023.

Based on the advice of the Audit & Risk Committee and the CEO the LTE Group Board is of the opinion that LTE Group has an adequate and effective framework for governance, risk management and control. The LTE Group Board is of the opinion that LTE Group has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Approved by order of the members of the Corporation on 14 December 2023, and signed on its behalf, on 21 December 2023, by:



Philip Johnson
Chair of LTE Group Board

John Thornhill
Chief Executive Officer

STATEMENT ON MODERN SLAVERY 2022/23

This statement is made in accordance with section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 31st July 2023.

Introduction

This statement sets out the actions taken by LTE Group to understand all potential modern slavery risks related to its business and the steps taken by the Group aimed at ensuring that there is no slavery or human trafficking in its own business or supply chains. This statement relates to the group's actions and activities during the financial year ending July 2023 to meet the requirements of Section 54 of the Modern Slavery Act 2015.

LTE Group recognise that modern slavery is a significant global human rights issue and includes human trafficking. Our commitment is reflected throughout our values which are the key ideas and principals that people within our organisation and partners believe are important and they define the way we work. The Group is committed to combatting modern slavery and human trafficking and to acting with integrity in all its relationships.

Our structure

We are an exempt charity and a statutory corporation in receipt of public funds for the delivery of education and training under the regulation of the Secretary of State for Education. This statement covers LTE Group, its trading divisions, subsidiaries and joint ventures (including but not limited to The Manchester College, UCEN Manchester, Novus, MOL, Total People Ltd, LTE Professional Services Ltd, Novus Gower Ltd, Novus Transforming Lives and Novus Cambria Ltd).

Our business

The Manchester College delivers further education delivery, UCEN Manchester higher Education delivery, Novus delivers learning and skills in custodial settings, Total People delivers work based learning) and MOL blended distance learning.

Our supply chain

We buy products and services from suppliers across UK, Europe and worldwide. Some are for re-sale and others we use in our own businesses for the provision of education.

Our procurement function is responsible for sourcing the goods and services we need to run our businesses. We buy from approximately 1349 suppliers across 5 categories: Education & Learning, Property & Facilities, HR & Professional Services, Technology and Marketing. In 2022/23, we spent over £57M, mainly through our top 430 managed suppliers. Our largest spend category is Estates, which accounts for approximately 14% of our total spend.

Spend > £300k per supplier is concentrated in 35 suppliers.

Identified risks and steps being taken

The Group has assessed its risk as low and identified the following areas of processing activities that may attract risk associated with modern day slavery and human trafficking:

- in its supply chains
- through the use of agency or temporary staff
- through staff recruitment
- students

Supply chains

LTE Group expects high standards from its suppliers and partners.

Through its Procurement Policy LTE Group ensures that all purchasing is based on good practice and meets its strategic objective to embed sound ethical, social and environmental policies within LTE Group's procurement function and to comply with all relevant legislation in all aspects of purchasing.

LTE Group has adopted a corporately managed and co-ordinated approach to procurement including developing robust supplier and selection mechanisms to produce quality service providers, using modern procurement practices including strategic partnering contracts, sharing services and consortium working. LTE Group work with purchasing consortia such as Crescent Purchasing Consortia, Crown Commercial Services and other such Associations who are responsible for co-ordinating procurement contract negotiations, assisting in Tendering, maintaining supplier lists, and to ensuring compliance with all relevant purchasing legislation.

The LTE Group is dedicated to procuring goods, works and services for its operating divisions without causing harm to others. In so doing, The LTE Group is committed to supporting the UK Government's approach to implementing the UN Guiding Principles on Business and Human Rights. The LTE Group procures a large amount of goods, works and services from National Frameworks, who will as part of European Tendering Legislation, have undertaken enquiries and evaluations into the wide range of products that are supplied, many of which are sourced from overseas manufacturers who operate in low-cost countries where modern forms of slavery are prevalent.

For those suppliers that fall into higher-risk areas, these will be asked to commit to the ETI Base Code of the Ethical Trading Initiative (ETI). The ETI Base Code is founded on the conventions of the International Labour Organisation (ILO) and is an internationally recognised code of labour practice, requiring that:

- Employment is freely chosen;
- Freedom of association and the right to collective bargaining are respected;
- Working conditions are safe and hygienic;
- Child labour shall not be used;
- Living wages are paid;
- Working hours are not excessive;
- No discrimination is practised;
- Regular employment is provided; and
- No harsh or inhumane treatment is allowed.

To ensure compliance with the requirements of the Modern Slavery Act in the procurement of goods and Services, LTE Group has implemented A Supplier Code of Conduct which our suppliers and supply chain are required to comply with. This is attached as an appendix to this statement.

All purchases are subject to the LTE Group Official Purchasing Terms and Conditions.

Employment of staff through recruitment agencies and other sources

The Group recognises that a further high-risk area of modern slavery is the use of temporary staff recruited indirectly by the Group through supply agencies or recruitment agencies. When the Group requires the services of temporary staff, these staff are only sourced through established and accredited companies who can provide the Group with assurance that they comply with the requirements of the legislation.

Direct employment of staff

Although the Group recognises that the risk level is lower in respect of the direct recruitment of staff, there are robust policies and procedures in place to support Safer Recruitment in Education. The Group believes that this reduces the minimal risk of the occurrence of modern slavery by strict adherence to the Group's recruitment and selection policies and procedures. In addition, the Group has a whistleblowing policy through which concerns of any wrongdoing or malpractice can be raised.

Students

The Group has in place clear safeguarding policies and processes through which students can obtain assistance, support and advice on any concerns raised that may pose a risk to their wellbeing and also has strong external relationships with the statutory services available to minimise risk.

Policies in relations to slavery and human trafficking

We keep under review our colleague policies, procurement supplier and supply chain policies and processes, to ensure that they reflect best practice and support our objectives in this area. Our requirements are set out clearly in all of our documentation including the attached Supplier Code of Conduct and Modern Slavery is referenced in the following documents issued to suppliers and the following policies:

Supplier and Supply Chain Policies

- Doing Business with LTE Group – page 6
- LTE Group Generic Terms and Conditions – section 16
- Procurement Policy
- Anti-Bribery and Corruption Policy
- Anti-Money Laundering Policy

Colleague Policies

- Whistleblowing Policy
- Recruitment Policy
- Voluntary workers policy
- ED&I Policy
- Safeguarding policies
- Eligibility to work in UK

Due diligence processes

As well as the regular review of all policies which reference modern slavery and human trafficking, LTE Group undertakes the following processes to fulfil our commitments:

- Where a contract or framework agreement is being used to procure goods, works or services the Group works with the contractor/framework agreement operators who are undertaking risk management of modern slavery and human trafficking within their supply chains on behalf of the organisations using the framework.
- Where the Group is entering into a sub-contracting arrangement with partner providers, we have ensured their management and staff are aware of the objectives of the Modern Slavery Act 2015 and have appropriate safeguards in place as part of the due diligence process.
- Where a framework is not being utilised for the procurement of goods, works or services the Group undertakes a risk-based approach based on the size and scale of the organisation, with due diligence conducted as required to identify and assess potential modern slavery risks in our supply chains.
- A combination of procedures and functions operates to help identify, assess, and monitor potential risk areas in our supply chains and mitigate the risk of slavery and human trafficking occurring in our supply chain.

Measuring Effectiveness and Implementing Performance Indicators

To measure our impact this year we will:

1. Supplier Engagement: review our approach to further improve our understanding of areas of risk across our supply chain and seek to identify opportunities to foster collaboration and shared learning with our Top Suppliers on modern slavery risks and challenges.
2. Training and Awareness: Log the number of employees accessing modern slavery training/awareness materials.
3. Investigations: Record the number of incidents and investigations conducted into reported cases of modern slavery, including internal and external investigations.

Training and capacity building on modern slavery and human trafficking

Over the next 12 months the Group will take steps to review its training programmes and what internal training is required for Group staff on issues related to modern slavery and human trafficking.

Next steps

In addition to continuing our approach as outlined above, to measure our impact this year we will:

1. Supplier Engagement: review our approach to further improve our understanding of areas of risk across our supply chain and seek to identify opportunities to foster collaboration and shared learning with our Top Suppliers on modern slavery risks and challenges.
2. Training and Awareness: Log the number of employees accessing modern slavery training/awareness materials.
3. Investigations: Record the number of incidents and investigations conducted into reported cases of modern slavery, including internal and external investigations.
4. Professional procurement staff will undertake and complete the Chartered Institute of Procurement & Supply (CIPS) e-learning module "Ethical Procurement and Supply" on a regular basis.

Overall responsibility for modern slavery sits with our Board, and our Modern Slavery Statement is signed off by our Group Chair. This statement will be reviewed annually by the Group Board

Supplier code of conduct

LTE Group endeavours to engage with suppliers, sub-contractors and strategic partners who treat their workers with dignity and respect, adhere to applicable laws and regulations, and provide their goods, works or services in an environmentally sustainable manner. It is the organisations policy to request our Supply Chain to respect the principles of our Supplier Code of Conduct and adopt practices which comply with it. LTE Group expect our suppliers, sub-contractors and strategic partners undertake to commit to the following requirements:

Employment Practices

- To comply with all employment laws applicable to its business.
- Must not use child labour which prevents children from complying with compulsory schooling or training, being harmful to their health or development.
- Must make no use of forced or compulsory labour.
- Must comply with national law and regulations regarding working hours, wages, benefits and written employment conditions.
- Must not discriminate unlawfully in its employment decisions based on: age, disability, race (including colour, nationality, ethnic group), religion or belief, sex, sexual orientation, trans gender, pregnancy or maternity, marriage or civil partnership, trade union membership or political affiliation.
- Shall not treat its workers in an inhumane or harsh way including harassment, bullying, physical or verbal abuse or other forms of intimidation.
- Must notify its employees of the applicable supplier code of conduct.

Environmental

- All waste materials and production by-products should be disposed of properly and in an environmentally responsible manner.
- All local laws and regulations must be met and operations conducted in a manner that conserves resources.
- LTE Group expect our Supply Chain to share our commitment to a clean and safe environment.
- LTE Group encourage initiatives to reduce the impact on the environment, particularly through the use of environmentally-friendly technologies.
- LTE Group's Supply Chain shall agree to respect local and international environmental regulations and standards.
- LTE Group's Supply Chain shall be able to prove the effective implementation of the following requirements: The existence of an environmental management system, possibly ISO 14001 or EMAS certified.

Health and Safety

- Employers must provide a safe and healthy work environment.
- Fire prevention equipment must be accessible (in factory and dormitory facilities), and employers are responsible for conducting fire prevention and evacuation training.
- Dormitory housing should provide clean and adequate space for employees with sanitary facilities and water supply.
- Restrooms should be clean and available for all employees.
- The supplier must have a plan for emergencies.

Ethics and Integrity

- LTE Group's Supply Chain must not offer or give, any gift or consideration of any kind as an inducement or reward for doing or refraining from doing or for having done or refrained from doing, any act in relation to the obtaining of any contract with LTE Group, or for showing or refraining from showing favour or disfavour to any person in relation to the Contract or any such other.
- LTE Group's Supply Chain must comply with all anti-bribery and anti-corruption laws applicable to our business, including the Bribery Act 2010 and the Prevention of Corruption Act 1889 to 1916.

LTE Group reserves the right to request details of how its Supply Chain complies with this Supplier Code of Conduct and expects the application of principles of the Code with their Supply Chains.

GOVERNING BODY'S STATEMENT ON LTE GROUP'S REGULARITY, PROPRIETY AND COMPLIANCE WITH FUNDING BODY TERMS AND CONDITIONS OF FUNDING

Statement of the Accounting Officer

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

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

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

John Thornhill
Chief Executive Officer
Date: 21 December 2023

Statement of the Chair of LTE Group Board

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.

Philip Johnson
Chair of LTE Group Board
Date: 21 December 2023

STATEMENT OF THE CORPORATION RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT AND THE FINANCIAL STATEMENTS

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

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

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

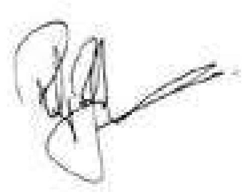
The corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

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

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

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

Approved by order of the members of the Corporation on 14 December 2023 and signed on its behalf, on 21 December 2023, by:



Philip Johnson
Chair of LTE Group Board
Date: 21 December 2023

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LTE GROUP

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of LTE Group ("the Group") for the year ended 31 July 2023 which comprise the Consolidated and Corporation Statements of Comprehensive Income and Expenditure, the Consolidated and Corporation Statement of Changes in Reserves, the Consolidated and Corporation Balance Sheets, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Corporation's affairs as at 31 July 2023, and of the Corporation's income and expenditure, gains and losses and changes in reserves, and cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2022 to 2023.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Corporation has prepared the financial statements on the going concern basis as it does not intend to liquidate the Group or the Corporation or to cease their operations, and as it has concluded that the Group and the Corporation's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over the their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Corporation's conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Corporation's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Corporation's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Corporation's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or Corporation will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the LTE Group Board, the Audit and Risk Committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit and Risk Committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from apprenticeships is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, revenue journals posted to unusual accounts and material post-closing journals.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the LTE Group Board and other management (as required by auditing standards), and discussed with the LTE Group Board and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, taxation legislation, pensions legislation and specific disclosures required by higher education legislation and regulation, post-16 education and skills legislation and regulation, charities legislation and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: compliance with Higher Education regulatory requirements of the Office for Students and Further Education regulatory requirements of the Education and Skills Funding Agency, recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Corporation is responsible for the other information, which comprises the Strategic Report, the Statement of Governance and Internal Control, the Statement on Modern Slavery and the Governing Body's Statement on LTE Group's Regularity, Propriety and Compliance with Funding Body Terms and Conditions of Funding. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2022 to 2023 (April 2023) issued by the Education and Skills Funding Agency ("ESFA") we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Corporation; or
- the financial statements are not in agreement with the accounting records; or

- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in its statement set out on page 71, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Corporation'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 it either intends to liquidate the Group or Corporation or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ("the Higher Education Accounts Direction").

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the Corporation for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the Corporation's articles of Government;
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Higher Education Accounts Direction.

Matters on which we are required to report by exception

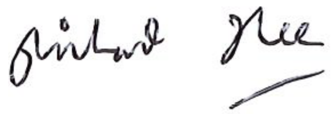
We are required by the Accounts Direction to report to you where the Corporation has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Corporation's expenditure on access and participation activities for the financial year disclosed in note 12 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and Corporation's grant and fee income, as disclosed in note 9 to the financial statements has been materially misstated.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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



Richard Lee

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

21 December 2023

REPORTING ACCOUNTANT'S REPORT ON REGULARITY TO THE CORPORATION OF LTE GROUP AND THE SECRETARY OF STATE FOR EDUCATION ACTING THROUGH THE EDUCATION AND SKILLS FUNDING AGENCY ("THE ESFA")

In accordance with the terms of our engagement letter dated 15 September 2021 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by LTE Group and its subsidiaries (hereinafter collectively referred to as "the Group") during the period 1 August 2022 to 31 July 2023 as recorded in the annual financial statements of LTE Group for the same period, have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied in conducting our work is set out in the Post-16 Audit Code of Practice 2022 to 2023 (April 2023) issued by the ESFA ("the Code").

This report is made solely to the Corporation of LTE Group and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of LTE Group and the ESFA those matters we have been engaged 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 LTE Group and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the Corporation of LTE Group and the reporting accountant

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

Our responsibilities are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, the expenditure disbursed and income received by the Corporation during the period 1 August 2022 to 31 July 2023, as recorded in the annual financial statements of LTE Group for the same period, have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

We comply with the Institute of Chartered Accountants in England and Wales ("ICAEW") Code of Ethics, which includes independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the IESBA Code of Ethics. We apply International Standard on Quality Control (UK) 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The firm applies International Standard on Quality Management 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Approach

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

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

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a positive opinion.

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the Corporation;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of the LTE Group Board and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the Corporation has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity and propriety consistent with the requirements of the Code.

This engagement to report on regularity and propriety is separate from the audit of the annual financial statements of LTE Group and the report here relates only to the matters specified and does not extend to LTE Group's annual financial statements taken as a whole.

As set out in our audit report on those financial statements, that audit report is made solely to the Corporation of LTE Group in accordance with Section 22 of the Articles of Government of LTE Group. The audit work has been undertaken so that we might state to the Corporation of LTE Group those matters we are required to state to the Corporation of LTE Group 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 LTE Group and the Corporation of LTE Group for that audit work, for the audit report, or for the opinions we have formed in respect of that audit.

Conclusion

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

Richard Lee

for and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

21 December 2023

CONSOLIDATED AND CORPORATION STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31 July 2023

	Notes	Year ended 31 July		Year ended 31 July	
		2023	2023	2022	2022
		Group	Corporation	Group	Corporation
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	3	146,001	132,621	138,819	127,970
Tuition fees and education contracts	4	16,995	13,757	15,950	14,090
Other grants and contracts	5	234	234	666	660
Other income	6	8,916	6,872	6,863	5,653
Investment income	7	483	472	38	38
Donations and endowments	8	-	-	1,011	1,011
Total income		**172,629**	**153,956**	**163,347**	**149,422**
EXPENDITURE					
Staff costs (excluding FRS 102 (28) pension charge)	10	118,947	106,460	113,674	104,181
FRS 102 (28) pension charge & pension finance costs	28	1,547	1,547	10,311	10,311
Restructuring costs	10	66	(59)	968	965
Other operating expenses	11	36,190	30,610	29,185	24,528
Depreciation, amortisation & impairment	15, 16	11,122	10,514	9,859	9,611
Interest and other finance costs (excluding pension finance costs)	13	2,614	2,614	2,467	2,467
Total expenditure		**170,486**	**151,686**	**166,464**	**152,063**
Surplus/(Deficit) before other gains and losses		**2,143**	**2,270**	**(3,117)**	**(2,641)**
Gain on disposal of assets		3,081	3,081	8,106	8,106
Gain/(Loss) on investments		3	3	(36)	(36)
Surplus before tax		**5,227**	**5,354**	**4,953**	**5,429**
Taxation	14	72	-	109	-
Surplus for the year		**5,299**	**5,354**	**5,062**	**5,429**
Other comprehensive income					
Actuarial (loss)/gain in respect of pension scheme	28	(15,427)	(15,427)	94,325	94,325
Actuarial gain in respect of enhanced pension provision	23	148	148	301	301
Total comprehensive (loss)/income for the year		**(9,980)**	**(9,925)**	**99,688**	**100,055**
Represented by:					
Endowment comprehensive income/(loss) for the year		3	3	(36)	(36)
Unrestricted comprehensive (loss)/income		(9,983)	(9,928)	99,724	100,091
		(9,980)	**(9,925)**	**99,688**	**100,055**
Surplus for the year attributable to:					
Minority interest share		220	-	53	-
Group		5,079	5,354	5,009	5,429
		5,299	**5,354**	**5,062**	**5,429**
Total comprehensive (loss)/income for the year					
Minority interest share		220	-	53	-
Group		(10,200)	(9,925)	99,635	100,055
		(9,980)	**(9,925)**	**99,688**	**100,055**

All items of income and expenditure relate to continuing activities.

The following table is non-GAAP disclosure and as such does not form part of these financial statements:

Non-GAAP disclosure - Education specific earnings before interest, tax, depreciation, amortisation & impairment (EBITDA)

	Year ended 31 July		Year ended 31 July	
	2023	2023	2022	2022
	Group	Corporation	Group	Corporation
	£'000	£'000	£'000	£'000
Surplus before other gains and losses	5,299	5,354	5,062	5,429
INCOME				
Less: Minority interest	(220)	-	(53)	-
Less: Tax credit	(72)	-	(109)	-
Less: Gain on disposal of assets	(3,081)	(3,081)	(8,106)	(8,106)
Less/Add: Gain/(Loss) on investments	(3)	(3)	36	36
Less: Releases of capital grant income	(2,698)	(2,698)	(5,406)	(5,406)
Less: Investment income	(483)	(472)	(38)	(38)
Less: Gifts and donated assets	-	-	(1,011)	(1,011)
Add: Depreciation, amortisation & impairment	11,122	10,514	9,859	9,611
Add: Interest payable and other finance costs	2,614	2,614	2,467	2,467
Add: FRS 102 (28) pension charge & pension finance costs*	1,547	1,547	10,311	10,311
Education specific EBITDA	**14,025**	**13,775**	**13,012**	**13,293**

The accompanying notes on pages 87 to 123 form part of these financial statements.

* The FRS 102 (28) pension charge is the current service cost plus the past service cost, less employer cash contributions.

CONSOLIDATED AND CORPORATION STATEMENT OF CHANGES IN RESERVES

	Endowment Reserve	Income and Expenditure account	Revaluation reserve	Total excluding non controlling interest	Non controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
GROUP						
Balance at 31st July 2021	**306**	**26,865**	**4,050**	**31,221**	**160**	**31,381**
Surplus for the year	-	5,009	-	5,009	53	5,062
Other comprehensive income	-	94,626	-	94,626	-	94,626
Transfers between endowment and income and expenditure reserves	(36)	36	-	-	-	-
Transfers between revaluation and income and expenditure reserves	-	643	(643)	-	-	-
Total comprehensive income/ (expense) for the year	**(36)**	**100,314**	**(643)**	**99,635**	**53**	**99,688**
Distributions paid to minority interest share	-	-	-	-	(160)	(160)
Total transactions with minority interest share recognised directly in equity	**-**	**-**	**-**	**-**	**(160)**	**(160)**
Balance at 31st July 2022	**270**	**127,179**	**3,407**	**130,856**	**53**	**130,909**
Surplus from the income and expenditure account	-	5,075	-	5,075	224	5,299
Other comprehensive loss	-	(15,279)	-	(15,279)	-	(15,279)
Transfers between endowment and income and expenditure reserves	3	(3)	-	-	-	-
Transfers between revaluation and income and expenditure reserves	-	329	(329)	-	-	-
Total comprehensive income/ (expense) for the year	**3**	**(9,878)**	**(329)**	**(10,204)**	**224**	**(9,980)**
Distributions paid to minority interest share	-	-	-	-	(57)	(57)
Total transactions with minority interest share recognised directly in equity	-	-	-	-	**(57)**	**(57)**
Balance at 31 July 2023	**273**	**117,301**	**3,078**	**120,652**	**220**	**120,872**
CORPORATION						
Balance at 1 August 2021	**306**	**27,254**	**4,050**	**31,610**	**-**	**31,610**
Surplus for the year	-	5,429	-	5,429	-	5,429
Other comprehensive income	-	94,626	-	94,626		94,626
Transfers between endowment and income and expenditure reserves	(36)	36	-	-	-	-
Transfers between revaluation and income and expenditure reserves	-	643	(643)	-	-	-
Total comprehensive income/ (expense) for the year	**(36)**	**100,734**	**(643)**	**100,055**	**-**	**100,055**
Balance at 31st July 2022	**270**	**127,988**	**3,407**	**131,665**	**-**	**131,665**
Surplus from the income and expenditure account	-	5,354	-	5,354	-	5,354
Other comprehensive loss	-	(15,279)	-	(15,279)	-	(15,279)
Transfers between endowment and income and expenditure reserves	3	(3)	-	-	-	-
Transfers between revaluation and income and expenditure reserves	-	329	(329)	-	-	-
Total comprehensive income/ (expense) for the year	**3**	**(9,599)**	**(329)**	**(9,925)**	**-**	**(9,925)**
Balance at 31 July 2023	**273**	**118,389**	**3,078**	**121,740**	**-**	**121,740**

CONSOLIDATED AND CORPORATION BALANCE SHEETS

As at 31 July 2023

	Notes	Group	Corporation	Group	Corporation
		2023	**2023**	**2022**	**2022**
		£'000	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible fixed assets	16	200,541	200,168	204,824	204,601
Investments	17	267	1,534	265	1,532
Intangible assets	15	302	114	642	144
		201,110	**201,816**	**205,731**	**206,277**
Current assets					
Stocks		77	72	63	60
Trade and other receivables	18	21,352	20,295	20,671	19,541
Cash and cash equivalents	24	26,941	25,240	19,625	18,399
		48,370	**45,607**	**40,359**	**38,000**
Less: Creditors – amounts falling due within one year	19	(33,331)	(30,513)	(37,328)	(34,942)
Net current assets		**15,039**	**15,094**	**3,031**	**3,058**
Total assets less current liabilities		**216,149**	**216,910**	**208,762**	**209,335**
Less: Creditors – amounts falling due after more than one year	20	(94,023)	(93,946)	(93,314)	(93,191)
Provisions					
Defined pension benefit obligations	28	-	-	16,974	16,974
Other provisions	23	(1,254)	(1,224)	(1,513)	(1,453)
Total net assets		**120,872**	**121,740**	**130,909**	**131,665**
Restricted reserves					
Income and expenditure endowment reserve		273	273	270	270
Unrestricted reserves					
Income and expenditure account		117,301	118,389	127,179	127,988
Revaluation reserve		3,078	3,078	3,407	3,407
Minority interest share		220	-	53	-
Total reserves		**120,872**	**121,740**	**130,909**	**131,665**

The financial statements on pages 82 to 123 were approved and authorised for issue by the Corporation on 14 December 2023 and were signed on its behalf, on 21 December 2023, by:

Philip Johnson
Chair of LTE Group Board

John Thornhill
Chief Executive Officer and Accounting Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2023

	Notes	Group	Group
		2023	**2022**
		£'000	**£'000**
Cash inflow from operating activities			
Surplus for the year		5,299	5,062
Adjustment for non-cash items			
Depreciation, amortisation and impairments	15, 16	11,122	9,859
(Gain)/loss on investments		(3)	36
(Increase)/decrease in stocks		(13)	6
(Increase)/decrease in debtors < 1 year		(609)	2,608
(Decrease) in creditors due within one year	18	(1,195)	(449)
(Decrease) in deferred capital grant creditor		(815)	(4,246)
(Decrease) in creditors due after one year	19	(1,928)	(977)
(Decrease) in provisions	23	(159)	(68)
Pensions costs less contributions payable	10, 28	1,547	10,311
Taxation	14	(72)	(109)
Adjustment for investing or financing activities			
Investment income	7	(483)	(38)
Interest payable	13	2,614	2,467
Profit on sale of fixed assets		(3,081)	(8,106)
Net cash flow from operating activities		**12,224**	**16,355**
Cash flows from investing activities			
Proceeds from sale of fixed assets		12,764	23,481
Investment income	7	483	38
Capital grants receipt		4,376	4,080
Payments made to acquire fixed assets		(17,414)	(43,212)
Capitalised development expenditure		(200)	
Net cash flow from investing activities		**9**	**(15,612)**
Cash flows from financing activities			
Interest paid		(2,375)	(2,322)
Interest element of finance lease rental payments	25	(39)	(132)
Capital element of finance lease rental payments	25	(1,446)	(1,869)
New secured loans	25	35,500	24,000
Repayments of amounts borrowed	25	(36,500)	(21,000)
Distributions paid to minority interest share in Novus Cambria		(57)	(160)
Net cash flow from financing activities		**(4,917)**	**(1,483)**
Increase/(decrease) in cash and cash equivalents in the year		**7,316**	**(740)**
Cash and cash equivalents at beginning of the year	24	19,625	20,365
Cash and cash equivalents at end of the year	24	**26,941**	**19,625**

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status and registered office

LTE Group is a statutory corporation established under the Further and Higher Education Act 1992 (statutory instrument 2008 No. 1418). LTE Group is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

On the 29 November 2022, the Office for National Statistics (ONS) reclassified colleges into the central government sector. This decision encompasses providers that operate within the statutory further education sector as defined under section 91(3) of the Further and Higher Education Act 1992, and therefore is applicable to LTE Group. Related subsidiaries of LTE Group are also covered by the requirements and processes.

Following the ONS reclassification of the Group to the government sector, the Group continues to be a self-governing charity regulated by the Secretary of State for Education. However, the Group is now subject to the framework for financial management set out in Managing Public Money (MPM).

The operating divisions of the Group are Novus (delivering learning and skills in custodial settings), The Manchester College (Further Education delivery), UCEN Manchester (Higher Education delivery), Total People (Work Based Learning) including MOL (blended distance learning) and LTE Group Operations.

LTE Group includes:

- Total People Holdings Limited ("Total People"), an independent training provider, which was acquired on 31 July 2015, and, following the integration of this business on 1st November 2021, also includes MOL;
- Novus Cambria, a joint venture with Coleg Cambria, which was incorporated on 29 September 2016;
- LTE Professional Services Limited ("LTE Professional Services"), a provider of information and communications technology services and equipment, which was incorporated on 30 July 2019;
- Novus Gower Limited ("Novus Gower"), a joint venture with Gower College, which was incorporated on 6 July 2022; and,
- Novus Transforming Lives Limited ("Novus Transforming Lives"), a provider of prison education, which was incorporated on 24 November 2022.

Registered office:

Openshaw Campus & Administration Centre, Ashton Old Road, Manchester, M11 2WH

2. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2021 to 2022, the Supplementary Bulletin to the College Accounts Direction 2020-21, the Office for Students (OfS) Accounts Direction* *for accounting periods beginning on or after 1 August 2019*, and in accordance with Financial Reporting Standard 102 – "*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*" (FRS 102). The Group 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 Group's accounting policies.

Basis of accounting

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 non-current assets.

The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £'000.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions. The Corporation has taken advantage of the following exemption in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Corporation's cash flows.

Basis of consolidation

The consolidated financial statements include the Group and its subsidiary undertakings, controlled by the Group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the period are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2023.

Going Concern

The financial statements have been prepared on a going concern basis, which the Board of Governors considers to be appropriate for the following reasons.

Past performance demonstrates the Group's ability to effectively manage financial performance and cashflow.

The Board believes that the Group and Corporation will be able to continue in operation and meet their liabilities taking account of the current position and principal risks.

The Board have revisited the strategic plan from Autumn 2021, with the Group building a new plan for 2024 to 2028.

The formulation of the new Strategic Plan has been an iterative process. In July 2022, the LTE Executive Team presented the first iteration of the Strategic Plan to the Group Board with the final plan due to have been approved by the Group Board in December 2022. It was important that the final 5-year Plan was not 'locked' until this date to permit time to understand how important factors, with likely influence on underpinning planning assumptions, would be impacted by the election of a new prime minister (in September 22), the formation of a new cabinet with a potential shift in priority spending areas and / or new ministers in each of LTE's core sectors, who may have introduced different agendas or priorities for reform. In addition, the macro-economic environment remained a cause for concern, with an escalating economic crisis and high and persistent inflation.

On 29 November 2022, the Office for National Statistics (ONS) reclassified colleges into the central government sector. LTE Group is now subject to the framework for financial management set out in Managing Public Money.

At a summary level as the Group was setting out its new strategic plan, it was faced with both a substantial change in its operating environment, new funding arrangements, new intervention powers, new stakeholders, and a fundamental shift in its operating context from new approvals, new processes, governance, guidance, and compliance frameworks. Significant parts of the planned strategy had to be tested, re-tested and settled before we could formally set the plan and make forward commitments.

The strategy for 2024-2028, approved by the Group Board in July 2023 has established a set of new key strategic themes informed by both regional and national policy with all our organisation predicting a significant level of change in the near term 1-2 years and 3 years+, not least as reform will disrupt the sectors we operate within. Unpredictability continues to be the key theme in assessing our sectors, particularly with a further election pending within the next 18 months. We have therefore adopted a 2+3 approach for the purposes of financial planning.

Detailed operational planning underpins the financial budgeting process each year, ensuring that the financial income targets and associated costs are derived from robust curriculum and operational plans.

Income and cost contingencies are built into the financial plan to mitigate and aid management of any unanticipated in year financial impacts. The Budget for 2023/24 and the Plan for 2024/25 provide for a greater level of central contingency than in normal years, this will enable key elements of future strategy to progress, such as the diversification of income and contract / customer base, and more digitisation and automation to reduce central overhead and improve organisational effectiveness. Contingency levels have been maintained above pre pandemic levels.

A key part of the scenario testing work that went to the Board was a forward cash view supported by a detailed, integrated forward cash flow forecast.

These cash flow forecasts have been tested with sensitivities, including several reasonably possible downside scenarios, and are regularly updated and reviewed by both the Executive team and Board of Governors. Key risks such as reductions in funding, growth cases not being met, challenges to commercial income, the macro-economic situation including sticky and persistent inflation, the increase in the cost of debt funding and our estates strategy, along with reasonable mitigating actions, have been factored into the sensitivities which have been performed on the forward cash flow forecast.

The Group's recent cash performance has been strong, whilst borrowing has been lower than plan and reduced year on year.

The public sector refinancing of our existing revolving credit facilities with commercial lenders completed in July 2023. This replaced the revolving credit facilities previously with Santander with 2 DfE backed loans, a £16.5m DfE refinancing loan (replacing monies drawn) and a £15.6m capital loan facility (available to 31st March 2025) for Phase 1 and Phase 2 of which the first £2.5m was received in July 2023. Further development funding will be drawn down from this DfE capital loan facility to support remaining expenditure on Phase 1 and the Phase 2 estates build.

All Phase 1 disposals have been completed, with disposal proceeds exceeding business case. Marketing activity has commenced for Phase 2 disposals, with a significant level of interest.

Consequently, the Board of Governors is confident that the Group and College will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Recognition of income

Revenue grant funding

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

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

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

Capital grant funding

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

Funded education and apprenticeship services

Turnover from funded education and apprenticeship services is measured by reference to the stage of completion, including learners on-programme payments and the stage of entering gateway. Turnover represents the amount of work done in the year including amounts accrued at year-end in respect of learners who have reached gateway. An appropriate provision is made in respect of expected withdrawals. The final income is determined with the conclusion of the year-end reconciliation process with the funding body following the year-end.

Fee income

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

Investment income

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

Agency arrangements

The Group acts as an agent in the collection and payment of certain discretionary support funds. Related payments received for the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the Group where the Group is exposed to minimal risk or enjoys minimal economic benefit related to the transaction and are shown separately in note 30.

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the Group in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Greater Manchester Pension Scheme (GMPF)

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

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

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

Short term Employment benefits

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

NOTES TO THE FINANCIAL STATEMENTS – continued

Enhanced Pension

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

Non-current Assets - Tangible fixed assets

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

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Land and buildings inherited from the Local Education Authority along with land and buildings acquired before 1 September 1997 are held on the balance sheet at the last formal revaluation which took place on 1 September 1997. The valuation determined the useful economic life of these assets to be less than those for new build which is 50 years. This valuation was on the basis of depreciated replacement cost.

Land and buildings acquired since 1 September 1997 are included in the balance sheet at historical cost. These values are retained subject to the requirement to test assets for impairment if events or changes in circumstances indicate that the carrying value of the fixed asset may not be recoverable in accordance with FRS 102.

Freehold land is not depreciated as it is considered to have infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the Group of 50 years.

However, refurbishment/additions to existing buildings and leasehold improvements are depreciated over their remaining useful lives or lease lives whichever is the lesser.

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

On adoption of FRS 102, the Group followed the transitional provision to retain the book value of land and buildings, which were revalued in 1997, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July 2023. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

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

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

Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Equipment is depreciated over its useful economic life on a straight line basis at the following rates:

Fixtures and fittings	3 years - 10 years
Electronic equipment	4 years - 7 years
Computer software	3 years - 5 years
Other plant & equipment	6 years - 10 years
Motor vehicles	4 years

All above categories are classified as Equipment.

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

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

Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities acquired. Goodwill is capitalised and amortised to the income and expenditure account over its estimated economic life of 10 years.

Other intangible assets

For all other intangible assets amortisation is provided on a straight-line basis over their estimated useful life. The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

- Website costs

Website costs included within intangible assets, are carried at cost less accumulated amortisation, which is provided on a straight-line basis over their estimated useful life. The amortisation period of 10 years and the amortisation method for intangible assets are reviewed at each financial year-end.

- Product development costs

Product development costs are recognised as intangible assets and are amortised over the life of the commercial contract to which they relate.

NOTES TO THE FINANCIAL STATEMENTS – continued

Borrowing costs

Finance costs which are directly attributable to the purchase of land and construction of buildings are capitalised as part of the costs, until such time when the asset comes into use. Finance costs beyond this date are charged directly to the income and expenditure account.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value. Results of joint ventures in which the Group has 50% control or more are included in the Group's results and disclosed under related party transactions.

Leased assets

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

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

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

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

All loans, investments and short-term deposits held by the 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 and are subsequently re-measured at amortised cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation

The Corporation 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 Corporation 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 to exclusively charitable purposes.

The Corporation is exempt from levying VAT on most of the services it provides to learners. For this reason, the Corporation is generally unable to recover input VAT it suffers on goods and services purchased. Non – pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The Group's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when

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

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

A contingent liability arises from a past event that gives the Group a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Group.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- A determination of whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Annually, the Group considers whether intangible assets, goodwill or investments are impaired. Where there is such an indication, the recoverable amount of the asset is compared to the carrying value of the asset. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. Where an indication of impairment is identified, an assessment of the recoverable value of the cash generating units (CGUs) is required. This requires estimation of the future cash flows from the CGUs, discounted at an appropriate rate, in order to calculate the net present value of those cash flows. This enables the Group to determine whether an impairment of the Group's intangible and tangible assets, including goodwill and investments, is required.

NOTES TO THE FINANCIAL STATEMENTS – continued

Any impairment is recognised in the consolidated statement of comprehensive income and expenditure. If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Other key sources of estimation uncertainty

- *Tangible fixed assets*
  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Local Government Pension Scheme*
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 28, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 has been used by the actuary in valuing the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

3. Funding body grants

For the year ended 31 July 2023

	2023	2023	2022	2022
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Recurrent grants				
ESFA - adult education budget	3,964	281	4,447	297
ESFA - 16-18	35,717	33,798	32,608	30,403
GMCA - adult education budget	17,580	16,943	16,737	16,162
Office for Students (OfS)	530	530	483	483
Specific grants				
Other funding body - MoJ/YJB/MCC/ ESFA	80,978	73,839	74,825	70,909
Teacher Pension Scheme contribution grant	4,008	4,006	3,548	3,545
Releases of government capital grants	2,698	2,698	5,406	5,406
Other funds	526	526	765	765
Total	**146,001**	**132,621**	**138,819**	**127,970**

4. Tuition fees and education contracts

For the year ended 31 July 2023

	2023	2023	2022	2022
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Adult education fees	3,818	1,206	3,540	1,760
Apprenticeship contracts	32	0	53	-
Fees for FE loan supported courses	1,396	1,382	1,945	1,918
Fees for HE loan supported courses	8,599	8,599	8,351	8,351
Total tuition fees	14,425	11,187	13,889	12,029
Education contracts	2,570	2,570	2,061	2,061
Total	**16,995**	**13,757**	**15,950**	**14,090**

5. Other grants and contracts

For the year ended 31 July 2023

	2023	2023	2022	2022
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Other grant income	234	234	666	660
Total	**234**	**234**	**666**	**660**

NOTES TO THE FINANCIAL STATEMENTS – continued

6. Other income

For the year ended 31 July 2023

	2023	2023	2022	2022
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Residencies, catering and conferences	1,591	1,591	1,160	1,160
Other income generating activities	2,091	0	1,951	509
Other income*	5,234	5,281	3,752	3,984
Total	**8,916**	**6,872**	**6,863**	**5,653**

*This includes wider provision relating to prison education £3,308k (2022: £2,202k) miscellaneous income £1,234k (2022: £724k), rental income £427k (2022: £118k), exam fee income £265k (2022: £182k), nursery income £nil (2022: £526k).

7. Investment income

For the year ended 31 July 2023

	2023	2023	2022	2022
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Endowment income	-	-	-	-
Interest receivable	483	472	38	38
Total	**483**	**472**	**38**	**38**

8. Donations and endowments

For the year ended 31 July 2023

	2023	2023	2022	2022
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Unrestricted donations	-	-	1,011	1011
Total	**-**	**-**	**1,011**	**1,011**

9. Grant and fee income

For the year ended 31 July 2023

	2023	2023	2022	2022
	Group	**Corporation**	**Group**	**Corporation**
	£'000	**£'000**	**£'000**	**£'000**
Grant income from the OfS	709	709	954	954
Fee income for taught awards (exclusive of VAT)	8,599	8,599	8,351	8,351
Total	**9,308**	**9,308**	**9,305**	**9,305**

Grant income from the OfS means grants to the provider by the OfS for both:

i. the provision of education by the provider and

ii. the provision of facilities, and the carrying on of other activities, by the provider, which its governing body considers are necessary or desirable to provide or carry on for the purposes of, or in connection with, education.

This includes recurrent teaching funding (including targeted allocations, high-cost subject funding, National Collaborative Outreach Programme funding and any other recurrent teaching funding) and non-recurrent funding (including grants for capital infrastructure, challenge competitions or any other non-recurrent grant funding) to the provider from the OfS. The amount of grant income must be exclusive of any deductions for expenditure such as that spent on access and participation activities.

Fee income for taught awards (exclusive of VAT)' means fee income for higher education courses for taught awards (from students directly or via the Student Loans Company or other body paying fees on behalf of the student) and includes undergraduate and postgraduate taught awards.

NOTES TO THE FINANCIAL STATEMENTS – continued

10. Staff costs - Group and Corporation

For the year ended 31 July 2023

The average number of persons (including key management personnel) employed by the Group and Corporation during the year was:

	Group	Corporation	Group	Corporation
	2023	**2023**	**2022**	**2022**
	No.	**No.**	**No.**	**No.**
Teaching staff	1,870	1,666	1,786	1,634
Non-teaching staff	1,332	1,167	1,438	1,287
Total	**3,202**	**2,833**	**3,224**	**2,921**
STAFF COSTS FOR THE ABOVE PERSONS				
Staff costs for the above persons	**2022**	**2022**	**2022**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	89,349	78,773	86,305	78,240
Social security costs	8,858	7,792	8,284	7,509
Other pension costs - excluding FRS 102 (28) pension charge	15,765	15,229	14,930	14,525
Payroll sub total	**113,972**	**101,794**	**109,519**	**100,274**
Contracted out staffing services	4,975	4,666	4,155	3,907
	118,947	**106,460**	**113,674**	**104,181**
FRS102 (28) pension charge	2,902	2,902	9,060	9,060
	121,849	**109,362**	**122,734**	**113,241**
Restructuring costs				
Contractual	11	(109)	855	852
Non contractual	55	50	113	113
	121,915	**109,303**	**123,702**	**114,206**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the Group Executive Team. Staff costs include compensation paid to key management personnel for loss of office.

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

	2023	2022
	No.	**No.**
The number of key management personnel including the Accounting Officer was:	8	9

At no point in the year did the total number of key management personnel exceed 7 people. However, in year there was a change in the Principal of The Manchester College and UCEN Manchester, with the outgoing and the incoming person for the role included in the above.

	Key management personnel				Other staff			
	2023		**2022**		**2023**		**2022**	
	ESFA	**OfS**	**ESFA**	**OfS**	**ESFA**	**OfS**	**ESFA**	**OfS**
	No.	No.	No.	No.	No.	No.	No.	No.
£0 to £5000 p.a	-	-	1	-	-	-	-	-
£45,001 to £50,000 p.a	-	-	1	-	-	-	-	-
£60,001 to £65,000 p.a.	-	-	-	-	17	13	10	10
£65,001 to £70,000 p.a.	-	-	-	-	9	9	14	14
£70,001 to £75,000 p.a.	-	-	-	-	13	8	7	5
£75,001 to £80,000 p.a.	1	-	-	-	9	7	5	5
£80,001 to £85,000 p.a.	1	1	1	-	2	7	4	7
£85,001 to £90,000 p.a.	-	-	1	-	3	6	1	1
£90,001 to £95,000 p.a.	-	-	-	-	6	2	2	-
£95,001 to £100,000 p.a.	-	-	-	-	2	-	2	1
£100,001 to £105,000 p.a.	-	-	-	-	1	1	1	3
£105,001 to £110,000 p.a.	-	-	-	-	-	2	2	2
£110,001 to £115,000 p.a.	-	-	-	-	2	1	-	1
£115,001 to £120,000 p.a.	1	-	-	-	3	1	1	6
£120,001 to £125,000 p.a.	-	-	-	-	1	4	1	1
£125,001 to £130,000 p.a.	-	-	-	-	2	1	1	-
£130,001 to £135,000 p.a.	-	-	-	-	-	1	1	-
£135,001 to £140,000 p.a.	-	-	-	-	-	-	-	-
£140,001 to £145,000 p.a.	-	3	-	2	1	-	1	-
£145,001 to £150,000 p.a.	-	1	-	1	-	-	-	-
£150,001 to £155,000 p.a.	-	-	-	-	1	-	-	-
£155,001 to £160,000 p.a.	1	-	-	-	-	-	-	-
£160,001 to £165,000 p.a.	2	-	2	-	-	-	-	-
£165,001 to £170,000 p.a.	1	1	1	-	-	-	-	-
£170,001 to £175,000 p.a.	-	-	-	1	-	-	-	-
£175,001 to £180,000 p.a.	-	-	-	-	-	-	-	-
£180,001 to £185,000 p.a.	-	-	-	-	-	-	-	-
£185,001 to £190,000 p.a.	-	-	1	-	-	-	-	-
£190,001 to £195,000 p.a.	-	-	-	-	-	-	-	-
£195,001 to £200,000 p.a.	-	-	-	-	-	-	-	-
£200,001 to £205,000 p.a.	-	-	-	-	-	-	-	-
£205,001 to £210,000 p.a.	-	-	-	1	-	-	-	-
£210,001 to £215,000 p.a.	-	1	-	-	-	-	-	-
£215,001 to £220,000 p.a.	-	-	-	-	-	-	-	-
£220,001 to £225,000 p.a.	-	-	-	-	-	-	-	-
£225,001 to £230,000 p.a.	-	-	-	-	-	-	-	-
£230,001 to £235,000 p.a.	-	-	-	-	-	-	-	-
£235,001 to £240,000 p.a.	1	-	1	-	-	-	-	-
	8	**7**	**9**	**5**	**72**	**63**	**53**	**56**

The ESFA banding disclosures capture "head count" numbers, in the appropriate banding for the full year emoluments. Emoluments exclude employer contributions to national insurance and pensions but including benefits in kind.

The OfS banding disclosures capture "head count" numbers, in the appropriate banding for full-time equivalent basic salaries, as determined at the financial year end. Staff who have left or joined in the year are not included in the year are not included.

NOTES TO THE FINANCIAL STATEMENTS – continued

Key management personnel compensation is made up as follows:

	2023	2022
	£'000	**£'000**
Basic Salary	1,078	1,009
Performance related pay and bonus	68	95
Payment in lieu of pensions	25	33
Other including benefits in kind	30	37
	1,201	**1,174**
Pension contributions	173	154
Total emoluments	**1,374**	**1,328**

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

The above compensation includes amounts payable to the Accounting Officer (who is the CEO and also the highest paid officer) of:

	2023	2022
	£'000	**£'000**
Basic Salary	216	209
Performance related pay and bonus	15	19
Payment in lieu of pensions	25	33
Other including benefits in kind	8	8
	264	**269**
Pension contributions	10	-
Total emoluments	**274**	**269**

As of 1 December 2018, the Accounting Officer left the LGPS pension scheme and received a pension cash option in lieu. In 2022/23 this totalled £25k (2021/22: £33k). As of 1 May 2023, the Accounting Officer rejoined the LGPS pension scheme and from this date onwards no longer received a pension cash option in lieu.

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

The remuneration package of Key management staff, including the Accounting Officer, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

Ahead of each academic and financial year, the Chair of Corporation agrees with the Accounting Officer their objectives for the year ahead including a performance scorecard, this contains both qualitative and quantitative measures. These objectives are items considered over and above the day-to-day operation of the role and are specifically linked to the delivery of LTE Group's Strategy.

Performance against the scorecard is monitored and evaluated on an ongoing basis throughout the year. The Chair of Corporation together with the remuneration committee reviews this performance annually against the set objectives.

The remuneration package of the Accounting Officer, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. The Accounting Officer's performance against objectives alongside a view of market positioning with peers from wider public sector organisations is considered annually by the remuneration committee, this includes input from a range of sources including (from 1- Local Colleges, 2- Next tier organisations (based on income), 3- Equivalent tier (based on income) ESFA published data, 4- an analysis of similar sized HE providers). At a review of market salaries in December 2022 conducted with an independent third party organisation, the Accounting Officer's salary benchmarked below many other organisations, many of whom were smaller in scope and scale. The conclusion of the Remuneration committee was whilst a salary increase would be appropriate for the Accounting Officer relative to benchmarks, this was restrained, at a 1.25% consolidated increase from 1st November 2022, whilst the Corporation sought to deliver cost savings to further invest in frontline pay. In turn the Board reiterated that the Accounting Officer should continue to have some elements of remuneration based on scorecard performance. An assessment against the metrics included within the performance scorecard for 2022/23 was evaluated by the Remuneration Committee, which resulted in a performance-related bonus. The benefits in kind received by the Accounting Officer comprise a car allowance.

Senior pay levels are also monitored to ensure that sensible ratios between front line staff and the most senior employees are within the guidelines 1:12 ratio (from lowest to highest paid individuals in the organisation). The senior pay levels including the Accounting Officer for 2022-23 fall well within this ratio.

The governing body has adopted AoC's Senior Staff Remuneration Code and continues to assess pay in line with its principles in future.

Relationship of Accounting Officer pay and remuneration expressed as a multiple:

	2023	2022
Accounting Officer's (CEO) basic salary as a multiple of the median of all staff	7.0	7.1
Accounting Officer's (CEO) total remuneration as a multiple of the median of all staff	7.9	8.0

The median pay is calculated on a full-time equivalent basis for the salaries paid by the Group to its staff, and the median total remuneration is calculated on a full-time equivalent basis for the total remuneration by the Group of its staff. In line with the 2019/20 OfS Accounts Direction, the Group has incorporated into the pay median staff included in real-time reporting to HMRC only.

Severence Payments

Since 29 November 2022, when the Office for National Statistics (ONS) reclassified colleges into the central government sector, the Group have paid 29 severance payments, disclosed in the following bands:

Band	Number of colleagues
£nil to £25,000	28
£25,001 to £50,000	1
£50,001 to £100,000	-
£100,001 to £150,000	-
£150,000+	-

Included in these 29 severance payments are special severance payments totalling £37,245. Individually, the payments were: £19,290, £7,065, £5,127, £5,000 and £763.

NOTES TO THE FINANCIAL STATEMENTS – continued

11. Other operating expenses

For the year ended 31 July 2023

	2023	2023	2022	2022
	Group	Corporation	Group	Corporation
	£'000	£'000	£'000	£'000
Teaching costs	12,581	10,547	11,206	8,781
Non-teaching costs	17,764	14,559	13,133	11,409
Premises costs	5,845	5,504	4,846	4,338
Total	**36,190**	**30,610**	**29,185**	**24,528**

Other operating expenses include:

	2023	2023	2022	2022
	Group	Corporation	Group	Corporation
	£'000	£'000	£'000	£'000
Auditors' remuneration:				
Financial statements audit	257	175	222	159
Internal audit	57	57	47	47
Other services provided by external auditors - Teachers' Pension certification	4	4	4	4
Other services provided by external auditors - strategic insight	-	-	120	120
Other services provided by external auditors - tax advice and services	30	30	5	5
Other services provided by external auditors - tax services	19 *	19 *	10 *	10 *
Other services provided by internal auditors - subcontracting review	28	14	16	5
Other services provided by internal auditors - grant audit	7	7	3	3
Other services provided by internal auditors - provision of e-learning content	2	2	-	-
Profit / (Loss) on disposal of non-current assets	3,081	3,081	8,106	8,106
Hire of other assets Plant & Mach- operating leases	656	643	601	566
Hire of other assets - operating leases	920	726	1,170	947

* These costs are not included in operating expenses, but instead capitalised as part of the estates strategy project or included within cost of sales in disposal.

The amounts disclosed above are inclusive of VAT. Excluding VAT, the charge for the 2022/23 financial statements audit is £214k (2021/22: £185k).

12. Access and participation spending (Group and Corporation)

For the year ended 31 July 2023

	2023	2022
Access investment	**£'000**	**£'000**
Pre 16	92	21
Post 16	69	46
Adults and communities	54	42
Other	13	4
Total access investment	**228**	**113**
Financial support	247	166
Support for disabled students	31	16
Total	**506**	**295**

£309k (2021/22: £120k) of the above are staff costs and included within note 10.

The published Access and Participation Plan can be accessed via https://accessandparticipationplans.officeforstudents.org.uk/accessplansdownloads/2024/LTEGroup_APP_2020-21_V2_10023139.pdf

13. Interest and other finance costs (Group and Corporation)

For the year ended 31 July 2023

	2023	2022
	£'000	£'000
On bank loans, overdrafts and other loans	2,527	2,305
On finance leases	39	132
Enhanced pension provision costs	48	30
Total	**2,614**	**2,467**

14. Taxation (Group)

For the year ended 31 July 2023

	2023	2022
	£'000	£'000
Deferred tax in the accounts of the subsidiary company	(72)	(109)
Total	**(72)**	**(109)**

The members do not believe that the Corporation was liable for any corporation tax arising out of its activities during either year. The deferred tax is all in the Group's subsidiary, Total People Limited.

NOTES TO THE FINANCIAL STATEMENTS – continued

15. Intangible assets (Group)

For the year ended 31 July 2023

	Goodwill	Other	Website	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation				
At 1 August 2022	1,078	1,050	373	2,501
Additions	-	200	-	200
At 31 July 2023	**1,078**	**1,250**	**373**	**2,701**
Amortisation				
At 1 August 2022	722	908	229	1,859
Charge for the year	119	59	30	208
Impairments	237	95	-	332
At 31 July 2023	**1,078**	**1,062**	**259**	**2,399**
Net book value at 31 July 2023	**-**	**188**	**114**	**302**
Net book value at 31 July 2022	356	142	144	642

The impairment loss recognised on intangible assets in the year was £332k (2022: £nil) and is included in amortisation in the consolidated income statement. It arose due to the goodwill and other intangibles arising from the acquisition of Total People Holdings Limited on 31 July 2015 being written down to their value in use, based on trading performance.

Other intangibles are being amortised over the life of the commercial contract to which they relate.

Website costs are being amortised over 10 years.

Intangible assets (Corporation only)

For the year ended 31 July 2023

	Website
	£'000
Cost or valuation	
At 1 August 2022 and at 31 July 2023	**373**
Amortisation	
At 1 August 2022	229
Charge for the year	30
At 31 July 2023	**259**
Net book value at 31 July 2023	**114**
Net book value at 31 July 2022	144

16. Tangible fixed assets (Group)

	Land and buildings		Assets under Construction	Equipment	Total
	Freehold	**Long leasehold**			
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
At 1 August 2022	148,868	1,029	81,526	36,545	267,968
Additions	542	-	10,852	4,588	15,982
Transfers	85,379	-	(88,097)	2,718	0
Disposals	(14,356)	-	0	(4,631)	(18,987)
At 31 July 2023	**220,433**	**1,029**	**4,281**	**39,220**	**264,963**
Depreciation					
At 1 August 2022	38,578	265	-	24,301	63,144
Charge for the year	4,099	20	-	5,728	9,847
Impairments	735	-	-	-	735
Elimination in respect of disposals	(4,696)	-	-	(4,608)	(9,304)
At 31 July 2023	**38,716**	**285**	**-**	**25,421**	**64,422**
Net book value at 31 July 2023	**181,717**	**744**	**4,281**	**13,799**	**200,541**
Net book value at 31 July 2022	110,290	764	81,526	12,244	204,824

At 31 July 2023, freehold land and buildings included £23,825k (2022: £24,025k) in respect of freehold land and is not depreciated.

The net carrying amount of assets held under finance leases included in equipment is £530k (2022: £1,683k).

The impairment loss recognised on tangible fixed assets in the period was £735k (2022: £1,638k) and is included in depreciation in the consolidated income statement.
It arose as a result of the Nicholls site being written down to recoverable amount being the higher of their fair value less costs to sell and value in use.

NOTES TO THE FINANCIAL STATEMENTS – continued

Tangible fixed assets (Corporation only)

	Land and buildings		Assets under Construction	Equipment	Total
	Freehold	Long leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2022	148,868	1,029	81,526	34,731	266,154
Additions	542	-	10,852	4,340	15,734
Transfers	85,379	-	(88,097)	2,718	-
Disposals	(14,356)	-	-	(4,236)	(18,592)
At 31 July 2023	**220,433**	**1029**	**4,281**	**37,553**	**263,296**
Depreciation					
At 1 August 2022	38,578	265	-	22,710	61,553
Charge for the year	4,099	20	-	5,630	9,749
Impairments	735	-	-	-	735
Elimination in respect of disposals	(4,696)	-	-	(4,213)	(8,909)
At 31 July 2023	**38,716**	**285**	**-**	**24,127**	**63,128**
Net book value at 31 July 2023	**181,717**	**744**	**4,281**	**13,426**	**200,168**
Net book value at 31 July 2022	110,290	764	81,526	12,021	204,601

The transitional rules set out in FRS 102 Tangible Fixed Assets have been applied on implementing FRS102. Accordingly, the book values at implementation have been retained. Land and buildings were valued in 1997 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the Group on a depreciated replacement cost basis with the assistance of independent professional advice.

At 31 July 2023, freehold land and buildings included £23,825k (2022: £24,025k) in respect of freehold land and is not depreciated.

The net carrying amount of assets held under finance leases included in equipment is £530k (2022: £1,683k).

The impairment loss recognised on tangible fixed assets in the period was £735k (2022: £1,638k) and is included in depreciation in the consolidated income statement.
It arose as a result of the Nicholls site being written down to recoverable amount being the higher of their fair value less costs to sell and value in use.

17. INVESTMENTS

Group

	2023	2022
	£	£
Investments carried at fair value through the Statement of Comprehensive Income	267	265
NBV at 31 July	**267**	**265**

Corporation

	2023	2022
	£	£
Investments in subsidiary companies	3,015	3,015
Investments carried at fair value through the Statement of Comprehensive Income	267	265
Impairment	(1,748)	(1,748)
NBV at 31 July	**1,534**	**1,532**

Total People Holdings Limited

On 31st July 2015 the Group acquired 100% of the ordinary share capital of Total People Holdings Limited, a group of companies that are registered in England and Wales as follows:

COMPANY NAME	SHAREHOLDING	NATURE OF BUSINESS
Total People Holdings Limited	100%	Holding company - Dormant
Total People Limited*	100%	Training and apprenticeship provider
The Total Apprenticeship Training Company Limited**	100%	Apprenticeship training
Total People Employee Benefit Trustee Limited*	100%	Dormant

*The shares in these companies are held by Total People Holdings Limited
** The shares in this company are held by Total People Limited

Novus Cambria

Novus Cambria is a private limited company by guarantee without share capital and exempt from the requirement to include 'limited' in its name. The company has two members: LTE Group and Coleg Cambria. Both members are corporations established under the Further and Higher Education Act 1992. Each member has guaranteed to contribute £1 to the assets of the company in the event of it being wound up. LTE Group is the parent company as it has 60% of the voting rights of the members. The registered office is C/O Coleg Cambria, Grove Park Road, Wrexham, United Kingdom, LL12 7AB.

Manchester Film School Limited

The LTE Group has a 100% shareholding in Manchester Film School Limited. This is a dormant, private limited company. The registered office is Whitworth House, Ashton Old Road, Manchester, United Kingdom M11 2WH.

The Manchester College

The LTE Group has a 100% shareholding in The Manchester College. This is a dormant, private limited company by guarantee, without share capital, and exempt from the requirement to include 'limited' in its name. The registered office is Openshaw Campus, Ashton Old Road, Manchester, United Kingdom M11 2WH.

NOTES TO THE FINANCIAL STATEMENTS – continued

LTE Professional Services Limited

The LTE Group has a 100% shareholding in LTE Professional Services Limited. This is a private limited company. The registered office is Whitworth House, Ashton Old Road, Manchester, United Kingdom M11 2WH.

Novus Works Holdings Limited

The LTE Group has a 100% shareholding in Novus Works Holdings Limited. This is a private limited company. The registered office is Whitworth House, Ashton Old Road, Manchester, United Kingdom M11 2WH.

Novus Gower Limited

Novus Gower is a private limited company, and has two shareholders: LTE Group and Gower College. Both shareholders are corporations established under the Further and Higher Education Act 1992. LTE Group is the parent company as it holds 60% of the shares. The registered office is C/O Gower College, Swansea Tycoch Road, Sketty, Swansea, United Kingdom, SA2 9EB.

Novus-Transforming Lives Limited

The LTE Group has a 100% shareholding in Novus-Transforming Lives Limited. This is a private limited company. The registered office is Whitworth House, Ashton Old Road, Manchester, United Kingdom M11 2WH.

18. DEBTORS

	Group	Corporation	Group	Corporation
	2023	**2023**	**2022**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Amounts falling due within one year:				
Trade receivables	6,611	4,056	6,616	5,543
Amounts owed by group undertakings:				
Subsidiary undertakings	-	3,691	-	2,488
Prepayments and accrued income	13,864	12,478	13,101	11,431
Corporation tax debtor	-	-	-	-
Other debtors	523	70	459	79
Amounts owed by the ESFA	354	-	495	-
Total	**21,352**	**20,295**	**20,671**	**19,541**

Group trade receivables are stated net of a doubtful debt provision of £1,576k (2022: £904k). During the year, trade debtors totalling £67k were written-off (2022: £274k).

Amounts owed by group undertakings are unsecured and interest free and repayable as per intercompany agreements. Included in amounts due from subsidiary undertakings is amounts due of £2,607k from Total People (2022: £2,200k). It has been confirmed by the LTE Group Board that, of this, only amounts up to £630k will be recalled from Total People prior to the 31 July 2024. The remaining balance is expected to be paid thereafter and hence is considered to be non-current.

19. CREDITORS - amounts falling due within one year

	Group	Corporation	Group	Corporation
	2023	**2023**	**2022**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans and overdrafts	2,958	2,958	1,902	1,902
Obligations under finance leases	189	189	1,391	1,391
Payments in advance	508	137	919	400
Trade payables	2,077	1,880	2,691	2,467
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	-	825
Other taxation and social security	3,068	2,802	2,218	2,010
Accruals and deferred income	16,645	15,252	19,816	18,065
Deferred income - government capital grants	2,428	2,428	3,243	3,243
Amounts owed to the ESFA	1,301	1,202	910	822
Other creditors	4,157	3,665	4,238	3,817
Total	**33,331**	**30,513**	**37,328**	**34,942**

20. CREDITORS – amounts falling due after more than one year

	Group	Corporation	Group	Corporation
	2023	**2023**	**2022**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans	45,708	45,708	47,496	47,496
Obligations under finance leases	341	341	292	292
Deferred income - government capital grants	47,328	47,328	44,835	44,835
Other	646	569	691	568
Total	**94,023**	**93,946**	**93,314**	**93,191**

NOTES TO THE FINANCIAL STATEMENTS – continued

21. MATURITY OF DEBT

Bank loans

Bank loans are repayable as follows:

	Group	Corporation	Group	Corporation
	2023	**2023**	**2022**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less	2,958	2,958	1,902	1,902
Between one and two years	3,583	3,583	11,902	11,902
Between two and five years	25,563	25,563	29,783	29,783
In five years or more	16,562	16,562	5,812	5,812
Total	**48,666**	**48,666**	**49,398**	**49,398**

Loans are with Santander £20.855m (2022: £21.837m), with The Council of the City of Manchester (MCC) totalling £8.811m (2022: £19.561m) and with the Department for Education (DfE) totalling £19.000m (2022: £nil). The Santander and MCC loans are secured by a legal charge on a portion of the freehold land and buildings of the Group.

On the 20 July 2023, the public sector refinancing of College Debt with Commercial Lenders completed. The Group's previously held Santander £31.000m development revolving credit facility and a £3.000m revolving credit facility were cancelled and replaced by a £16.500m DfE refinancing loan (£16.500m drawn at 31 July 2023) and a £15.606m DfE capital loan (£2.500m drawn at 31 July 2023).

On 1 August 2023 the total amount drawn on the £34.000m development revolving credit facility was £8.000m, which was repaid in September 2022. During 2022/23, a further £13.500m was drawn, which was then repaid on the cancellation of the facility on 20 July 2023.

On 1 August 2023 the total amount drawn on the £3.000m development revolving credit facility was £nil. During 2022/23, £3.000m was drawn, which was then repaid on the cancellation of the facility on 20 July 2023.

£24.410m from Santander was recognised on inception of the loan, with a loan drawdown of £25.000m shown net of the arrangement fee of £590k, which is being amortised over the life of the loan. This was for an original term starting February 2020 to February 2026. Up until the 25 August 2020 this loan was at a variable interest rate of LIBOR + 2.5% margin. From 26th August 2020 a fixed rate of 0.16% + 2.5% margin has been agreed, up until and including 29 August 2023. From 30 August onwards this loan will be at a variable interest rate of 2.5% margin + SONIA (non-cumulative 5 day lag basis) + a credit adjustment spread of 0.1193%. Loan termination/refinancing year is February 2026. At year end the balance was £20.855m (2022: £21.837m).

£17.600m from MCC was recognised on inception of the loan, and in 2019/20, £1.045m of accrued interest was capitalised and added to the principle amount. This was for an original term February 2019 to March 2035, at an initial fixed interest rate of 6.60%. From 30th June 2021, following an early repayment of £6.500m, this rate reduced to 4.60%. Loan to be fully repaid by 31 March 2035. At year end the balance was £8.811m (2022: £19.561m).

£10.000m from MCC, for original term starting February 2020 (first advance £5.000m), June 2020 (second advance £2.500m) and January 2021 (third advance £2.500m) to February 2024, at a fixed interest rate of 4.6%. Loan was fully repaid on 31 October 2022. At year end the balance was £nil (2022: £10.000m).

£16.500m from DfE (refinancing loan), for original term starting July 2023, at the Public Works Loan Board (PWLB) standard rate of 4.97% (reviewed on each anniversary of 1 April 2023). Loan to be fully repaid by 18 January 2040. At year end the balance was £16.500m (2022: £nil).

£2.500m first drawdown from DfE (capital loan), for original term starting July 2023, at the Public Works Loan Board (PWLB) standard rate of 4.97% (reviewed on each anniversary of 1 April 2023). Loan to be fully repaid by 18 July 2037. At year end the balance was £2.500m (2022: £nil).

Finance Leases

The net finance lease obligations to which the institution is committed are:

	Group	Corporation	Group	Corporation
	2023	**2023**	**2022**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
In one year or less	189	189	1,416	1,416
Between one and two years	189	189	113	113
Between two and five years	169	169	197	197
In five years or more	-	-	-	-
Total	**547**	**547**	**1,726**	**1,726**

The £547k total obligation (2022: £1,726k) represents the amount of future cash payments to which the Group is committed. This includes £17k (2022: £43k) of interest that will be incurred over the remaining life of the leases, which is not included in the liability at 31 July 2023.

22. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability in another entity. The carrying value of the Group and Corporation's financial assets and liabilities are summarised by category below:

	Notes	Group	Corporation	Group	Corporation
		2023	**2023**	**2022**	**2022**
		£'000	**£'000**	**£'000**	**£'000**
Financial assets measured at fair value through income and expenditure:					
Investments (non - current)	17	267	267	265	265
Financial assets measured at amortised cost:					
Trade receivables	18	6,611	4,056	6,616	5,543
Other receivables	18	11,764	9,755	10,791	8,506
Amounts owed by subsidiary undertakings	18	-	3,691	-	2,488
Total		**18,642**	**17,769**	**17,672**	**16,802**
Financial liabilities measured at amortised cost:					
Loans	19 / 20	48,666	48,666	49,398	49,398
Finance leases	19 / 20	530	530	1,683	1,683
Trade payables	19	2,077	1,880	2,691	2,467
Other payables	19	18,188	16,550	19,297	17,848
Amounts owed to subsidiary undertakings	19	-	-	-	825
Total		**69,461**	**67,626**	**73,069**	**72,221**

NOTES TO THE FINANCIAL STATEMENTS – continued

23. OTHER PROVISIONS

Group			2023	2022
	Enhanced pensions	**Other**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 August 2022	1,453	60	1,513	1,852
Expenditure in the period	(129)	(82)	(211)	(128)
Additions in the period	-	52	52	60
Interest cost	48	-	48	30
Actuarial gain	(148)	-	(148)	(301)
At 31 July 2023	**1,224**	**30**	**1,254**	**1,513**

Other provisions relate to the dilapidations provision in Total People Limited's financial statements.

Corporation	2023	2022
	Enhanced pensions	**Enhanced pensions**
	£'000	**£'000**
At 1 August 2022	1,453	1,852
Expenditure in the period	(129)	(128)
Interest cost	48	30
Actuarial gain	(148)	(301)
At 31 July 2023	**1,224**	**1,453**

As at 31 July 2023, other provisions comprise solely of the enhanced pension provision. This relates to the cost of staff who have already left the Group's employment. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2023	2022
	%	%
Price inflation	2.8	2.9
Discount rate	5.0	3.3

24. CASH AND CASH EQUIVALENTS

Group	At 1 August 2022	Cash flows	At 31 July 2023
	£'000	**£'000**	**£'000**
Cash and cash equivalents	19,625	7,316	26,941
Total	**19,625**	**7,316**	**26,941**

Corporation	At 1 August 2022	Cash flows	At 31 July 2023
	£'000	**£'000**	**£'000**
Cash and cash equivalents	18,399	6,841	25,240
Total	**18,399**	**6,841**	**25,240**

25. CONSOLIDATED RECONCILIATION OF NET DEBT

	At 1 August 2022	Cash Flows	New Finance Leases	Non-cash changes	At 31 July 2023
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	19,625	7,316	-	-	26,941
Bank loans	(49,398)	1,000	-	(268)	(48,666)
Obligations under finance leases	(1,683)	1,485	(294)	(38)	(530)
Net debt	**(31,456)**	**9,801**	**(294)**	**(306)**	**(22,255)**

ANALYSIS OF DEBT

	2023	2022
	£'000	**£'000**
Cash and cash equivalents	26,941	19,625
Borrowings: amounts falling due within one year		
Bank loans	(2,958)	(1,902)
Obligations under finance leases	(189)	(1,391)
	(3,147)	**(3,293)**
Borrowings: amounts falling due after more than one year		
Bank loans	(45,708)	(47,496)
Obligations under finance leases	(341)	(292)
	(46,049)	**(47,788)**
Net debt	**(22,255)**	**(31,456)**

NOTES TO THE FINANCIAL STATEMENTS – continued

26. CAPITAL COMMITMENTS

	Group and Corporation	
	2023	2022
	£'000	**£'000**
Commitments contracted for at 31 July	**3,308**	**2,793**

Of the total commitments, £1.6m relates to the estates strategy build contracts (2022: £1.1m), the committed funding of which comprises the GMCA grant, DfE grant (Phase 2) MCC loan and DfE loans (see note 21) and disposals receipts.

27. LEASE OBLIGATIONS

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

	Group	Corporation	Group	Corporation
	2023	**2023**	**2022**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
FUTURE MINIMUM LEASE PAYMENTS DUE				
Land and buildings				
Not later than one year	338	338	593	550
Later than one year and not later than five years	775	775	836	836
Later than five years	177	177	401	401
	1,290	**1,290**	**1,830**	**1,787**
Other				
Not later than one year	2,430	2,430	1,656	1,655
Later than one year and not later than five years	1,990	1,990	331	331
Later than five years	80	80	-	-
	4,500	**4,500**	**1,987**	**1,986**

28. DEFINED BENEFIT OBLIGATIONS

The Group and Corporation's employees belong to two principal pension schemes: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Greater Manchester Pension Fund (GMPF) which is part of the Local Government Pension Fund (LGPS). Both are multi-employer defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2020 and of the LGPS was 31 March 2022.

Total pension cost for the year		2023		2022
		£'000		**£'000**
Teachers' Pension Scheme: contributions paid		10,420		9,797
Local Government Pension Scheme:				
Contributions paid	4,856		4,778	
FRS 102 (28) charge	2,902		9,060	
Charge to the Statement of Comprehensive Income		**7,758**		**13,838**
Other schemes		489		355
Enhanced pension charge to Statement of Comprehensive Income		-		-
Total pension cost for the year within staff costs		**18,667**		**23,990**

Contributions amounting to £2,002,035 (2022: £1,688,616) were payable to the schemes at 31st July and are included within other creditors.

Teachers' Pension Scheme

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

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

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The Corporation is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the Corporation has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The Corporation has set out above the information available on the plan and the implications for the Corporation in terms of the anticipated contribution rates.

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

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education (the Department) in October

NOTES TO THE FINANCIAL STATEMENTS – continued

2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222 billion giving a notional past service deficit of £40 billion.

In 2022/23 contributions rates were set at 23.68% (2022: 23.68%) of pensionable pay, with the Group receiving a teacher pension employer contribution grant to support the increase in the employer contribution to the teachers' pension scheme that came into effect on 1 September 2019 (from 16.48%).

As a result of the March 2020 valuation, new employer contribution rates will be increasing in April 2024 by 5% to 28.6% of pensionable pay. However, as in previous years, the Government has committed to providing funding for increases in employer contribution rates resulting from the 2020 valuation.

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

The pension costs paid to TPS in the year amounted to £10,420,000 (2022: £9,797,000).

Greater Manchester Pension Fund

The GMPF is a funded defined benefit scheme, with the assets held in separate funds administered by Tameside Metropolitan Borough Council. The total contribution made for the year ended 31 July 2023 was £6,695,000 (2022: £6,666,000) of which employers' contributions totalled £4,905,000 (2022: £4,870,000) and employees' contributions totalled £1,790,000 (2022: £1,796,000). The agreed contribution rates are 18.1% for employers. Employees range from 5.5% to 12.5% depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2023 by a qualified independent actuary.

	At 31 July 2023	At 31 July 2022
Future pensions increases	2.80%	2.50%
Rate of increase in salaries	2.76%	2.00%
Discount rate for scheme liabilities	5.08%	3.57%

The fund actuary has updated the methodology for the CPI assumption to make allowance for the expected inflation observed over the period from October 2022 to March 2023. The impact of this change in methodology has increased the CPI assumptions by 0.2% as compared with previous year, which has resulted in increased DBO by £7.5m in isolation.

At 31 July 2023, UK corporate bond yields were at their highest levels for many years, which resulted in a higher accounting discount rate at the year end.

In 2021/22, following review of market benchmarks, a one-off reduction of 0.16% was made to the discount rate proposed by the fund actuary, to bring their proposal in line with the market benchmarks as at 31 July 2022. In 2022/23, a similar comparison with benchmarks was undertaken, but as the discount rate proposed by the fund actuary was already in line with market benchmarks, no adjustment was required to the discount rate as at 31 July 2023. Whilst this exercise was conducted on a consistent basis year-on-year, because no adjustment to the discount rate was required in 2022/23, this is considered a change in accounting estimate.

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

	At 31 July 2023	At 31 July 2022
	Years	**Years**
Retiring today		
Males	19.6	20.5
Females	23.3	23.1
Retiring in 20 years		
Males	21.2	22.0
Females	25.6	25.0

The expectations of life in the table above are representative of the average mortality assumptions across the whole LGPS fund membership, and therefore there may be some differences in the relative movements year-on-year from the actual assumptions applied for the Group scheme membership.

The above ages represents the latest Fund valuation at the balance sheet date.

The major categories of plan assets as a percentage of the total plan assets are as follows:

	At 31 July 2023	At 31 July 2022
Equities	70%	68%
Bonds	14%	15%
Property	8%	9%
Cash	8%	8%
	100%	**100%**

The Group's share of assets in the scheme is estimated to be £256,459,000 at 31 July 2023 and £276,065,000 at 31 July 2022.

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

	2023	2022
	£'000	**£'000**
Fair value of plan assets	256,459	276,065
Present value of plan liabilities	(187,896)	(236,638)
Net pensions asset	**68,563**	**39,427**
Effect of 'asset ceiling' (see below)	(68,563)	(22,453)
Net pensions asset	**-**	**16,974**

The net pensions asset per the actuarial valuation report was £68,563,000 (2022: £39,427,000 asset). However, in line with FRS102 requirements regarding recognition of a defined benefit pension surplus, £nil has been recognised (2022: £16,974,000).

A consistent methodology to that adopted in 2022 was used to determine whether a pension asset should be recognised. This methodology complies with the relevant applicable accounting standards and compares the net present value of future service costs and future contributions relating to benefit accrual, measured over the remaining future working lifetime of the Group's active employees. As the future contributions relating to benefit accrual are greater than the future service costs the 'asset ceiling' is zero and therefore no pension asset has been recognised.

NOTES TO THE FINANCIAL STATEMENTS – continued

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

	2023	2022
	£'000	**£'000**
Amounts included in staff costs		
Current service cost	6,965	13,589
Past service cost	842	341
Total	**7,807**	**13,930**
Amounts included in interest income		
Net interest (credit) / charge	(1,355)	1,251
	(1,355)	**1,251**
Amount recognised		
Employer contributions	(4,905)	(4,870)
FRS 102 (28) pension charge & pension finance costs	**1,547**	**10,311**

Amounts recognised in Other Comprehensive Income (OCI)

	2023	2022
	£'000	**£'000**
Changes in financial assumptions	52,985	115,895
Changes in demographic assumptions	3,362	-
Other experience	(18,971)	(14,907)
Return on pension plan assets	(6,693)	15,790
	30,683	**116,778**
Effect of 'asset ceiling'	(46,110)	(22,453)
Amount recognised in Other Comprehensive Income	**(15,427)**	**94,325**

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

	2023	2022
	£'000	**£'000**
Surplus/(deficit) in scheme at 1 August	39,427	(67,040)
Movement in year:		
Current service cost	(6,965)	(13,589)
Employer contributions	4,905	4,870
Past service cost	(842)	(341)
Net interest credit/(charge)	1,355	(1,251)
Actuarial gain	30,683	116,778
	68,563	**39,427**
Effect of 'asset ceiling' - prior year	(22,453)	-
Effect of 'asset ceiling' - current year	(46,110)	(22,453)
Net defined benefit asset at 31 July	**-**	**16,974**

Asset and Liability Reconciliation

	2023	2022
	£'000	**£'000**
Defined benefit obligations at start of the year	236,638	321,047
Current Service cost	6,965	13,589
Interest cost	8,470	5,709
Contributions by Scheme participants	1,790	1,796
Changes in financial assumptions	(52,985)	(115,895)
Changes in demographic assumptions	(3,362)	-
Experience losses arising on defined benefit obligations	(2,434)	14,907
Estimated benefits paid	(8,028)	(4,856)
Past Service cost	842	341
Defined benefit obligations at end of period	**187,896**	**236,638**

Changes in fair value of plan assets

	2023	2022
	£'000	**£'000**
Fair value of plan assets at start of the year	276,065	254,007
Interest on plan assets	9,825	4,458
Return on plan assets	(6,693)	15,790
Other experience	(21,405)	-
Employer contributions	4,905	4,870
Contributions by Scheme participants	1,790	1,796
Benefits paid	(8,028)	(4,856)
Fair value of plan assets at end of the year	**256,459**	**276,065**

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme obligations are set out below:

Change in assumptions at 31 July 2023:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	3,871
1 year increase in member life expectancy	4%	7,516
0.1% increase in the Salary Increase Rate	0%	243
0.1% increase in the Pension Increase Rate (CPI)	2%	3,708

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

NOTES TO THE FINANCIAL STATEMENTS – continued

29. RELATED PARTY TRANSACTIONS

Due to the nature of the Group's operations and the composition of the Governing Body being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length and in accordance with the Group's Financial Regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £1,593; 4 Governors (2022: £1,873; 4 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor Meetings and charity events in their official capacity.

The total expenses paid to or on behalf of the Co-optees during the year was £1,557; 3 Co-optees (2022: £1,299; 2 Co-optees). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Committee Meetings and charity events in their official capacity.

In accordance with the permission granted by the Charity Commission, remuneration of trustees was commenced in April 2018. The total remuneration paid to Governors during the year was £35,584; 9 Governors (2022: £40,750; 8 Governors). The total remuneration paid to Co-optees during the year was £20,625; 7 Co-optees (2022: £19,228; 6 Co-optees).

Novus Cambria

During the year the parent company LTE Group incurred expenses and made payments on behalf of the company totalling £448,108 (2022: £484,381) and took cash receipts on behalf of the company of £1,375 (2022: £nil).

During the year the company paid a distribution of earnings of £84,768 (2022: £239,323) to LTE Group. During the year the company did not incur expenses or make payments on behalf of LTE Group (2022: £252).

At 31 July 2023 £208,924 (2022: £194,016) was owed to LTE Group and is included in Amounts owed to group undertakings (note 18).

Novus Gower

During the year the parent company LTE Group incurred expenses and made payments on behalf of the company totalling £2,107,435 and took cash receipts on behalf of the company of £1,986,804.

At 31 July 2023 £120,631 was owed to LTE Group and is included in Amounts owed to group undertakings (note 18).

Novus-Transforming Lives

During the year the parent company LTE Group incurred expenses and made payments on behalf of the company totalling £474,590. At 31 July 2023 £474,590 was owed to LTE Group and is included in Amounts owed to group undertakings (note 18).

Total People

During the year, the parent company, LTE Group incurred expenses and made payments on behalf of the company totalling £1,060,732 (2022: £448,830) and took cash receipts on behalf of the company of £1,059,950 (2022: £331,459). During the year the company incurred expenses and made payments on behalf of LTE Group totalling £306 (2022: £43,623).

At 31 July 2023, £nil (2022: £825k) was owed by LTE Group to the company in relation to the integration of MOL and Total People.

At 31 July 2023, £2,607,472 (2022: £2,199,620) was owed to LTE Group in respect of these transactions and is included in Amounts owed by group undertakings (note 18).

At 31 July 2023, £131,438 was owed by Total People Holdings Limited to the company (2022: £131,438) and £13,372 was owed by The Total Apprenticeship Training Company Limited to the company (2022: £16,807).

LTE Professional Services

During the year, the parent company, LTE Group incurred expenses and made payments on behalf of the company totalling £288,258 (2022: £59,995) and took cash receipts on behalf of the company of £8,640 (2022: £nil).

At 31 July 2023, £279,617 (2022: £94,649) was owed to LTE Group in respect of these transactions and is included in Amounts owed by group undertakings (note 18).

Collab Group

During the year, LTE Group made payments of £15,000 to Collab Group, in respect of its annual membership fees. The CEO of LTE Group is the current Chair of Collab Group. Collab Group is a UK-wide body of FE Colleges who work together to promote and further the interests of the college sector's large providers and provide solutions to the UK skills challenges.

30. AMOUNTS DISBURSED AS AGENT

Learner support funds	2023 Group £'000	2023 Corp £'000	2022 Group £'000	2022 Corp £'000
Funding body grants – bursary support	3,476	3,329	3,669	3,566
Funding body grants – discretionary learner support	2,881	2,880	2,417	2,418
Other Funding body grants - free school meals	299	292	305	303
	6,656	**6,501**	**6,392**	**6,287**
Disbursed to students	(5,114)	(5,062)	(5,273)	(5,258)
Administration costs	(241)	(237)	(209)	(207)
Balance unspent as at 31 July, included in creditors	**1,301**	**1,202**	**910**	**822**

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

31. EVENTS AFTER END OF REPORTING PERIOD

In November 2023, LTE Group received DfE consent to extend its parent guarantee in respect of Total People to July 2026.

In October 2023, the Group entered into a contract for £31.897m with Wilmot Dixon who have been appointed as the principal contractor for the phase 2 development at the City Centre Campus Manchester.

From 30 August 2023 onwards, the Santander loan has moved from a fixed interest rate to a variable interest rate of 2.5% margin + SONIA (non-cumulative 5 day lag basis) + a credit adjustment spread of 0.1193%, until the end of the loan term on 26 February 2026.

LTE Group is committed to equality of opportunity, non-discriminatory practices and supporting individual learners.

This information is also available in a range of formats, such as large print, on request.

Learning | Training | Employment