LONDON SOUTH EAST COLLEGES

Report and Consolidated Financial Statements for the year ended 31 July 2022

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Sam Parrett CBE – Group CEO & Principal, and Accounting officer
John Hunt – Deputy Group CEO & Group Chief Financial Officer
Asfa Sohail – Executive Principal and Chief Learning Officer (from 1 February 2022)
David Lambert – Deputy CEO (until 31 January 2022)
David Lambert – Group Chief Information and Technology Officer (from 1 February 2022)
Louise Wolsey – Group Chief Strategy Officer
Janet Curtis-Broni – Group Chief People Officer

Board of Governors

A full list of Governors is given on page 27 of these financial statements.

Jennifer Pharo, the Group Executive Director of Governance and Administration acted as the Clerk of the Corporation throughout the period.

Professional advisors

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Members' Report

The members of the Corporation present their report, which is also the Strategic report, and the audited financial statements for the year ended 31 July 2022. These Group financial statements for 2021 represent the consolidated financial results of the College and London Skills for Growth (LSfG) which ceased trading on 31 December 2020.

Legal Status
Bromley College of Further & Higher Education was established under the Further and Higher Education Act 1992. The College is an exempt charity for the purposes of the Charities Act 2011 and accordingly is not liable to Corporation Tax. The College operates under the brand of London South East Colleges in order to reflect the geographical area served by the College.

Academy Sponsorship
The College is the Sponsor of London & South East Academies Trust (LSEAT), and works very closely with the Trust. In April 2018 the independent boards of each entity agreed to work together to further their strategic aims under the brand of London & South East Education Group (LSEEG). This is referred to as Group throughout these financial statements.

Mission
The Corporation re-affirmed the Mission and Vision at its meeting in December 2021.

As part of the London South East Education Group (LSEEG) the College has an ambition to create public (social value), by operating as a social enterprise. Social value is defined as '...how what is proposed to be procured or delivered might improve the economic, social and environmental well-being of the relevant area'. This non-prescriptive language allows organisations an opportunity to inject more innovative thinking into public sector commissioning, procurement and service delivery processes in order to inspire more proactive solution finding.

To deliver this ambition, the mission of the College is: 'to have a positive impact on lives and local communities'.

Through this the College intends to have a positive impact on lives, and the social and economic well-being of our local communities is central to its purpose. This positive impact will be achieved by widening our current role and positioning the College as a social enterprise; one that contributes strategically and operationally to the wider ambitions of our partners. Through working collaboratively and always in partnership, the College believes that together we will achieve more and achieve better outcomes for all. Whilst the Covid-19 pandemic may have an adverse impact on our wider networks and supply chain, we continue to work closely with them in support of our mutual wider business aims.

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

People

The College employed a full-time equivalent (FTE) of 585 people, of whom 251 FTE are teaching staff. This equated to a headcount of 913 people, of whom 438 are teaching staff.

Learners

The College had approximately 10,547 learners during the year, circa 3,640 of these were 16-18, 259 19-24 High Needs Learner, 5,547 adults, and 1,101 apprentices.

Financial
The College has £48.5m of net assets. In addition, the College has cash balances of £20.2m

Members' Report (continued)

Resources (continued)

<u>Reputation</u>
The College has a good reputation for responsive high-quality education and training. The College attracts students from the London Boroughs of Bromley and Bexley, together with the Royal Borough of Greenwich and many other Local Authorities. Maintaining a quality brand is essential for the College's success at attracting students and developing external relationships.

Stakeholders

The College has many stakeholders which include:

- Students
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local Authorities
- Greater London Authority
- The local community
- SE London Chamber of Commerce
- London Chamber of Commerce
- Banks and providers of finance
- Canterbury Christchurch University (HEI Ptnr)
- University of Greenwich (HEI Ptnr)
- Ravensbourne University
- London Skills for Growth
- Trade unions
- Other FE institutions
- CBI

Stakeholder relationships are very important to the College and significant senior staff-time is invested in both building and maintaining relationships and partnerships. The College recognises the importance of such relationships to its future success and works closely with the funding agencies, banks, local authorities, and employers, together with its staff and students.

Public Benefit

The College is an exempt charity under the 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 Corporation, who are trustees of the charity, are disclosed on page 27.

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

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

- High-quality teaching;
- Widening participation and tackling social exclusion;
- Excellent employment opportunities for students;
- Strong student support systems;
- Links with employers, industry and commerce;
- Links with Local Enterprise Partnerships (LEPs); and
- Benefits to the local communities in which it operates.

Members' Report (continued)

Covid-19
2021/22 has once again been an unprecedented year for the Further Education sector and the country as a whole as we move out of the Covid-19 pandemic. Despite this and the challenges it presented, the College has continued to provide its education services and deliver public benefit in furtherance of its aims.

Following the imposition of the national lockdowns in response to the Coronavirus threat the College prepared a set of underlying operating principles which are supported by an overall Covid-19 Health and Safety risk assessment. This risk assessment is updated on a frequent basis and in particular in response to changing Government guidance. Throughout the pandemic, we have continued to comply with published guidance and standards of Health & Safety.

2021/22 started with a sense of caution, retaining such practices as operating in bubbles in order to limit learner contact and retaining the mandatory wearing of face masks. However, in line with government guidance, these measures were removed following the first term and all learners returned to a pre-pandemic experience, which was further enriched with improved online learning developed through the national lockdowns.

In 2021/22, whilst the year continued to be extremely challenging, disruption to the education of our learners was kept to an absolute minimum, and the College continued to provide its services in accordance with its objectives. In order to ensure no learner was disadvantaged due to digital poverty or lack of access to digital resources, laptops and 4G dongles continued to be loaned to learners.

As we emerged from it, many back-office support staff have continued to work from home on a hybrid basis and our systems, processes, and controls were adapted to ensure the continued safeguarding of learners, and the safety of both learners and staff. Moreover, with electronic systems in place, the majority of our financial and other internal controls have been unaffected by the remote working and the probity over the use of public funds remained throughout.

Our governance operated mainly through a digital model with one of the Corporation meetings taking place in person during the year. Our governance, risk management, and decision-making have remained highly effective throughout the pandemic. Some virtual meetings may remain as we return to more normal ways of life as we exit the pandemic.

During the pandemic and as we emerge from it, staff mental health and well-being has remained of paramount importance. Support for staff health and mental well-being has been implemented in a number of ways including through a coronavirus resource hub which provides staff and line managers, with a range of resources on managing mental health and well-being. Other resources provided included: guidance on remote working; coping strategies for self-isolation and remote working, frequently asked questions on a range of issues, managing mental health, well-being and stress, managing remote working and isolation, managing financial well-being etc.

In addition, staff also have remote access to the Group's multi-faith chaplain for counselling support, together with our employee assistance helpline which is available 24/7 to provide counselling for staff and family members.

With changes in the labour market brought on by the pandemic, together with some people remaining nervous of being in close proximity to others, this had a detrimental impact on numerous income streams including but not limited to apprenticeships, adult education and commercial income. We have worked to offset much of these through efficiencies as far as possible.

Members' Report (continued)

Strategic Plan

The Group Strategy adopted in 2019 seeks to position the College as a social enterprise. The Corporation monitors the performance of the College against this plan which is reviewed and updated each year. The College's strategic aims/objectives are as follows,

1. To have a measurable positive impact on lives and communities.
2. To maximise learners' success and ambitions through a learning strategy and approach that connects learning to the real world.
3. To deliver high-quality outcomes across all aspects of the Group's business.
4. To have the right people in the right jobs at the right time.
5. To establish a group identity/one organisation - shared vision, mission, and values with a new emphasis on social enterprise and our wider contribution.
6. To embed a culture of discipline, values and evidence that will drive our behaviour.

Review of progress in 2021/22 against the Strategic Plan

The College continues to work with the Social Value Portal to measure the social value that we have generated, and further details on the Social Value and Enterprise aspects of the strategic plan can be found in the next section.

<u>Delivering Social Value</u>

As we enter the third full year of our Group Strategy rollout, the College continues to be recognised within the FE, Social Enterprise, and wider education sectors as a key player in this space. We have continued to influence the work of the GLA and Bloomberg in the development of the London Anchor Charter, and the design and development of the London Anchors Impact framework, through which local economic recovery is being aligned to community wealth-building activity. The approach being adopted has been modelled on London South East Colleges' work and the methodology implemented by our Group. As a result, we have been asked to join the London Social Value Taskforce.

Interestingly, the College is now seeing through funding applications and contract opportunities a requirement for providers to articulate progress and impact as an Anchor Institution. As a College, we are well advanced in this area of work because of our progress on the group strategy over the past three years.

2021/22 is the third academic year that the Group has worked with the Social Value Portal (SVP) to measure the social value generated. At the time of writing, the full report for 2021/22 is still in the process of being finalised and externally reviewed, but through an internal validation, the estimated social value generated across the Group is c.£40m. This is an increase of over £4m compared to the previous year.

Across the Group, the largest contribution of over £23m, is made by local employees (c£14m for LSEC, c£9m for LSEAT), followed by local supply chains generating £14m (c£11m for LSEC, c£3m for LSEAT). In addition, an increased staff CPD programme across both the College and Trust, a return to in-person student work placements, and a more focused approach to health and wellbeing have contributed to the increased social value generation. Improved data collection and validation techniques were employed this year, with a view to further develop data collection processes during the next academic year. Social action initiatives including the EDI Grants programme, and the national Good for Me Good for FE campaign have further contributed to social value generation.

<u>Good for Me Good for FE National Campaign:</u>

During 2021/22, building on the previous year's national 'FE Foodbank Friday' campaign where colleges around the UK were approached to sign up and establish their own food banks, the College, with two founding partners, launched the Good for Me Good for FE campaign..

Members' Report (continued)

Review of progress in 2021/22 against the Strategic Plan (continued)

Good for Me Good for FE National Campaign (continued)
The intention of this was to build on our social value commitment and to harness the goodwill and contribution that many colleges make to their wider community through measurable social value metrics. Overall, the campaign engaged 140 Colleges, 6 corporate and charity partners, generated £1.95m Social Value, and 108,000 volunteering hours were captured.

In addition, 87,000 food items were donated which were the equivalent to supporting over 5,800 families/ households with a 3-day emergency food parcel and £118,000 was raised in additional fundraising. In PR Terms the campaign raised the profile of the sector and the College through fifty-five published articles, 2.3 million opportunities to see, which resulted in £71.2k advertising value equivalent. The programme is being supported through partnership funding from the national awarding body NCFE. This provided a grant of £55,000 to sustain the campaign for another year.

Every year, the College looks to increase the amount of social value we generate, thereby increasing our wider social impact. This has the benefit of improving opportunities for learners, provides headline social value figures to share with stakeholders and helps to increase the impact the College has for the funding it receives. A greater focus is now required on ensuring that we have access to and can benefit from the wider advantages of the charity and social enterprise partnerships that have been developed. There will be an increased focus on ensuring that leaders and managers are supported in translating this ambition into direct experiences for all learners in the coming year.

For the 2022/23 academic year, we are looking into how we can better embed social value across all parts of the College, particularly focusing on the benefits we can provide our students. This will involve greater strategic planning with multiple departments across the College. In the 2022/23 operating plans, and in the final year of the Group Strategy, this work will be a primary focus and forward planning is already underway.

External Reputation and Awards
This has been a strong year in reputational terms, with the total advertising cost equivalent for PR reaching £1.28m, with an estimated audience reach of 78 million.

Between September 2021 and June 2022, some 211 articles were secured including five articles in the national media – two in The Guardian, one in The Sun and two in the Evening Standard. In addition, the College achieved widespread coverage in the education press with 37 articles in FE News, 12 in FE Week, 12 in FE Week online and 4 in TES. Coverage has included a mix of opinion pieces, news stories and interviews. In total, 18 opinion pieces were published in the following publications, from a variety of staff and leaders across the College and Trust: TES; FE Week; Schools Week; Children & Young People Now; Sec-Ed; Times Higher; FE News; Evening Standard. Additionally, the College secured five double-page spreads in FE Week featuring highlights of the LSEC designed Good for Me Good for FE – giving the initiative a prominent platform within the sector, which has supported the College in far exceeding our campaign targets.

It was through the actions outlined earlier and by embedding the generation of social value into organisational policy and practice, that the College has continued to gain external recognition this year.

In the Royal Greenwich Civic Awards in March the College was named a winner in the Community Category and a staff member received an individual award in the Volunteer category. The annual awards celebrate the work of individuals, organisations and businesses who have made an outstanding contribution to the social, economic and wellbeing of the Borough. Both awards were recognition of the work that has been done as part of the College's Good for Me Good for FE social action campaign. This encourages staff and students to volunteer and fundraise in their communities, generating social value along with positively impacting their own mental health and wellbeing.

Members' Report (continued)

Review of progress in 2021/22 against the Strategic Plan (continued)

External Funding

Building on these developments, the College successfully secured a number of external funding applications which have been used to add value to and enhance the student experience. A primary focus has been to invest in the teaching and learning environment and resources available to students as well as CPD for teachers to improve and develop their classroom practice. In total, the College secured c.£15m in external funding from a range of funders comprising of the GLA, DfE, WorldSkills and partners. Successful bid outcomes have come through the following projects:

Project	Funder	Amount
Higher Technical Growth Fund	DfE	£94,648
Strategic Development Fund Pilot (Lead by Newham College)	DfE	£50,000
Local London Green and Digital Mayoral Academy	GLA	£470,000
GoodforMe GoodforFE	NCFE and Founding Colleges	£70,000
WorldSkills Development Hub	World Skills	£5,000
T-Level Special Equipment Allocation Fund	DfE	£358,020
FETCF – R1 progress to R2	DfE	£11,892,858
Strategic Development Fund	DfE	£2,468,000

Strategic Developments

Future Greenwich Campus

The £37 million Future Greenwich Project is continuing to make progress and will ensure that the new purpose-built campus will be future-proofed to meet the skills demands of employers and the communities it serves. Working in partnership with the Royal Borough of Greenwich and Digital Greenwich, the new campus will take advantage of modern digital pedagogy such as virtual and augmented reality, to create a far more efficient and effective learning environment.

Working alongside L&Q, the capital project will create a new living space with almost 300 new homes, 52% of which will be affordable. Not only will the new campus provide new education opportunities for thousands of Londoners, but the project will also be a vital community asset as well with a new green community space and homes. This hybrid project co-developed between the education sector and a housing association was shortlisted as highly commended in the 2022 National Social Value Awards for Best Public Sector Project.

Preparatory work for construction commenced in September 2022, with the anticipated opening of the new College being September 2025.

Members' Report (continued)

Review of progress in 2021/22 against the Strategic Plan (continued)

Bromley Campus Redevelopment
Following the successful FE Capital Transformation Fund bid, the ambitious part campus redevelopment will enable us to focus on the high-value, higher-level courses that employers need to meet technical skills gaps. Designing the campus to prepare for the rapidly changing skills needs employers have is requiring the development of modernised, more flexible teaching and collaboration spaces for students to learn in and out of the classroom. Work has already commenced to prepare for refurbishment and construction, to ensure delivery of these improvements in line with the DfE funding requirements.

Alongside the main campus development, and in partnership with a range of supporting aviation employers including London Biggin Hill Airport and Bombardier, we have continued to develop proposals to support the delivery of aviation training at the Bromley campus, in a new sustainable aviation centre. The longer-term intention is to deliver the new higher technical level training London needs in Engineering, Construction and Aviation in order to reduce skills gaps and create new career opportunities for residents to progress into high value careers locally and options are being reviewed with regards to the delivery of this.

Collaborative Strategic Projects
Alongside working with wider stakeholders to further embed ourselves within the community, the College has been delivering several larger-scale projects for the benefit of our learners and our community. These included:

- **College Collaboration Fund** – Building on the highly successful DfE funded College Collaboration fund projects of 2020/21 and 2021/22, it was proposed to sustain the collaboration through a self-supported College Collaboration Network. The agreements have allowed each College to progress with establishing the network and a financial payment of £15,000 from each partner is being paid to cover the coordination costs needed to run and manage the network. The Network will commence early in the 2022/23 academic year.

- **Local London Green and Digital Mayoral Academy (LLGDMA) -** The Local London Green and Digital Mayoral Academy continues to collaborate across 11 further education providers and 9 London boroughs in the Local London region to ensure the Greater London Authority (GLA) has a central delivery mechanism. This partnership has also allowed the group to mobilise a bid to the DfE Strategic Development Fund which, resulted in a potential further £2.75m being invested into the College and fellow Local London FE partners. Having the opportunity to lead this work on behalf of the sub-economic region continues to position LSEC as regional partner of choice for effective collaboration.

- **Mayoral Academy Quality Marks –** We were awarded three of the four Quality Marks applied for, successful applications covered Digital, Construction, and Health and provides additional credentials to support further funding applications.

- **Higher Technical Growth Fund –** The College applied for and won £94,000 of DfE Funding which has allowed investment in the equipment and facilities needed to deliver a range of higher technical skills qualifications across Digital, Construction and Health curriculum.

Members' Report (continued)

Review of progress in 2021/22 against the Strategic Plan (continued)

Collaborative Strategic Projects (continued)

- **Local London Strategic Development Fund – Green Academies Partnership Application –** The Local London Green and Digital Mayoral Academy has allowed LSEC to lead an additional bid to request £2.75m from the DfE to support the development of the new Mayoral Academy. The application was successful and enables collaboration across 11 further education providers and 9 London boroughs in the sub-region. This complements the current successful Mayor's Construction Academy (MCA) hubs which operate within the Local London Partnership, supporting Londoners to prepare for urgent emerging needs of the green and digital sectors. This success in bidding builds on the College being awarded the Queen's Anniversary Prize in 2019/20 for high-quality technical and vocational education which highlighted the College's recent work within the construction industry, the College pioneered a strategic engagement programme - the Construction Skills Generator in partnership with many employers and other stakeholders.

EDI Grants Programme
In 2019/20, our Group launched a ten-year grants programme to help support equality, diversity, and inclusion within our communities and to tackle inequality. This work has built on the College's mission to improve social mobility and is in support of the Black Lives Matter movement, following the death of George Floyd. With research also revealing that minority ethnic groups face disproportionate challenges from the Covid-19 pandemic, we want to continue to address and help support this issue in a tangible way. Therefore, our pioneering grants programme has continued to fund student and staff projects over the past year in a range of EDI areas, tackling issues that are important to them. During 2021/22, 4 programmes were sponsored supporting / reaching and engaging SEND, BAME and disadvantaged students across our college and Multi Academy Trust. By 2030, we plan to have funded up to 50 community projects.

DEVELOPMENT AND PERFORMANCE

Financial Results
In 2021/22 the Group generated an adjusted operating surplus of £1.59m prior to FRS102 pension costs, and profit on sale of fixed assets (2020/21: surplus of £2.05m). The total comprehensive income of the College for the year after including these items and the actuarial gain in respect of the Local Government Pension Scheme (LGPS) was a surplus of £40.2m (2020/21: a surplus of £4.0m).

The overall adjusted operating Group surplus for the year of £1.59m is largely due to strict control on spending due to continued uncertainty of the Covid-19 impact.

The total comprehensive income for 2021/22 includes £0.07m (2020/21: £0.14m) of restructuring costs and £0.46m exceptional property strategy costs which have been expensed on planning of major building works, and £3.7m of FRS102 Local Government Pension Scheme (LGPS) adjustments (2020/21: £3.5m), and an actuarial gain totalling £42.5m in respect of the LGPS (2020/21: £5.3m gain).

The FRS102 pension deficit decreased from £38.7m to NIL during the year. This is due to a number of reasons, primarily higher market yields on Corporate Bonds increasing the discount rate applicable to scheme liabilities.

Members’ Report (continued)

DEVELOPMENT AND PERFORMANCE (continued)

Financial Results (continued)

The College has an accumulated income and expenditure account surplus of £35.1m including the LGPS pension reserve (2020/21: deficit of £5.8m) and cash balances of £20.2m (2020/21: £18.3m). The College wishes to accumulate reserves and cash balances in order to create a contingency fund, but this is balanced with the need to reinvest in equipment and the College estate following the merger.

Total College income for the year was £50.5m which is an increase of £2.3m from 2020/21 (£48.1m) mainly due to an increase in Youth funding body grants and Other grants and contracts.

Cash flows and Liquidity

The College aims to generate a cash inflow from operating activities each year and a cash inflow of £6.3m was achieved (2020/21: £7.2m). The College also aims to maintain an appropriate balance between continuing capital investment and net current assets which decreased slightly by £0.08m to £6.09m at 31 July 2022 (2020/21: £6.17m).

Liquidity remained strong during the year with cash balances of £20.2m (2020/21: £18.3m) as the College builds cash reserves to fund some major capital projects. During the year the College has continued to invest in its estate, equipment and major capital projects with total capital expenditure net of capital grants during the year being £1.92m (2020/21: £1.24m).

The quantum of overall debt is determined by the College’s ability to meet capital repayments and debt charges with due regard to interest rate risk.

Treasury management is the management of the College’s cash flows, its banking, money market and investment transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate Treasury Management Policy in place.

Treasury policies and objectives

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

Reserves

The College has £48.5m (2020/21: £8.2m) of net assets including NIL pension asset/liability (2020/21: £38.8m liability) and long-term debt of £6.2m (2020/21: £7m). This excludes deferred capital grants of £25.6m (2020/21: £27.2m).

Going concern

The College has funding contracts in place with the ESFA for 2022/23 which provide a secure income stream for the year based upon current enrolment levels. In addition, the College has secure loan debt and revolving credit facilities over the medium term. The medium-term financial plan for the College has been prepared on a prudent basis. Despite the challenges presented by the current economic climate, regulatory changes and some major capital disposal and investment ambitions, the plan demonstrates that financial performance is expected to able to be sustained, and the College will operate within its banking facilities and covenants. Further, the plan also shows that the College will have sufficient working capital to meet liabilities as they fall due.

Members' Report (continued)

DEVELOPMENT AND PERFORMANCE (continued)

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

Sources of Income
The College has an accumulated income and expenditure account reserve (excluding Pension Reserve) of £35.1m (2020/21: £32.9m) and cash balances of £20.2m (2020/21: £18.3m). The College wishes to continue to accumulate reserves and cash balances in order to help fund future major capital investment, and to protect against adverse changes in financial performance.

The College continues to have significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2021/22 the ESFA provided 72% of the College's total income (2020/21: 75%).

The College received £113k from the ESFA in respect of the exceptional costs of operating on-site coronavirus testing facilities across its sites.

FUTURE PROSPECTS

Curriculum Developments
During the last two years our curriculum developments were impacted by Covid 19, with the use of fully remote and blended delivery. 2021/22 has focused on taking the good practice developed through these experiences to enhance learning, while returning to a full time in college learning experience.

<u>Covid-19 Response</u>

2021/22 had significant challenges following the previous years Covid-19 responses. In January, the Omicron variant caused a variety of weekly adjustments and timetable changes, remote working for some groups and significant challenge, particularly to adult retention. However, all exams, mocks and practical assessments went ahead as planned with some minor adjustments to timings and schedules.

QTAGs and adapted assessments were used for the majority of vocational courses with all grades supplied to the various Awarding Bodies on time and after robust internal process. Some areas have been subject to external sampling and quality checks and no grading decisions have been challenged and there have been no student appeals.

There were no centre or teaching assessed grades in the academic year and a full return to traditional assessment and practical examination took place. Revised exams and recovery plans were in place for specific GCSE exams as many of the 16-19 cohorts had potentially never sat a formal exam. Programmes to help support them and engage with exam attendance were out in place from February onwards and they aimed to address gaps in learning that had been caused by any loss of learning or learning gaps that had appeared earlier in the year or previous years.

A significant proportion of the catch-up funding was used to support English and maths. This is both through the Colleges own English and maths team and also through expanding the programme delivered by "Get Further" which used more provision for more learners, providing support for Functional Skills as well as GCSE.

In addition, the tuition fund also supported learners who missed learning opportunities on vocational programmes in preparation for the practical assessment. Whilst there will be an emphasis on the practical skills which were challenging to deliver remotely, support will also be available to the majority of our student programme learners.

Members' Report (continued)

FUTURE PROSPECTS (continued)

Curriculum Developments (continued)

Covid-19 Response **(continued)**

The expectation of this increased level of support is that knowledge and skills gaps are filled and confidence is rebuilt which should be seen in more positive achievement rates and destinations.

English and Maths Digital Learning
Building on the use of the specialist "Century" English and maths software introduced last year the delivery model for 2022/23 has been reshaped to give learners additional teaching input and access to support. The classroom delivery hours have increased to replace the digital coaching sessions and provide the traditional learning classes that a large majority of learners have been vocal about getting back. Learners have additional online access to Century in place to support and enhance self-directed study. English and maths and study centres, providing in-person support, will remain on each campus as another intervention and support resource.

GCSE English and Maths
GCSE exams returned to formal exams and learners were supported with full-scale, practise experiences in the mock windows in March to get them confident and relaxed about the return of traditional exam experiences.

Online Enrolment
The focus of enrolment this year has again been the increased use of online enrolment. Enrolments for progressing learners and those with accepted offers are being completed earlier. There has also been an increase in the volume of physical onsite enrolment opportunities as the easing of restrictions has allowed. The process of online enrolment continues to evolve and the learning point from this year's enrolment will be used to further develop the systems as we progress with an approach that differentiates between customers and provides multiple methods of enrolment.

This year was more of a hybrid, with physical attendance on site for enrolment encouraged for some cohorts of learners who find it difficult to enrol online, particularly adult learners where fee assessment issues and evidence tends to be more complex.

It is proposed to move back to a full onsite enrolment experience supported online for 2022/23.

Local Skills Improvement Plans
As the country continues to manage the ongoing impacts of the pandemic and looks to build a better future for all, lessons learnt during that tumultuous period continue to be taken forward. One of the key areas of learning has been the benefit of collaboration, how communities and organisations coming together during the crisis led to better outcomes. Partners joined forces on a common agenda, problem-solving together to ensure resource, support and action were focused where it was needed most and could have the greatest impact. This has highlighted more than ever that complex national problems require greater collaboration and contribution from a range of agents for change, and that it is the responsibility of all involved to play a role in providing the solution.

According to the CBI's Learning for Life Report 2020, by 2030 over 30 million people will require reskilling. At the same time, the UK is facing record numbers of vacancies and payroll employees, indicating an unprecedented skills mismatch. It is clear that for the Government, further and technical education will play a pivotal role in a skills-led recovery crucial to building an agile and adaptable workforce. Colleges will have an even greater responsibility to meet local and national skills needs, particularly within STEM fields where the Government has identified a particularly pressing skills gap.

Members' Report (continued)

FUTURE PROSPECTS (continued)

Curriculum Developments (continued)

To ensure that skills gaps are being addressed, employers are being put at the heart of post-16 skills. Employers are being asked by the Department for Education to work closely with colleges to develop Local Skills Improvement Plans (LSIP) that will shape the future direction and content of technical skills provision. The need to adhere to a local skills improvement plan for a specified area will be enacted through the Skills and Post-16 Education Bill.

As a large College of Further and Higher Education, we have a significant role to play in supporting local communities and economies to continue to recover, build resilience and thrive, and we are committed to collaboration on this agenda in the ever-changing policy context of education and skills. We have proactively responded to this changing agenda to ensure that our approach to employer engagement and supporting economic recovery aligns with the emerging development of Local Skills improvement Plans in London. The approach will build on the design and implementation of the LSEC Curriculum Strategy 2022-2027 and proposed LSEC local LSIP and Annual Delivery Plans.

This combined with the College's Construction Quality Mark and MCAS Hub Status, signals to employers and industry professionals that we are a leading provider in this sector. The College continues to develop the capacity of the Mayor's Construction Academy Hub, improving its ability to:

- improve the supply of skilled construction workers required by the sector, creating more opportunities for Londoners to benefit from the available job opportunities (including more women and BAME Londoners);
- scale-up and extend high-quality provision and initiatives that are already working well across the capital to train Londoners in the skills needed to enter and progress in careers in the construction sector;
- intensify local collaboration, particularly between small and medium-sized businesses and construction skills training providers and support the development of training provision for the construction of precision-manufactured housing in London.

These principles and strategic focus areas are now being applied to wider industry sectors.

<u>Other Developments and Achievements</u>
The College uses a total of 22 awarding organisations (AOs). The key AOs with whom we offer multiple types of qualifications are Pearson, City and Guilds, NCFE and OCN. We began a relationship with Training Qualifications UK (TQUK) which is being used as the primary AO for our distance learning provision. The vast majority of External Quality Assurance reports are positive and acknowledge the support given to learners by staff in what was a restart year in terms of a return to 'normal' assessment and quality assurance on all courses after two difficult COVID years. Level 1 and Level 2 Construction provision at Bromley has transferred to City and Guilds this year from NOCN and the College achieved Direct Claims Status during the year.

FUTURE PROSPECTS (continued)

Curriculum Developments (continued)

Other Developments and Achievements

However, while the College remains in a strong reputational and financial position, national trends could reduce the number of adult learners attending the College. The College will need to mitigate the risks of lower numbers of adult learners and seek new types of learning to attract more to attend the College.

The College is well prepared in the event of further Coronavirus related restrictions. This includes contingency plans to quickly allow all students to participate in effective distance learning, blended with face-to-face learning, ensuring that the College can continue operating in the event of further significant Covid-19 safety measures.

However, even though the College remains in a strong reputational and financial position, national trends, the current economic climate, and availability of jobs in the economy could reduce the number of adult learners attending the College. The College will need to mitigate the risks of lower numbers of adult learners and seek new types of learning to attract more learners to attend the College.

The College's forecasts and financial projections indicate that it will be able to continue to maintain its financial position, but that this will be challenging in the current economic climate and some financial efficiencies to make cost savings may be required in future years. The College has submitted copies of its three-year financial plans to the ESFA and its providers of loan finance for review and no going concern issues have been raised.

Financial plan

The Corporation approved a three-year financial plan in July 2022 which sets objectives for the period to July 2024. The college aims to build upon its strengths which include evolving our curriculum, increased progression opportunities within the curriculum strategy, and in response to Government and GLA funding priorities.

The plan takes account of the ongoing capital investment and the capital expenditure in respect of the partial disposal and rebuild of the Plumstead campus, and the major refurbishment of part of its Bromley Campus following a successful Further Education Capital Transformation Fund (FECTF) Bid. This all introduces a much higher level of uncertainty for future enrolment levels together with the financial performance, and health of the College. Therefore, some contingencies together with modest assumptions have been included within the plan.

The three-year financial plan has been prepared in accordance with the strategic plan and aims of the College and shows that with the main assumptions and contingencies, the financial performance of the College should be sustained, although some efficiencies are likely to be required to achieve this. As the College embarks on a period of major capital investment, cash levels are expected to reduce over the period of the plan.

Reserves Policy

In accordance with its Strategic Plan, the College aims to accumulate reserves in order to provide sufficient cash flows to support the maintenance and improvement of the College estate and equipment. In this regard, the College has been building reserves to support the redevelopment of its Plumstead campus and the major refurbishment of its Bromley campus and these projects should commence in 2022/23. In addition, the College holds reserves to provide a degree of protection against adverse changes in the number and/or profile of enrolments and/or in-year reductions to funding allocations.

This will be achieved through:

FUTURE PROSPECTS (continued)

Reserves Policy(continued)

- Maximising the operating position each year and achieving a cash inflow from operating activities.
- Managing cash flow and liquidity so that variable cash demands can be managed in order to smooth out irregular and cyclical spending and allow for unexpected and unpredictable needs.
- Managing known risks that are not insurable or where insurance does not provide value for money.
- Funding annual capital investment in order to ensure the estate is safe and fit for purpose, and IT and other equipment is up to date and suitable for learning.
- Providing resources for major capital projects including building refurbishments, new buildings, or infrastructure improvements. Reserve levels for this purpose will be agreed on a case by case basis in accordance with the property strategy.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has continued to undertake further work this year to develop and embed its systems of internal control, including financial, operational, and risk management in order to ensure the College is best placed to achieve its objectives.

Based on the strategic plan, the College management team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College.

The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions during the year.

A risk register is maintained at the College level which is reviewed at each meeting by the Audit & Risk Committee and Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system and the risk register includes the numerous threats posed by the ongoing coronavirus pandemic.

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

<u>Government Funding Levels & Inflationary Pressures</u>
The College has considerable reliance on continued government funding through the ESFA and GLA. In 2021/22 85% of the College's revenue was ultimately public-funded and this level of requirement is expected to continue. Funding rates per learner for the sector have fallen considerably behind inflation since 2010, with only a slight net increase in Youth funding rates over that period, and no increases to some other funding rates. Whilst this burdens the whole Further Education sector with the challenge of how to fund the cost of living and other inflationary increases each year, the recent unprecedented energy price increases and high levels of inflation are exacerbating the problem. This cumulative impact of 12 years of little or no funding rate increases is placing significant financial pressures on the College revenue budgets which will ultimately impact upon learners. In addition, this is significantly increasing the cost of major capital projects.

This risk is mitigated in a number of ways:

Members' Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- By ensuring the College continues to respond to the introduction of reforms, which will include working closely with employers, funding agencies and other Colleges;
- By ensuring the College is rigorous in delivering high-quality education and training;
- Through the strategic alignment of its curriculum offer to job outcomes demand from employers, and government priorities;
- Through strong budgetary control and ensuring the College achieves value for money;
- Through focussing resources on key business priorities;
- Through a relentless focus on the learner experience and achievement.

<u>Major Capital Projects impacting on the financial viability/solvency of the College</u>
The College is embarking on a significant capital project for the part disposal of its Plumstead campus and a planned circa £37m rebuild of a new campus on that site. With complex phasing to the project, a period of high construction inflation together with difficulties in obtaining some materials, phased disposal proceeds and a GLA capital grant to draw down, the project presents a number of risks which includes the potential to have a material impact on planned cash flows and learner recruitment at the Plumstead site.

The risk is mitigated in a number of ways:

- Through strong project management and team of professional advisors;
- The phasing of project cash flows to minimise the use of College reserves for the first few years of the project;
- Regular monitoring of the project budget and cash flow forecasting;
- By building College cash reserves to mitigate the risk of adverse project costs and cash flows;
- Close scrutiny of the project together with the overall College financial position by the Corporation.

<u>Recruitment and retention of staff</u>
The current economic climate and historically low funding levels for the sector is having a significant impact on the ability of the College to attract and retain staff. With a number of commercial sectors now offering salaries that the College is unable to compete with, retaining our much valued workforce and attracting staff into the sector is becoming an increasing challenge.

The risk is mitigated in a number of ways:

- Through offering good terms and conditions to staff, including excellent pension benefits, and flexible working wherever possible;
- Through measuring staff satisfaction and ensuring the actions are taken to make improvements for staff;
- Fostering a culture of equality and diversity in which all staff are valued and implementing a health a wellbeing strategy;
- Through offering generous annual leave entitlements including a Christmas closure period;
- Through offering a salary sacrifice scheme for staff to have a new and more efficient vehicle in a cost-effective way.

KEY PERFORMANCE INDICATORS
The College has a number of key performance indicators which are explained below:

The College's main learner-related targets for 2021/22 were:

Members' Report (continued)

KEY PERFORMANCE INDICATORS (continued)

Key performance indicator	Target	Actual
ESFA Youth Learner Numbers	4,152	3,909
Total Adult Education Budget income	£6.79m	£5.33m
Total Apprenticeships Income	£2.69m	£2.57m
Total HE Income	£2.59m	£2.42m

Performance against all four indicators above is due to under recruitment. The AEB underperformance relates to both the devolved and non-devolved contracts.

The College's main financial targets for 2021/22 were:

Key performance indicator	Target	Actual
To maintain or improve the adjusted operating deficit each year (prior to exceptional items & non-cash FRS102 adjustments)	£0.77m	£1.87m
To achieve an Education Specific EBITDA of at least £2.0m each year	£3.43m	£4.09m
Achievement of an annual net cash inflow each year before major capital project expenditure	>£0	£6.3m
An adjusted current ratio target of at least 1.1	2.47	1.67
To maintain a minimum bank balance of £12.5m	£20.1m	£20.2m
A ratio of staff costs (excluding restructuring costs) against income (excluding releases of capital grants) of no more than 70%	65.6%	63.5%
Achievement of all annual financial bank loan covenants	Achieved	Achieved

Performance against the FE Commissioner Ratio's and Targets are as follows:-

Key performance indicator	Target	Actual
Adjusted operating position as a % of income	>1	2.9%
Debt service cover	>2	4.8
Cash days in hand	>25	165
Adjusted current ratio	>1.4	1.67
Staff cost (excl restructuring as a % of income (excl. Partner income)	65%	63.5%
Financial Health grade	Good or Outstanding	Outstanding

Members’ Report (continued)

KEY PERFORMANCE INDICATORS (continued)

All financial objectives for the year were achieved. Specific financial measures are in place to enable progress against the strategic objectives to be measured. The measures relevant for the duration of this financial plan and performance against those targets are listed in more detail below.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The College is required to complete financial returns for the Education and Skills Funding Agency (ESFA). The financial returns produce a financial health grading and the current rating of ‘Outstanding’ for 2021/22 is considered to be a significant achievement in the current FE climate.

In 2021/22, the academic year saw largely a full return to normal assessment exams, following three years of the widespread use of a range of assessment adaptations, Centre Assessed Grades, and Teacher Assessed Grades. This makes year on year comparison of data very difficult and not as meaningful as prior to the pandemic, due to the significant amounts of lost learning over two years that our young and adult learners have experienced and is further compounded by undeniable, GCSE grade inflation. The impact has been such that the College’s overall achievement declined by 3.2% to 80.1%, with this largely being influenced by matters beyond the control of the College.

There were also some larger strategic decisions that impacted on outcomes for the last year. The reduction of sub-contracted adults (circa 2,200 learners in 20/21) represented around 12% of overall aims and at 90% achievement rates. Therefore, this provision was not included in the 2021/22 data, and contributed circa 1% to the overall reduction in achievement.

A like-for-like comparison which excludes subcontracted provision, the impact of English and maths, and carry-over learners reveals that achievement rates are broadly in line with the previous year at 79.8% (if the three areas highlighted above were excluded).

The Colleges Self-Assessment Report is an accurate assessment of the Colleges overall performance. Whilst some of the overall achievement rates have dropped as a result of the impact of the pandemic the College overall remains Good and with robust plans for improvement.

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. During this financial period, the College paid 86% of its invoices within 30 days in line with the Treasury target. This is 11% lower than reported in previous year due to difficulties in recruiting Processing staff. The College incurred no interest charges in respect of late payment for this period.

Equality

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. The College values and celebrates diversity of its learners, staff and other stakeholders and is committed to the promotion and advancement of equality in every aspect of its operation. The College will not tolerate any form of discrimination, victimisation or harassment on

any grounds. All of the College’s learners and members of staff are helped and encouraged to develop their full potential within an ethos which recognises and values the benefits that a diverse workforce supporting a diverse student body can bring to both the local and wider community.

The College complies with the provisions as contained in the Equality Act 2010. Progress toward the achievement of the College’s equality objectives, is monitored by the Equality and Diversity Steering Group and regular reports are presented to the Corporation. The College’s Equality Policy is published on the College’s intranet site.

Members' Report (continued)

Disability Statement

The College systematically monitors the diversity of its staff and reviews its recruitment arrangements to support equality and diversity objectives. Equality and Diversity training continues to feature in the Strategic Professional Development Framework, as part of the College's mandatory training requirements.

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned and, where disabled candidates disclose their disability to the College and meet the minimum selection criteria, an interview will be offered. Where an existing employee becomes disabled, every effort is made to ensure that their employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. The College holds the "two ticks" - positive about disabled people - kite mark.

The College is successful in recruiting a very diverse range of students including a significant number of students with disabilities and continues to work to widen access to all actual and potential learners. Specialist programmes and facilities are provided for students with complex needs and the support needs of students disclosing a learning/disability are assessed and support provided as required.

The College is fully compliant with the provisions as contained in the Equality Act 2010 and the requirements of the Special Education Needs and Disability Act 2001 and continues to work to widen access to all actual and potential learners.

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 year	FTE employee number
6	6

Percentage of time spent on facility time:

Percentage of time	Number of employees
0%	-
1-50%	6
51-99%	-
100%	-

Percentage of pay bill spent on facility time:

Total cost of facility time	£30,976
Total pay bill	£279,122
Percentage of total bill spent on facility time	11.1%

Paid trade union activities:

Time spent on paid trade union activities as a percentage of total paid facility time	100%

Members' Report (continued)

Streamlined Energy and Carbon Reporting

Quantification and Reporting Methodology
The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed. The 2022 UK Government GHG Conversion Factors for Company Reporting were used in emission calculations as these relate to the majority of the reporting period. The report has been reviewed independently by Briar (Briar Consulting Engineers Limited).

The electricity and gas energy use was compiled from invoices. Where invoices were unavailable, the data was extrapolated to cover the missing period (pro-rata method) to ensure it falls within a reasonable range. Mileage records were used to calculate energy and emissions from College owned vehicles and grey fleet. Gross calorific values were used except for mileage energy calculations as per Government GHG Conversion Factors.

The emissions are divided into mandatory and voluntary emissions according to the 2018 Regulations, then further divided into the direct combustion of fuels and the operation of facilities (scope 1), indirect emissions from purchased electricity (scope 2) and further indirect emissions that occur as a consequence of company activities but occur from sources not owned or controlled by the organisation (scope 3).

Breakdown of energy consumption used to calculate emissions (kWh):

Energy type	2021/22	2020/21
Mandatory requirements:		
Natural gas	6,085,997	5,625,238
Purchased electricity	3,496,475	3,368,224
Transport fuel	188,618	41,396
Total energy (mandatory)	**9,771,090**	**8,809,726**

Breakdown of emissions associated with the reported energy use (tCO_2e)

Emission source	2021/22	2020/21
Mandatory requirements:		
Scope 1		
Natural gas	1,110.9	1,030.3
Transport - Company owned vehicles	34.1	7.6
Scope 2		
Purchased electricity (location-based)	676.1	667.4
Scope 3		
Transport – Business travel in grey fleet	12.2	2.7
Total gross emissions (mandatory)	**1,833.3**	**1,707.9**
Intensity ratios (mandatory emissions only)		
Tonnes of CO_2e per staff member	2.309	2.253
Tonnes of CO_2e per square meter floor area	0.037	0.033

Members' Report (continued)

Streamlined Energy and Carbon Reporting (continued)

<u>Intensity measurement</u>
Two intensity ratios are reported showing emissions (tCO_2e) per staff member and per square meter floor area. Emissions per staff member is the recommended ratio for the sector for consistency and comparability. Emissions per square meter floor area is reported to reflect the energy efficiency of the buildings, which are the source of the majority of reported emissions.

<u>Measures taken to improve energy efficiency</u>
Whilst the reported energy usage has increased, this is mainly due to returning to normal levels of onsite activity as we emerged from the pandemic, together with improved reporting for transport fuel.

A number of maintenance efficiency improvements have been made this year as components reach their life expiry. This has included boiler replacements and their associated controls to more efficient models, as well as an ongoing lighting replacement programme to energy efficient LED lighting as and when units expire.

Low-cost operational changes have been implemented to improve energy efficiency by adjusting BMS set temperatures. The set temperatures have been lowered by 1°C to save energy but still remaining within the recommended education temperature bandings.

The Higher Education function has been relocated from the Bromley Campus to a new, smaller and more efficient standalone building in Orpington. This allows the Bromley Campus to close earlier in the day, as the Higher Education function tends to operate into the evenings, resulting in overall energy savings. Furthermore, approximately 2,000 square meters of space at the Plumstead (Greenwich) Campus has been vacated, further reducing energy consumption.

Finally, a grant has been secured this year to implement future energy efficiency actions at the Bromley Campus within the next 24 months.

EVENTS AFTER THE REPORTING PERIOD
On 29 November 2022, the Office for National Statistics reclassified all college corporations to Central Government sector with immediate effect. This will mean that colleges will now be subject to the framework for financial management set out in Managing Public Money (MPM) and the Department for Education will introduce new rules for colleges, some of which will take effect immediately.

Going Concern
The College has funding contracts in place with the ESFA for 2022/23 which provide a secure income stream for the year based upon current enrolment levels. In addition, the College has secure loan debt and revolving credit facilities over the medium term. The medium-term financial plan for the College has been prepared on a prudent basis and demonstrates that financial performance is expected to be sustained and the College will continue to meet its banking covenants. The plan also shows that the College will have sufficient working capital to meet liabilities as they fall due.

The College has secured planning permission for its future Greenwich project which will see the part disposal of the Plumstead campus and a new campus built on the remaining land. This project has been planned and phased to ensure that capital receipts and grants will be ahead of expenditure for the first two years of the project and the College has sufficient cash reserves to fund its required investment in the new building, together with its contribution to the FECTF project to refurbish part of its Bromley Campus.

Members' Report (continued)

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by Members of the Corporation on 8 December 2022 and signed on their behalf by:

David Eastgate
Chair

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

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

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

The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2015. A revised version of the Code of Good Governance for English Colleges was published in September 2021 following consultation with the Sector and shared with Corporation Members. In the opinion of the Corporation, the College complies with all the provisions of The Code of Good Governance for English Colleges, and it has complied throughout the year ended 31 July 2022.

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

The College works closely with London & South East Academies Trust (LSEAT), and in April 2018 the independent boards of each entity agreed to work together to further their strategic aims as London & South East Education Group (LSEEG). Although not a legal entity, LSEEG had a collective turnover circa £79m in 2021/22.

LSEEG is the umbrella organisation to co-ordinate the strategy of the organisations and to optimise and strengthen both governance and collaboration between group entities. This is achieved through schemes of delegation (subject to their non-delegable primary governance responsibilities and authority; their regulatory obligations; and management of potential conflicts of interest). The Group is not a legal entity and organisations as members of the Group are not subsidiary companies which are controlled or owned by LSEEG.

The Group rationale is borne from a shared mission vision and values and seeks to optimise governance alignment through a Group Strategy and provide efficiencies across the organisations. The Group ethos is founded upon high-quality teaching and learning, the development of curriculum models fitting each school and cohort and a core and bespoke school improvement strategy which focuses on our shared strength.

Statement of Corporate Governance and Internal Control (continued)

Governors and Trustees have been appointed to the Group Board, Independent Legal Boards and the Joint LSEEG Co-ordinating Committees, ensuring that a balanced combination of Governors and Trustees are represented on the each of these, as defined by the relevant Articles of Association and the Group Organisation Scheme of Delegation. Details of the group governance arrangements are shown below:-

The Corporation

The members, who served on the Corporation during the year and up to the date of signature of this report, are as listed below. The Corporation conducts its business through meetings of the full Board and a number of Committees: Group Audit and Risk (A), Group Search & Governance (GSG), Group Remuneration (GR), Group Finance (F) and Curriculum & Standards (C&S). Each Committee has terms of reference, which have been approved by the Corporation. The Clerk to the Corporation maintains minutes of meetings and a register of members' financial and personal interests, which are available for inspection, on request to the Group Executive Director of Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.lsec.ac.uk.

The list of Members who served during the period of the financial statements is recorded in the following table below.

Statement of Corporate Governance and Internal Control (continued)

Members of the Corporation serving on the College Board during 2020/21

Name	Appointed	Tenure	Role	Meetings	Attended	%	Resigned
Stephen Howlett	01/08/2017	4 years	Chair	2	2	100%	31/12/2021
David Eastgate	09/07/2020	4 years	Chair	6	6	100%	
Dr Sam Parrett	n/a	n/a	Governor	6	6	100%	
Jane Hobson	01/11/2018	4 years	Governor	6	4	67%	08/12/2022
Christopher Briggs	01/11/2018	4 years	Governor	6	6	100%	13/07/2022
Mark Trinick	11/12/2019	4 years	Governor	6	6	100%	
Louise Nadal	06/01/2020	4 years	Vice Chair	6	4	67%	
Allan Carey	09/07/2020	4 years	Governor	5	5	100%	13/05/2022
Lucie Allen	09/07/2020	4 years	Governor	6	5	83%	
Olivia John	09/07/2020	4 years	Governor	6	5	83%	
Chinyama Okunuga	21/10/2020	4 years	Governor	6	4	67%	
Barry Spencer	05/12/2017	4 years	Governor	6	6	100%	13/07/2022
David Bailey	21/10/2021	4 years	Governor	6	5	83%	
Joanne Bell	08/12/2021	4 years	Governor	5	3	60%	
Lucy Butler	21/10/2021	4 years	Governor	5	4	80%	
Angela Hands	13/07/2022	4 years	Governor				
Mark Burnett	13/07/2022	4 years	Governor				
Lola Oluntendi	tbc	4 years	Governor				
tbc	tbc	1 year	Governor				
Darren Kirwin	tbc	4 years	Governor				
Vince Fihosy	tbc	4 years	Governor				
Lois Vassell	09/07/2020	4 Years	Co-opted Governor	3	3	100%	

Mr Stephen Howlett CBE DL was appointed Chair of the Corporation on 1 August 2017 and resigned on 31 December 2021. In line with our governance succession planning policy, David Eastgate, Vice Chair of the Corporation was appointed Chair from 1 January 2022.

The Corporation is provided with regular and timely information on the overall performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. A Full Corporation Meeting was convened six times during the year.

All Corporation members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the independent Clerk to the Corporation (the Group Executive Director of Governance), who is responsible to the Board for ensuring compliance with all applicable legislation, procedures and regulations.

The appointment, evaluation and removal of the Group Executive Director of Governance are matters for the Corporation as a whole.

Statement of Corporate Governance and Internal Control (continued)

Members of the Corporation serving on the College Board during 2020/21 (continued)

Clear and robust Terms of Reference have been approved for each Board and Committee alongside Schemes of Delegation. These all provide assurance together with strong governance accountability across the Group and the Legal Boards formal agendas, papers and reports are supplied to Corporation members and each Group Committee in a timely manner, prior to meetings. Briefings are provided on an ad-hoc basis.

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Accounting Officer (CEO & Principal) of the College are separate.

Impact of Covid

Covid continued to have an impact and disruption to the operations of the College during 2021/22. The Corporation and associated Group and Corporation Committees continued to operate remotely, as permitted and outlined in the Corporation Instruments and Articles, remote and virtual meetings were convened. Throughout the period board papers were uploaded to a secure e-platform where Governors were able to access all documentation remotely. All meetings were convened using Zoom, via secure procured zoom licences and in most cases, meetings were recorded (where permissible and agreed by the attendees). New meeting protocols were published and approved. All Corporation Members were provided with access to a tablet or iPad device to ensure secure access and participation in all meetings.

Unfortunately, during the continuation of the disruption caused by Covid, in 2021/22 it was not possible to facilitate and organise virtual learning walks and observations of teaching and learning.

Although there were no formal learning walks during this period, the Governors Links Programme was implemented in the Spring and Summer Term with Governors visiting vocational areas of the college across sites, meeting with Managers and Students.
Scrutiny of teaching and learning and oversight of the student experience was covered within the Curriculum & Standards Committee and within reports to the Corporation.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole following recommendation from the LSEEG Governance & Search Committee. This Committee comprises four members of the LSEC and Group Board, with the power of co-option of further members external to the College or College staff with particular expertise when vacancies arise where a person with a certain background may be required. This Joint Group Co-ordinating Committee is responsible for the selection and nomination of any new member consideration. The Board is responsible for ensuring that appropriate training is provided as required and the Clerk to the Corporation is designated to support and facilitate the training and induction of new Governors.

The Corporation has agreed to adhere to the recommendation in the AoC Code of Good Governance for English Colleges that no members should serve more than two terms of office (or eight years).

Members of the Corporation are appointed for a term of office not exceeding four years, with the exception of student members who are appointed for a term of office not exceeding one year.

Statement of Corporate Governance and Internal Control (continued)

Corporation performance
The Corporation is responsible for the strategic oversight of the College, is the guardian of public money and ensures its effective and efficient use. Self-evaluation is a process for the Board to consider its effectiveness and impact and at LSEC an annual self-evaluation of the board and individual members of the Corporation has taken place since 2019.

The self-assessment framework used at LSEC aligns to the AOC Code of Good Governance for English Colleges' expectations, in setting out core values. The Code adopts and builds on the Seven Principles of Public Life which provide an ethical framework for the personal behaviour of governors.

The Code is based on a number of expectations of good governance, which illustrate the values and beliefs of college governors, and which are included in the LSEC Board Review.

Underpinning the self-assessment of the LSEC Board is the acceptance of the ten principal responsibilities and objectives for Governors at LSEC as below.

1. Formulate and agree the mission and strategy including defining the ethos of the organisation.
2. Be Collectively accountable for the business of the organisation taking all decisions on all matters within their duties and responsibilities.
3. Ensure there are effective underpinning policies and systems, which facilitate the pupil or student voice.
4. Foster exceptional teaching and learning.
5. Ensure the organisation is responsive to workforce trends by adopting a range of strategies for engaging with employers and other stakeholders.
6. Adopt a financial strategy and funding plan which are compatible with the duty to ensure sustainability and solvency of the organisation.
7. Ensure that effective control and due diligence takes place in relation to all matters including acquisitions, subcontracting and partnership activity.
8. Meet and aim to exceed statutory responsibilities for equality and diversity.
9. Ensure that there are organised and clear governance and management structures with well understood delegations.
10. Regularly review governance performance and effectiveness.

As part of the College's self-assessment process, the Corporation conducted a self-assessment of its own performance for the year ended 31 July 2022. This identified key areas of strength and challenge together with areas that required development and growth in capacity to improve governance effectiveness. A Board Action plan is in place to address areas where there is capacity to improve, and the overall assessment of the Corporation is that its governance for the year was effective.

An important output of individual Governors' reviews and the Board overall review is the assessment and training and development needs identified. Both individually and collectively the Board is invited to training and development activities, through the Association of Colleges, Education Training Foundation and bespoke updates on government policy changes and Ofsted. Some training and development are designated specifically for the Chair, Vice Chair and Committee Chairs. This supports succession planning and board recruitment ensuring that there is the right mix and balance of skills and experience on the Corporation who can ask the difficult questions, scrutinise and hold the Executive Team to account.

Statement of Corporate Governance and Internal Control (continued)

Corporation performance (continued)

During 2021/22 the LSEC Director of Governance and Clerk to the Board has participated in the Institute of Directors and ILM accredited Governance Professional Leadership Programme as well as achieving accredited Governance qualifications with the Governance Institute and National Governance Association in 2020/21.

With the regulatory requirement of the Corporation to complete an external review, the Corporation has planned for the external review to take place in Spring 2023.

Group Remuneration Committee

Throughout the year ended 31 July 2022, the Group Remuneration Committee comprised three members of the LSEC and LSEEG Boards. The Committee's responsibilities are to make recommendations to the Group Board and Corporation on the remuneration and benefits of the CEO & Principal, senior post-holders, and other senior staff in accordance with the Group Executive Pay Policy approved by the Corporation.

The College has adopted the AoC's Senior Staff Remuneration Code and to the extent to which it applies, the Higher Education Senior Staff Remuneration Code issued by the Committee of University Chairs (CUC). The remuneration for the CEO & Principal is considered annually by the Group Remuneration Committee, which makes a recommendation to the Corporation regarding the remuneration of the CEO & Principal. The CEO & Principal is not involved in setting their remuneration.

As indicated elsewhere in these financial statements, London South East Colleges is a successful leading provider of further and higher education in South East London with an annual turnover of circa £50m, over 10,500 students and 913 members of staff (Headcount), with activities across seven campuses in South East London. Like other providers of further education, the College operates under significant financial constraints in an increasingly competitive student market, linked to demographic factors and regular changes in government policy.

The role of the CEO and Principal also covers London & South East Academies Trust (LSEAT) As a Multi Academy Trust, LSEAT consists of 8 Schools which are a mixture of Special, Alternative Provision, and Primary. The Trust has an annual turnover of circa £29m, over 1,170 pupils, and 565 members of staff. Collectively, these organisations form the London and South East Education Group, for which the CEO and Principal is responsible.

The other factors considered by the Committee in determining the appropriate remuneration for the CEO and Principal include the result of a job evaluation and benchmarking exercise this was last completed by Korn Ferry Group in early 2021 using benchmarking data on heads of similar institutions an exercise that will be repeated in 2023.

In addition, the Committee consider the assessment by the Chair and Corporation of the personal performance of the CEO & Principal against agreed objectives, together with the overall performance of the business. A similar approach was also used to determine the remuneration of the Group Executive Officers including the Group Executive Director of Governance. Taking these factors into account, the Corporation considers the remuneration of the CEO and Principal to be fair, appropriate, and justifiable.

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

Statement of Corporate Governance and Internal Control (continued)

Group Remuneration Committee (continued)

Details of the attendance of Remuneration Committee Members during 2021/22 are set out below:-

GROUP REMUNERATION COMMITTEE				
Role	**Name**	**Meetings**	**Attended**	**%**
Committee Chair (from January 2022)	Stephen Howlett, CBE DL	3	3	**100**
Chair LSEC Corporation	David Eastgate	3	3	**100**
Chair London South East Academies Trust	Mark Burnett	3	3	**100**
		9	**9**	**100**
Group Chief People Officer	Janet Curtis Broni	3	3	**100**
Director of Governance	Jennifer Pharo	3	3	**100**

Group Audit and Risk Committee

The Group Audit and Risk Committee comprises four members of the College Corporation and LSEEG Boards, but not the Chair or CEO & Principal. The Committee operates in accordance with written terms of reference approved by the Corporation and Group Board.

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

The internal auditors review the systems of internal control, risk management and governance processes in accordance with an agreed plan of input and report their findings to management and the Group Audit and Risk Committee.

Management is responsible for the implementation of agreed recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented. The Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work and approves the fees to be paid.

The Group Audit and Risk Committee is required to report to the Corporation on the result of its work during the year and that of the internal and external auditors through its annual Audit Committee Report, for 2021/22. This report is considered by the Corporation prior to the financial statements being approved.

Details of the attendance of Audit & Risk Committee Members during 2021/22 are set out below:-

Statement of Corporate Governance and Internal Control (continued)

Group Audit and Risk Committee (continued)

GROUP AUDIT & RISK COMMITTEE					
Role	**Name**	**Meetings**	**Attended**	**%**	**Comment**
Group Audit Chair and Trustee	Marek Michalski	3	3	**100%**	
Governor	David Eastgate	1	1	**100%**	Moved to FC 1/1/2022
Trustee	Nick Linford	3	3	**100%**	
Governor	Lucy Butler	2	2	**100%**	Joined AC 1/1/2022
Trustee	Max Bero	1	1	**100%**	Resigned 8/12/2021
Governor	Olivia John	3	3	**100%**	
		13	**13**	**100%**	

Group Finance Committee

The Group Finance Committee comprises four members of the College Corporation and LSEEG Boards. The Committee operates in accordance with written terms of reference approved by the Corporation and Group Board.

The Committee meets on a termly basis and provides additional scrutiny over financial performance of the College and related policies. Through this work, it provides assurances to the Corporation that financial performance, oversight, and solvency are being managed effectively.

Details of the attendance of the Group Finance Committee Members during 2021/22 is set out below:-

GROUP FINANCE COMMITTEE					
Role	**Name**	**Meetings**	**Attended**	**%**	**Comment**
Group Finance Chair	Allan Carey	2	2	**100%**	Resigned 13/5/2022
Governor	Stephen Howlett, CBE DL	1	1	**100%**	Resigned 31/12/2021
Governor (Chair for July Meeting)	David Eastgate	2	2	**100%**	Joined FC 1/1/2022
Trustee	Charles Yates	3	3	**100%**	
Governor	David Bailey	1	1	**100%**	
Governor	Joanne Bell	3	2	**67%**	
Trustee	Dr Sam Parrett,	3	3	**100%**	
		15	**14**	**93%**	

Group Search & Governance

The Group Search & Governance Committee comprises four members of the College Corporation and LSEEG Boards. The Committee operates in accordance with written terms of reference approved by the Corporation and Group Board.

The Committee meets on a termly basis and provides scrutiny on appointment of Governors, identifies skills gaps in the Board, oversees the delivery of the Board Self-Assessment and performance reviews of Governors. The Committee also provides direction on strategic and policy

Statement of Corporate Governance and Internal Control (continued)

Group Search & Governance (continued)

matters, recommends Group wide policies, Committee Terms of Reference, Committee Membership and Governor Link Schemes.

Details of the attendance of the Group Search & Governance Committee Members during 2021/22 is set out below:-

GROUP SEARCH & GOVERNANCE COMMITTEE				
Role	**Name**	**Meetings**	**Attended**	**%**
Committee Chair	Stephen Howlett, CBE DL	3	3	**100**
Chair London South East Academies Trust	Mark Burnett	3	3	**100**
Chair LSEC Corporation	David Eastgate	3	3	**100**
Governor	Dr Sam Parrett, CBE	3	3	**100**
		12	**12**	**100**
Director of Governance	Jennifer Pharo	3	3	**100**

Curriculum & Standards Committee

The Curriculum & Standards Committee comprises eight members of the College Corporation. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Committee meets on a termly basis and provides scrutiny and oversight on student outcomes and progress, the quality of teaching and learning and curriculum and qualification development. The Committee also seeks assurance on the student experience, complaints and safeguarding policy and procedures.

Details of the attendance of the curriculum and Standards Committee Members during 2021/22 are set out below:-

LSEC CURRICULUM & STANDARDS COMMITTEE				
Role	**Name**	**Meetings**	**Attended**	**%**
Committee Chair	Mark Trinick	3	3	**100%**
Governor	Jane Hobson, OBE	3	2	**67%**
Governor	Lucie Allen	3	1	**33%**
Governor	Christopher Briggs	3	2	**67%**
Governor	Louise Nadal	3	3	**100%**
Governor	Chinyama Okunuga	3	2	**67%**
Co-opted Governor - Curriculum & Standards	Louis Vassell	3	3	**100%**
Governor	Dr Sam Parrett, CBE	3	2	**67%**
		24	**18**	**75%**

Statement of Corporate Governance and Internal Control (continued)

Internal Control

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

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

The purpose of the system of internal control
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks 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 on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College throughout the year ended 31 July 2022 and up to the date of approval of this annual report and financial statements.

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

The risk and control framework
The system of internal financial 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 Corporation;
- Regular reviews by the Corporation of periodic and annual financial reports, which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

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

Statement of Corporate Governance and Internal Control (continued)

Internal Control (continued)

The risk and control framework (continued)

on the recommendation of the Audit Committee. At least annually, the Internal Auditor provides the Audit Committee of the Corporation with a report on internal audit activity in the College. The report includes the Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, control and governance processes.

Risks Faced by the Corporation
The College has in place a Risk Management Policy which sets out how risks are identified and evaluated. Risks are collated into a comprehensive risk register for review by the Audit Committee and Corporation, including through deep dives into areas of significant risk. The risk register includes existing controls, new controls/improvements that are required, and clear links to the board assurance framework.

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

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

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 8 December 2022 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2022.

The Internal Auditors Annual Report, presented to the Group Audit Committee on 24 November 2022, and the Audit Committee's Annual Report, approved on 24 November 2022 contain the opinion that the College has adequate and effective risk management, governance, and internal control processes, together with adequate processes surrounding its efficiency and effectiveness.

Statement of Corporate Governance and Internal Control (continued)

Internal Control (continued)

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

Approved by Members of the Corporation on 8 December 2022 and signed on its behalf by:

David Eastgate
Chair

Dr Sam Parrett, CBE
Group CEO & Principal, and Accounting Officer

Statement of Regularity, Propriety and Compliance

As accounting officer I confirm that the corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding. I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with ESFA, or any other public funder.

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

Dr Sam Parrett, CBE
Accounting officer
8 December 2022

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

David Eastgate
Chair of governors
8 December 2022

Statement of Responsibilities of the Members of the Corporation

The members of the corporation are required to present audited financial statements for each financial year. Within the terms and conditions of the corporation's grant funding agreements and contracts with ESFA, 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 reparation 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.

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 8 December 2022 and signed on its behalf by:

David Eastgate
Chair of governors

Independent auditor's report to the Corporation of Bromley College of Further and Higher Education

Opinion

We have audited the financial statements of Bromley College of Further and Higher Education (the 'College') for the year ended 31 July 2022 which comprise the College statement of comprehensive income, the College statement of changes in reserves, the College balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2022 and of the College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- in all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of the OfS's accounts direction have been met.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Independent auditor's report to the Corporation of Bromley College of Further and Higher Education (continued)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members of the Corporation are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received.

We have nothing to report to you in respect of the following matter, in relation to which the Office for Students requires us to report to you, if in our opinion:

- the College's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated.

Responsibilities of the Corporation

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

In preparing the financial statements, the members of the Corporation are responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members of the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the Corporation of Bromley College of Further and Higher Education (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the College through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the College, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with HMRC and the College's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members of the Corporation and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the College's members, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the College's members 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 College and the College's members as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 14 December 2022

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Reporting Accountant's Assurance Report on Regularity to the Corporation of the College and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 4 October 2021 and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Bromley College of Further and Higher Education (the College) during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the department has other assurance arrangements in place.

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

Respective responsibilities of the College and the reporting accountant

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

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

Approach

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

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

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

Reporting Accountant’s Assurance Report on Regularity to the Corporation of the College and Secretary of State for Education acting through the Department for Education (“the Department”) (continued)

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

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College’s activities;

- Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and

- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

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

Buzzacott LLP

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Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

14 Dececember 2022
Date

Consolidated and College Statements of Comprehensive Income

Year ended 31 July 2022

	Notes	**College 2022 £'000**	Group 2021 £'000	College 2021 £'000
Income				
Funding body grants	2	36,337	35,987	35,489
Tuition fees and education contracts	3	5,979	6,416	6,416
Other grants and contracts	4	7,112	4,794	4,792
Other Income	5	1,010	911	882
Investment income	6	18	5	5
Transfer of net assets from LSfG	11a		—	588
Total income		50,456	48,113	48,172
Expenditure				
Staff costs	7	33,829	31,689	31,331
Other operating expenses	8	13,876	12,893	12,660
Depreciation	11	4,248	4,219	4,193
Interest and other finance costs	9	782	694	694
Total expenditure		52,735	49,495	48,878
Deficit before other gains and losses a tax		(2,279)	(1,383)	(706)
Gain on disposal of assets		—	—	—
Deficit before taxation		(2,279)	(1,383)	(706)
Taxation	10	—	—	—
Deficit for the year		(2,279)	(1,383)	(706)
Actuarial gain on defined benefit pensions	22	42,551	5,297	5,297
Total Comprehensive income for the year		40,272	3,914	4,591
Represented by:				
Restricted comprehensive income		454	—	588
Unrestricted comprehensive income		39,818	3,914	4,003

Consolidated and College Statements of Changes in Reserves
Year ended 31 July 2022

Group	Income and Expenditure account £'000	Revaluation reserve £'000	Restricted Reserves £'000	Total £'000
Balance at 1 August 2020	**(9,712)**	**13,965**	**43**	**4,296**
Deficit from the income and expenditure account	(1,383)	—	—	**(1,383)**
Other comprehensive income	5,297	—	—	**5,297**
Transfers between revaluation and income and expenditure reserves	546	(546)	—	—
Transfer between income and expenditure reserves and restricted reserves	(588)	—	588	—
Total comprehensive income for the year	3,872	(546)	588	3,914
Balance at 31 July 2021	**(5,840)**	**13,419**	**631**	**8,210**

Consolidated and College Statements of Changes in Reserves
Year ended 31 July 2022

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total
College	**£’000**	**£’000**	**£’000**	**£’000**
Balance at 1 August 2020	**(10,388)**	**13,965**	**43**	**3,620**
Deficit from the income and expenditure account	(1,295)	—	—	**(1,295)**
Other comprehensive income	5,297	—	—	**5,297**
Transfers between revaluation and income and expenditure reserves	546	(546)	588	588
Balance at 1 August 2021	**(5,840)**	**13,419**	**631**	**8,210**
Deficit from the income and expenditure account	(2,279)	—	—	**(2,279)**
Other comprehensive income	42,551	—	—	**42,551**
Transfers between revaluation and income and expenditure reserves	92	(546)	454	—
Total comprehensive income for the year	**40,364**	**(546)**	**454**	**40,272**
Balance at 31 July 2022	**34,524**	**12,873**	**1,085**	**48,482**

Balance Sheet
as at 31 July

	Notes	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Non-current assets				
Tangible fixed assets	11	75,285	76,355	76,355
		75,285	76,355	76,355
Current assets				
Trade and other receivables	12	1,574	2,357	2,357
Cash and cash equivalents	17	20,175	18,297	18,297
		21,749	20,654	20,654
Less: Creditors – amounts falling due within one year	13	(15,656)	(14,480)	(14,480)
Net current assets		6,093	6,174	6,174
Total assets less current liabilities		81,378	82,529	82,529
Less: Creditors – amounts falling due after more than one year	14	(31,799)	(34,235)	(34,235)
Provisions				
Defined benefit obligations	16	-	(38,784)	(38,784)
Other provisions	16	(1,097)	(1,300)	(1,300)
TOTAL NET ASSETS		48,482	8,210	8,210
Reserves				
Restricted reserves – LSEC		43	43	43
Restricted reserves - LSFG		454	588	588
Income and expenditure account		35,113	(5,840)	(5,840)
Revaluation reserve		12,872	13,419	13,419
Total Reserves		48,482	8,210	8,210

The financial statements on pages 46 to 74 were approved and authorised for issue by the Corporation on 8 December 2022 and were signed on its behalf on that date by:

David Eastgate
Chair

Dr Sam Parrett, CBE
Group CEO & Principal, and Accounting Officer

Consolidated Statement of Cash Flows

	Notes	College 2022 £'000	Group 2021 £'000
Cash flow from operating activities			
Deficit for the year		(2,279)	(1,383)
Adjustment for non-cash items			
Depreciation		4,248	4,219
Decrease / (increase) in debtors		783	(569)
Increase in creditors due within one year		1,455	2,762
Decrease in creditors due after one year		(1,563)	(1,155)
Decrease in provisions		(203)	(183)
Pensions costs less contributions payable		3,767	3,424
Adjustment for investing or financing activities			
Investment income	6	(18)	(5)
Interest payable	9	151	136
Net cash inflow from operating activities		6,341	7,247
Cash flows from investing activities			
Investment income		18	5
Payments made to acquire fixed assets		(3,178)	(1,579)
		(3,160)	(1,574)
Cash flows from financing activities			
Interest paid	9	(151)	(136)
Repayments of amounts borrowed		(1,152)	(494)
		(1,303)	(630)
Increase in cash and cash equivalents in the year		**1,878**	**5,043**
Cash and cash equivalents at start of the year	17	18,297	13,254
Cash and cash equivalents at end of the year	**17**	**20,175**	**18,297**

Notes to the Financial Statements

1. Accounting policies

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

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

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

Basis of accounting
The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

Basis of consolidation
The consolidated statement of comprehensive income, the group statement of changes in reserves and group balance sheet consolidate the financial statements of the College and those of its subsidiary London Skills for Growth on a line-by-line basis for 2020/21.

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

The College currently has £4.4m of term loans outstanding with Barclays Bank on terms negotiated in 2018 for a period of 5 years. In addition, there is also a 3 year £3m of Revolving Credit Facility (RCF) available for drawdown with all loans and RCF facilities being secured by a fixed charge on College assets. The College's forecasts and financial projections indicate that it will be able to operate within its existing bank facility levels for the foreseeable future. The College has submitted copies of its 3 year financial plans to the ESFA and its providers of loan finance for review and no going concern issues have been raised.

The Corporation considers that it continues to be a going concern and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

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 FRS102. 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 statement of comprehensive income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from the OFS represents the funding allocation attributable to the current financial year and is credited direct to the Statement of Comprehensive Income. Should part of this grant be deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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

Capital Grant Funding
Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

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

Investment Income
All income from short-term deposits is credited to the statement of comprehensive income in the period in which it is earned on a receivable basis.

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

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

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Accounting for post-employment benefits (continued)

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 College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and 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.

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

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

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

The LGPS surplus is not carried on the balance sheet in accordance with the requirements of FRS 102. Accordingly, a corresponding adjustment against the actuarial gain has been made to bring the net LGPS position to £nil on the balance sheet.

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

Enhanced Pensions
The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income and expenditure account 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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Non-current assets - Tangible fixed assets
Tangible fixed assets are stated at cost/deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings
Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 15 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable. On adoption of FRS102, the College followed the transitional provision to retain the book value of land and buildings as deemed cost but not to adopt a policy of revaluations of these properties in the future.

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

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

- 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

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Non-current assets - Tangible fixed assets (continued)

Equipment

Equipment costing less than £5,000 per individual item is recognised as expenditure in the period of acquisition, with the exception of the annual IT equipment upgrade which may include individual items below this level but is capitalised at cost. All other equipment is capitalised at cost and depreciated on a straight-line basis over the following periods:

- Computer equipment: 3 - 5 years
- Smartboards: 5 - 10 years
- Office equipment: 3 - 5 years
- Furniture, fixtures and fittings: 5 - 10 years
- Plant 15 - 20 years

Borrowing costs

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

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

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

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 FRS102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

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

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

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

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty
In preparing these financial statements, management have made the following judgements:

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

- Determine whether there are indicators of impairment of the College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Key sources of estimation uncertainty

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

Local Government Pension Scheme
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements (continued)

2 Funding Council Grants

Recurrent grants	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Education and Skills Funding Agency – adult	**8,596**	9,831	9,831
Education and Skills Funding Agency – 16-18	**23,400**	21,802	21,609
Education Funding Agency – Apprenticeships	**2,572**	2,659	2,354
Higher Education Funding Council	**71**	104	104
Specific Grants			
Releases of government capital grants	**1,698**	1,591	1,591
Total	**36,337**	**35,987**	**35,489**

Included within the above are:

OfS Grants and income	College 2022 £'000	Group 2021 £'000	College 2021 £'000
HE Recurrent Grant	**72**	104	104
HE Contracts and Fees	**2,425**	2,511	2,511

3 Tuition fees and education contracts

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Adult education fees	**1,720**	2,024	2,024
Apprenticeship fees and contracts	**1,017**	898	898
Fees for FE loan supported courses	**817**	983	983
Fees for HE loan supported courses	**1,262**	981	981
Total Tuition Fees	**4,816**	4,886	4,886
Education contracts	**1,163**	1,530	1,530
Total	**5,979**	**6,416**	**6,416**

Notes to the Financial Statements (continued)

4 Other grants and contracts

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Coronavirus Job Retention Scheme Grant	—	27	25
Other grants and contracts	7,112	4,767	4,767
Total	**7,112**	**4,794**	**4.792**

The corporation did not claim under the Government Coronavirus Job Retention Scheme (CJRS) which ended on the 30th of September 2021 and no staff were furloughed in year under the scheme. (2020/21: 38 staff of £27k) relates to staff costs which are included within the staff costs note below as appropriate.

5 Other income

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Catering and residences	**166**	**90**	**90**
Other income generating activities	**136**	**368**	**339**
Miscellaneous income	**708**	**453**	**453**
Total	**1,010**	**911**	**882**

6 Investment income

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank Interest received	**18**	5	5
Total	**18**	**5**	**5**

Notes to the Financial Statements (continued)

7 Staff costs

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

Headcount basis	College 2022 No.	Group 2021 No.	College 2021 No.
Teaching staff	**438**	**431**	**417**
Non-teaching staff	**475**	**478**	**469**
Total	**913**	**909**	**886**

Staff costs for the above persons

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Wages and salaries	**28,193**	26,337	26,017
Social security costs	**2,120**	1,872	1,842
Other pension costs	**3,447**	3,337	3,329
Payroll Sub Total	**33,760**	31,546	31,188
Fundamental restructuring costs – Contractual	**69**	143	143
Total Staff Costs	**33,829**	**31,689**	**31,331**

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Executive Team which comprised the Group CEO & Principal, College Executive Principal & Chief Learning Officer, Group Chief Financial Officer, Group Chief Strategy Officer, Group Chief People Officer, and Group Chief Technology and Information Officer.

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

	College 2022 No.	Group 2021 No.	College 2021 No.
The number of key management personnel including the CEO & Principal was:	**6**	**5**	**5**

Of the Key Management Personnel, the Group Chief Executive Officer, and Group Chief Financial Officer with LSEAT have separate contracts of employment covering their work for London & South East Academies Trust (LSEAT). The values reported below represent the emoluments paid in respect of the duties of employment for the College Group. The value of the work carried out for LSEAT will be reported in the accounts of that entity as appropriate.

Notes to the Financial statements (continued)

7 Staff costs (continued)

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

	Key management personnel		Other staff	
	2022	2021	2022	2021
	No.	No.	No.	No.
£60,001 to £65,000			6	5
£65,001 to £70,000	1		6	3
£70,001 to £75,000			3	2
£75,001 to £80,000			2	1
£80,001 to £85,000			2	1
£85,001 to £90,000				1
£90,001 to £95,000				1
£95,001 to £100,000		1	2	1
£100,001 to £105,000	1		2	
£105,001 to £110,000		1		
£110,001 to £115,000	1			
£115,001 to £120,000	1			
£120,001 to £125,000	1			
£125,001 to £130,000		1		
£130,001 to £135,000		1		
£210,001 to £215,000	1			
£220,001 to £225,000		1		
	6	**5**	**23**	**15**

Other staff numbers in 2021 include two members of staff employed by LSfG up to Dec 2020 and transferred to LSEC contracts on 1 January 2021.

Key management personnel compensation is made up as follows:

	2022	**2021**
	£'000	**£'000**
Salaries	680	600
Retention and additional responsibility allowances	25	25
Payment for untaken annual leave	12	37
Employer's National Insurance	100	89
Flexible benefits	25	25
Total Key management personnel compensation	**842**	**776**
Pension contributions	105	88
Total emoluments	**947**	**864**

Notes to the Financial Statements (continued)

7 Staff costs (continued)

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 also the highest paid officer).

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Salaries	**170**	164	164
Retention and additional responsibility allowances	**10**	10	10
Payments for untaken annual leave	**9**	21	21
Flexible benefits	**25**	25	25
	214	220	220
Pension contributions	**—**	—	—

The Governors have adopted AoC's Senior Staff Remuneration Code in July 2020 and will assess pay in line with its principles in future.

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

The CEO & Principal reports to the Governors, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of CEO & Principal pay and remuneration expressed as a multiple

	2022	2021
CEO & Principal's basic salary as a multiple of the median of all staff	4.9	4.8
CEO & Principal and CEO's total remuneration as a multiple of the median of all staff	4.7	4.9

The Members of the Corporation, other than the Group CEO & Principal and the staff members did not receive any payment from the College, other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Notes to the Financial Statements (continued)

8 Other operating expenses

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Teaching costs	**4,861**	4,719	4,673
Non-teaching costs	**4,907**	3,726	3,658
Premises costs	**4,108**	4,448	4,329
Total	**13,876**	**12,893**	**12,660**

Other operating expenses include:

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Auditors' remuneration:			
Financial statements audit	55	64	55
Other services provided by statutory auditor	10	2	2
Internal audit	66	75	75
Hire of assets under operating leases	**237**	353	352

9 Interest payable

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
On bank loans, overdrafts and other loans:	**151**	136	136
Pension finance costs (note 22)	631	558	558
Total	**782**	**694**	**694**

10 Taxation

The College was not liable for any Corporation tax arising out of its activities during this year

Notes to the Financial Statements (continued)

11 Tangible fixed assets - (Group & College)

	Freehold Land & Buildings	Assets Under Construc tion	Leasehold Land & Buildings	Equipment	Total
Cost or valuation	**£'000**		**£'000**	**£'000**	**£'000**
At 1 August 2021	111,205	1,641	1,142	12,822	126,810
Additions	1,204	1,338	—	636	3,178
Disposals	—	—	—	(41)	(41)
At 31 July 2022	112,409	2,979	1,142	13,417	129,947
Depreciation					
At 1 August 2021	38,031	—	1,142	11,282	50,455
Charge for the year	3,236	—	—	1,012	4,248
Elimination in respect of disposals	—	—	—	(41)	(41)
At 31 July 2022	41,267	—	1,142	12,253	54,662
Net book value at 31 July 2022	**71,142**	**2,979**	**—**	**1,164**	**75,285**
Net book value at 31 July 2021	73,175	1,641	—	1,539	76,355

Other assets under construction represents the costs of the Plumstead redevelopment works of £2.3m scheduled to complete in 2025. Also included in assets under construction is £177k of FECA spend, £156k of FECTF spend, £77k of Holly Hill plant works, £74k of T- Level works and £59k of HTE growth funded works.

Notes to the Financial Statements (continued)

12 Trade and other receivables

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Amounts falling due within one year:			
Trade receivables	**1,133**	1,611	1,611
Prepayments and accrued income	**441**	746	746
Total	**1,574**	**2,357**	**2,357**

13 Creditors: amounts falling due within one year

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans and overdrafts	**216**	216	216
Trade payables	**1,517**	1,194	1,194
Other taxation and social security	**1,234**	760	761
Accruals and deferred income	**5,558**	7,093	7,093
Deferred income - government capital grants	**1,698**	1,768	1,768
Deferred income - government revenue grants	**144**	140	140
Amounts owing to the ESFA	**4,632**	2,373	2,373
Amounts owing to the ESFA (EFS loan)	**657**	936	936
Total	**15,656**	**14,480**	**14,480**

14 Creditors: amounts falling due after one year

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans	**4,197**	4,413	4,413
Amounts owing to DBEIS (EFS loan)	**1,973**	2,630	2,630
Deferred income - Government capital grants	**25,629**	27,192	27,192
Total	**31,799**	34,235	34,235

The amounts owed to the Department for Business, Energy and Industrial Strategy (DBEIS) represent a secured term loan for Exceptional Financial Support (EFS) made to Greenwich Community College prior to merger with Bromley College of Further & Higher Education. The loan is currently secured on 95 Plumstead, Road, Woolwich, London, SE18 7DQ.

Notes to the Financial Statements (continued)

14 Creditors: amounts falling due after one year (continued)

Included within Deferred income - government capital grants is £0.86m of GLA capital grants received in connection with expenditure in respect of the LATC project to build an Aviation College at London Biggin Hill Airport. Subsequent to receiving planning permission for the new building, this project became abortive in 2020, due to the unfortunate impact of the Coronavirus pandemic on the aviation industry. The monies expended in connection with project and achieving such planning permission were all spent in furtherance of the project and the College has made a business case to the GLA regarding retaining the grant funds expended. The College does not expect to have to repay such monies, and no provision for repayment has been made in the financial statements or future cashflow forecasts.

15 Maturity of Debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	College 2022 £'000	**Group 2021 £'000**	**College 2021 £'000**
In one year or less	**216**	216	216
Between one and two years	**432**	432	432
Between two and five years	**648**	648	648
Five years or more	**3,117**	3,333	3,333
Total	**4,413**	**4,629**	**4,629**

The Barclays loan facility is repayable by instalments falling due between 1 August 2018 and 31 January 2023. A total of £216k was paid in the year leaving an outstanding balance of £4.41m secured on a portion of the freehold land and buildings of the College.

16 Provisions

	Defined benefit obligations £'000	**Enhanced pensions £'000**	**Total £'000**
At 1 August 2021	38,784	1,300	40,084
Expenditure in the period	(44,036)	(106)	(44,142)
Surplus restriction	5,252	—	5,252
Transferred from income and expenditure account	—	(97)	(97)
At 31 July 2022	—	**1,097**	**1,097**

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

Notes to the Financial Statements (continued)

The principal assumptions for this calculation are:

	2022	2021
Price inflation	2.75%	3.15%
Discount Rate	3.40%	1.60%

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

17 Group cash and cash equivalents

	At 1 August 2021 £'000	Cash flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	18,297	1,878	—	20,175
Total	**18,297**	**1,878**	—	**20,175**

18 Capital Commitments

There is £141k worth of commitments contracted for at 31 July 2022 (2021: £nil).

19 Lease Obligations

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

	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Future minimum lease payments due			
Land and buildings			
Not later than one year	—	—	—
	—	—	—
Other			
Not later than one year	**15**	**274**	**274**
Later than one year and not later than five years	845	—	—
	860	**274**	**274**

20 Contingent liabilities

There are no contingent liabilities.

21 Events after the reporting period

On 29 November 2022, the Office for National Statistics reclassified all college corporations to Central Government sector with immediate effect. This will mean that colleges will now be subject to the framework for financial management set out in Managing Public Money (MPM) and the Department for Education will introduce new rules for colleges, some of which will take effect immediately.

Notes to the Financial Statements (continued)

22 Defined benefit obligations

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

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

Total Pension cost for the year		**2022**		**2021**
		£000		**£000**
Pension Costs				
Teachers' Pension Scheme: contributions paid		2,083		1,984
Local Government Pension Scheme				
Contributions paid	1,364		1,346	
FRS 102 (28) Charge	3,157		3,002	
Charge to the Statement of Comprehensive income		4,521		4,348
Enhanced Pension charge to the Statement of Comprehensive Income		204		183
Total Pension Cost for Year		**6,808**		**6,515**

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Teachers' Pension Scheme

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

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

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

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

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

Teachers' Pension Scheme (continued)

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

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

The pension costs paid to TPS in the year amounted to £2,879,196 (2020/21: £2,732,194), of which employer's contributions totalled £2,083,218 (2020/21: £1,983,269) and employees' contributions totalled £795,977 (2020/21: £748,924).

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx

FRS 102 (28)
Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

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

Local Government Pension Scheme
The Local Government Pension Scheme (LGPS) is a funded defined-benefit scheme, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2022 was £2,445,258 (2020/21: £1,850,786), of which employer's contributions totalled £1,769,207 (2020/21: £1,346,049) and employees' contributions totalled £676,050 (2020/21: £504,737). The agreed contribution rates for future years are 17.8% for employers and range from 5.5% to 12.5% for employees, depending upon salary.

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

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

Principal Actuarial Assumptions (continued)

Principal Actuarial Assumptions	**At 31 July 2022**	**At 31 July 2021**
Rate of increase in salaries	3.55%	3.60%
Future pension increases	2.75%	2.80%
Discount rate for scheme liabilities	3.40%	1.60%
Inflation assumption (CPI)	2.75%	2.80%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2022	**At 31 July 2021**
Retiring today		
Males	21.4	21.4
Females	24.4	24.4
Retiring in 20 years		
Males	22.7	22.6
Females	25.7	25.6

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

	2022 £'000	**2021 £'000**
Fair value of plan assets	92,060	86,098
Present value of plan liabilities	(91,945)	(124,882)
Surplus restriction	(115)	—
Net pension liability	—	**(38,784)**

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

	2022 £'000	**2021 £'000**
Amounts included in staff costs		
Current service cost	4,409	4,246
Total	**4,409**	**4,246**

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

Principal Actual Assumptions *(continued)*

	2022 £'000	2021 £'000
Amounts included in finance costs		
Net interest charge	610	539
Total	**610**	**539**

	2022 £'000	2021 £'000
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	5,540	8,057
Experience losses arising on defined benefit obligations	(7,878)	2,445
Changes in demographic assumptions -	—	1,447
Changes in assumptions underlying the present value Liabilities	45,004	(6,652)
Cap actuarial gain on assets	(115)	—
Amount recognised in other comprehensive Income	**42,551**	**5,297**

Movement in net defined benefit liability during the year

	2022 £'000	2021 £'000
Deficit in scheme at 1 August	(38,784)	(40,657)
Movement in year:		
Current service cost	(4,409)	(4,246)
Employer contributions	1,364	1,463
Admin Expenses	(112)	(102)
Net interest on defined liability	(610)	(539)
Actuarial gain	42,551	5,297
Net defined benefit liability at 31 July	—	**(38,784)**

Due to changes in assumptions in the current economic climate, and in particular the discount rate which is derived from high quality corporate bonds, the liabilities in the pension scheme have reduced considerably. In this regard, an actuarial gain of £42.7m has occurred resulting in a change from a net pension liability of £38.7m at 31 July 2021, to a net defined benefit asset of £0.11m at 31 July 2022. However, as the LGPS surplus is irrecoverable, recognition of the surplus on the balance sheet has been restricted to £nil by adjusting the actuarial gain to £42.6m.

Notes to the Financial Statements (continued)

22 Defined pension obligations (continued)

Asset and Liability Reconciliation

	2022 £'000	2021 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	124,882	118,753
Current service cost	4,409	4,246
Interest cost	1,981	1,587
Contributions by Scheme participants	521	538
Experience gains and losses on defined benefit obligations	7,878	(2,445)
Changes in financial obligations	(45,004)	5,205
Estimated benefits paid	(2,722)	(3,002)
Defined benefit obligations at end of period	**91,945**	**124,882**

Reconciliation of Assets

	2022 £'000	2021 £'000
Fair value of plan assets at start of period	86,098	78,096
Interest on plan assets	1,371	1,048
Return on plan assets	5,540	8,057
Employer contributions	1,364	1,463
Contributions by Scheme participants	521	538
Changes in financial obligations	—	—
Estimated benefits paid	(2,722)	(3,002)
Admin Expenses	(112)	(102)
Assets at end of period	**92,060**	**86,098**

23 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

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

Notes to the Financial Statements (continued)

23 Related party transactions (continued)

London South East Academies Trust
Although distinct organisations, the College does act as the sponsor to London South East Academies Trust. Although the sponsorship means various Members of the Corporation and College senior management team may also be members, Trustees, or Local Provision Board Members of the Academy Trust. In accordance with the Academies' Financial Handbook, the level of involvement and control over the Academy Trust is restricted, and therefore, it would not be appropriate to consolidate their financial results within the financial statements of the College.

The College provides some services to London South East Academies Trust as part of its shared Group Central Services function. This central function includes some services across ICT support, Estates, Governance, HR, and Finance. No charges are levied in respect of the support provided to LSEAT.

Shared Systems Charge 2021/22: £NIL (2020/21: £NIL)

At 31 July 2022, the balance owed to the College by London South East Academies Trust was £24,179 (2020/21: £14,988). For 2021/22, this related to Trust expenditure which was invoiced to the college.

In addition, the College has worked in partnership with London South East Academies Trust to deliver a 14-16 alternative provision programme for pupils in Bromley borough at risk of exclusion. The programme was delivered at the Bromley College campus by teachers employed by the College. The Trust was charged £208,800 for the year (2020/21: £266,250) following approval from ESFA.

For a number of years the College has purchased a number of learner related systems including eTrackr, eNotify, eConsole and eSpirALS together with the related ongoing annual support. A member of the Corporation, Mark Trinick is a Director and majority shareholder of VLE Support Limited and the College paid VLE Support £44,880 in 2021/22 (2020/21: £41,280). VLE acquired Midas in 2016. The College paid Midas £13,252 in 2021/22 (2020/21: £12,379). All transactions with VLE support and Midas are conducted at arm's length and continue to be conducted on normal commercial terms.

The Group Principal & CEO is also a Board member of ETF and the College paid £23,375 in 2021/22 (2020/21: £11,050).

24 Amounts disbursed as agent

Learner Support Funds

	2022	2021
	£'000	£'000
Funding body grants - ESFA	1,621	1,970
Other Funding bodies grants	—	22
	1,621	1,992
Disbursed to students	(855)	(1,368)
Administration costs	(182)	(181)
Balance unspent as at 31 July, included in creditors	584	443

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