



**Report and Consolidated Financial
Statements for the year
ended 31 July 2021**

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 2020/21:

Sam Parrett CBE – Group CEO & Principal, and Accounting officer

John Hunt – Group Chief Financial Officer

David Lambert – Deputy CEO

Louise Wolsey – Group Chief Transformation Officer

Janet Curtis-Broni – Group Chief People Officer

Board of Governors

A full list of Governors is given on page 30 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 advisers

Financial statements auditor and reporting accountant:

Buzzacott LLP
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London
EC2V 6DL

Internal Auditors:

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Members' Report

The members of the Corporation present their report and the audited consolidated financial statements for the year ended 31 July 2021. These Group financial statements represent the consolidated financial results of the College and London Skills for Growth (LSfG).

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.

The College is the sole member and controlling party of London Skills for Growth (LSfG), a charity incorporated in August 1983 as a private company limited by guarantee, and registered with Companies House (company number 01747251). The charity is registered with the Charity Commission in England and Wales. The charity ceased trading on 31 December 2020, and the operations, assets and liabilities transferred to the College on 1 January 2021 at fair value through acquisition accounting.

Mission

The Corporation re-affirmed the Mission and Vision at its meeting in December 2020.

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 562 people, of whom 236 FTE are teaching staff. This equated to a headcount of 886 people, of whom 417 are teaching staff.

Learners

The College had approximately 9,666 learners during the year, circa 3,792 of these were 16-18, 233 19-24 High Needs Learner, 4,481 adults, and 1,160 apprentices

Members' Report (continued)

Resources (continued)

Financial

The College has £8.2m of net assets (including £38.8m of pension liability). In addition, the College has cash balances of £18.3m

Reputation

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
- Other FE institutions

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 3029.

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:

Members' Report (continued)

- 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.

Covid-19

2020/21 has once again been an unprecedented year for the Further Education sector and the country as a whole with 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 and continued to comply with published guidance and standards of Health & Safety.

Although our sites were open throughout the year to all learners including operating through the national lockdowns, in line with Government guidance the numbers of learners onsite for much of the year was limited in order to ensure social distancing requirements were achieved and both staff and learners remained safe. In addition, it was necessary to operate in bubbles in order to limit learner contact with others outside of their group and this proved to be one of the many challenges for the year. Building upon our experience of remote learning during the national lockdown in 2019/20, in line with Government guidance all learners were offered a high quality education experience through a blend of onsite provision together with remote lessons attended at home.

Whilst the year continued to be extremely challenging, as a learning organisation our processes and online delivery / content were subject to continuous improvement and evolved quickly. This ensured that 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, circa 700 laptops and 4G dongles were loaned to learners. However, the impact on learners requiring practical experience has been greater with the restrictions imposed.

Throughout the pandemic many back office support staff have continued to work from home 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 were unaffected by the remote working and the probity over the use of public funds remained throughout.

Our governance moved to a digital model during 2019/20 and this remained throughout 2020/21 with all Corporation and Committee meetings taking place as planned, with level of attendance, papers and scrutiny, which would have been expected as if these meetings had been able to take place in person. During the year, the College replaced its existing digital platform for Board and

Members' Report (continued)

Covid-19 (continued)

Committee papers with a new system and this has been a great success. Throughout the pandemic our governance, risk management, and decision making has remained highly effective. Some virtual meetings may remain as we return to more normal ways of life as we exit the pandemic.

With the ongoing pandemic, staff mental health and well-being remained of paramount importance. Support for staff health and mental well-being was 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 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 Government guidance to limit contact with other people together with many businesses across the country either being closed or only operating remotely, this had a detrimental impact on numerous income streams including but not limited to apprenticeships, and commercial income. Although there were some cost reductions due to the model under which the College had to operate during the year, there were also additional costs in respect of the pandemic and although the College achieved a better than budgeted operating performance, this was due to significant budget provisions being made in respect of the pandemic, and the overall performance of the College (and group) would have been better if the pandemic and related national lockdowns had not occurred. With the success of the vaccination programme and the easing of restrictive social and other measures across the country, it is expected that income streams and expenditure will return to more normal levels for 2021/22.

In order to protect the financial position of the College, the Corporation claimed under the Government Coronavirus Job Retention Scheme (JRS) for a number of staff where their employment was directly related to income streams adversely affected by the Covid-19 pandemic. This mainly related to staff employed in our BR6 training restaurant outlets which have been closed throughout the pandemic, and claims were made in accordance with scheme rules. The College also used its discretionary right, to top up salary payments to 100% to ensure that these members of staff were not disadvantaged financially. Whilst income from other commercial operations including salons and commercial educational courses were significantly affected by the pandemic, it was not necessary to furlough the related staff.

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 2020/21 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.

It was through the actions outlined earlier and by embedding the generation of social value into organisational policy and practice, that the College gained significant national recognition this year, through being awarded four national awards.

In January 2020, the College was awarded the Public Sector Leadership Award at the National Social Value Awards, competing against large Housing Associations, Local Councils and national construction companies.

Later in the year, in May 2020, at the national Times Educational Supplement (TES) Annual FE Awards which celebrate the fantastic work being carried out in the Further Education sector, The College received national recognition through being nominated and shortlisted for a total of four awards including Overall FE Provider of the Year, Contribution to the Local Community, FE College of the Year, and Specialist Provider of the Year. The College had significant success at the awards winning the first three of the above, which included its most prestigious award of FE college of the year.

The much coveted FE College of the Year award recognises a college with imagination and passion - which has resulted in excellent student outcomes, success rates and recruitment. London South East Colleges was praised for going above and beyond this year- from setting up a specialist SEND hub during the pandemic, to its excellent work with employers and support of Oxleas NHS Foundation Trust to support the Covid-19 vaccine rollout with its workforce development programme. This diverse work ensured that the College stood out among a competitive field – and resulted in the organisation also being presented with the Overall FE Provider of the Year award.

The Contribution to the Local Community award recognises a college which has gone above and beyond to support its local communities, having significant social, economic or cultural impact. London South East Colleges was congratulated for setting up and leading the FE Foodbank Friday initiative during the pandemic last year. Over 30 colleges joined the campaign and collectively raised over £46,000 and more than 19,000 items for foodbanks across the country.

Members' Report (continued)

Review of progress in 2020/21 against the Strategic Plan (continued)

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 and invest in the teaching and learning environment and resources available to students. These include:

The GLA Covid Response Fund, GLA Emergency Recovery Fund, two grants from the DfE College Collaboration Fund, DWP Youth Hub Funding and Education and Training Foundation SEND Centre of Excellence fund. In total these grants totalled £1,075,214.

Building on winning 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 - to help support housing ambitions in greater London in partnership with many employers and other stakeholders. During 2020/21, the College continued to receive further national recognition for its response to the Coronavirus Pandemic. It was the only FE college to feature as one of the Government's key stories of their 'Great Inspirations' Campaign launched in July. The Campaign highlighted key projects that individuals, public organisations and businesses had delivered to support the UK through the coronavirus pandemic. The College established a national 'FE Foodbank Friday' campaign where colleges around the UK were approached to sign up and establish their own food banks. Over 30 colleges signed up and donated over £40,000 to local foodbanks across the country. The Foodbank was established due to a decade of growing demand for foodbanks and growing food poverty during the pandemic.

This was also another successful year for the College Chief Executive Officer (CEO), who has been recognised as a Commander of the British Empire in the Queen's Birthday honours. As the CEO, Dr Sam Parrett CBE continues to be a National Leader of Further Education, and as the FE Advisor to the Office for Students' Disabled Students' Commission. Through these new appointments, Dr Parrett is able to provide support and mentoring for colleges in need of improvement. This has expanded the College's wider contribution to the further education system's leadership.

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 address and help support this issue in a tangible way. Therefore, our pioneering grants programme has committed funding over a 10-year period; sufficient time to bring about real, lasting change.

The initiative is enabling students and staff to develop their own projects, tackling issues that are important to them. During 2020/21, five programmes were sponsored supporting / reaching and engaging almost 2,000 SEND, BAME and disadvantaged students across our college and Multi Academy Trust. By 2030, we plan to have funded up to 90 community projects.

Throughout the year, the College has been working with London & Quadrant (L&Q) Group to maintain the progress towards the redevelopment of the Future Greenwich campus. In addition, the College has been consulting with the Royal Borough of Greenwich and community organisations to increase public support and awareness of the new College. This culminated in July 2021 with the successful granting of planning permission to redevelop the Plumstead site to

Members' Report (continued)

Review of progress in 2020/21 against the Strategic Plan (continued)

deliver a residential housing scheme on the College site at Plumstead with 50% social housing together with the new College campus. The new campus is currently expected to open in 2024/25.

Social Enterprise and Value

2020/21 is the second academic year that the College has worked with the Social Value Portal (SVP) to measure the social value that we have generated. At the time of writing, the full report for 2020/21 is still in development, but through an initial validation, the SVP has estimated that we generated £29.8m of social value in 2020/21. This is an increase of £8.6m compared to the previous year. In total, the Group generated £41.1m, an increase of £8.9m from the previous year. This has been driven through a combination of improved data sourcing as well as running additional social action projects other the year. Any potential reduction in social value during the pandemic has been overcome through the use of remote and more creative work experience opportunities for students in partnership with local and national employers.

In addition to the College's work with the Social Value Portal, the College has been working with the Centre for Local Economic Strategies to develop a Community Wealth and Social Value Report. In contrast with the report from the SVP, this report focuses on the College's key strengths and weaknesses, with a range of recommendations that will inform our future decision making. The college also launched the GoodforME national strategy towards the end of 2021 which will see the sector coming together to support a national programme of volunteering across the UK and NI.

Following initial steps taken in 2019/20, the College has been working with our stakeholders to further develop our reputation as an anchor institution. Much progress has been made this year, with the College speaking at several events aimed at promoting the generation of social value, including speaking alongside Lord Agnew at the Confederation of British Industry's policy briefing on social value. Currently, the College is working with the Greater London Authority and Bloomberg to support London's economic recovery, as part of the London Anchor Institutions Impact Reporting Group. Over the course of the coming year, the College will share how we report our social value impact with other anchor institutions. It is hoped that by doing this, anchor institutions across London will be able to plan activities and report progress on how they are supporting London's recovery, much in the same way the College has increased its own social value.

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:

- Our Mayor's Construction Academy Hub, working with local labour organisations and social advocacy groups to support disadvantaged and underrepresented groups enter the construction industry
- Our College Collaboration Programme where we have supported East Sussex College Group to achieve wide reaching improvements within both colleges
- The continuation of FE Foodbank Friday, raising over £40,000 and donating over 20,000 individual emergency items to local foodbanks in the run up to Christmas

Members' Report (continued)

- Good for Me, Good for FE Project, where over 115 colleges across the UK have signed up to join a network of colleges and volunteering organisations that promote social action projects across the FE sector. So far, the National Association for Voluntary and Community Action, Scouts and SLQ have also signed up.
- Our Get Ready Programme, which provided a short-course for people made unemployed during the pandemic to quickly transition into much-needed jobs within the NHS. We are now in discussions with Bromley Healthcare to deliver additional similar courses.

Maximising social value continues to be embedded across the organisation, and in day to day working, which has benefitted the College in many ways. During the required mass testing of our learners as the country re-opened, utilising our existing partnership with Community Links Bromley, we were able to secure 45 additional volunteers. This enabled mass testing of our learners quickly and effectively, supporting the College to reopen.

It was through these actions and by embedding the generation of social value into organisational policy and practice, that the College was recognised for two national awards for social value and community impact.

DEVELOPMENT AND PERFORMANCE

Financial Results

In 2020/21 the Group generated an adjusted operating surplus of £2.05m prior to FRS102 pension costs, and profit on sale of fixed assets (2019/20: deficit of £0.04m). 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 £4.0m (2019/20: a deficit of £19.8m). The adjusted operating deficit of £1.4m includes a loss totalling £0.09m (2019/20: net loss of £0.34m) in respect of London Skills for Growth.

The overall adjusted operating Group surplus for the year of £2.05m is largely due to strict control on spending due to continued uncertainty of the Covid-19 impact. The pandemic had a significant adverse impact on the operating results of LSfG due to the national lockdown and related impact on demand for apprentices and traineeships.

The total comprehensive income for 2020/21 includes £0.14m (2019/20: £0.41m) of restructuring costs and £0.13m exceptional property strategy costs which have been expensed on planning of major building works, and £3.5m of FRS102 Local Government Pension Scheme (LGPS) adjustments (2019/20: £2.0m), and an actuarial gain totalling £5.3m in respect of the LGPS (2019/20: £17.6m loss).

The FRS102 pension deficit decreased from £40.1m to £38.8m during the year. This is due to a number of reasons, primarily higher market yields on Equities.

The Group has an accumulated income and expenditure account deficit of £5.8m including the LGPS pension reserve (2019/20: deficit of £9.8m) and cash balances of £18.3m (2019/20: £13.2m). 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 merger.

Total Group income for the year was £48.1m which is an increase of £1.2m from 2019/20 (£46.8m) mainly due to an increase in Youth and Adult funding body grants.

Members' Report (continued)

DEVELOPMENT AND PERFORMANCE (continued)

Cash flows and Liquidity

The Group aims to generate a cash inflow from operating activities each year and a cash inflow of £7.2m was achieved (2019/20: £6.6m). This strong performance is due to both the better than budgeted operating position prior to exceptional costs, together with delayed estate related costs with most buildings being closed as a consequence of the national lockdown. The Group also aims to maintain an appropriate balance between continuing capital investment and net current assets which increased by £3.34m to £6.17m at 31 July 2021 (2019/20: £2.81m) as a consequence of increased cash levels in the College.

Group liquidity remained reasonable during the year with cash balances of £18.3m (2019/20: £13.3m). 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 £1.24m (2019/20: £2.04m).

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. This is reflected in the College's financial forecast. LSfG has no loan debt.

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 £8.2m (2019/20: £3.6m) of net assets including £38.8m (2019/20: £41m) pension liability and long-term debt of £7m (2019/20: £8.2m). This excludes deferred capital grants of £27.2 (2019/20: £27.2m).

Going concern

The College has funding contracts in place with the ESFA for 2021/22 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 with appropriate contingencies and assumptions regarding the potential ongoing impact of the Covid-19 pandemic and new variants. Despite the challenges presented by the pandemic and some major capital disposal and investment ambitions, the plan demonstrates that financial performance is expected to at least improve, 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.

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.

Members' Report (continued)

DEVELOPMENT AND PERFORMANCE (continued)

Sources of Income

The College has an accumulated income and expenditure account reserve (excluding Pension Reserve) of £32.9m (2019/20: £30.3m) and cash balances of £18.3m (2019/20: £12.1m). 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 2020/21 the ESFA provided 75% of the College's total income (2019/20: 70%).

In addition, the College took advantage of the Government Coronavirus Job Retention Scheme during the year where income streams and employment was directly affected by the national lockdown. The College claimed a total of £25k under this scheme. The College also received £113k from the ESFA in respect of the exceptional costs of setting up mass coronavirus testing facilities across its sites.

Group Companies

The College had one trading subsidiary company – London Skills for Growth (LSfG). The company is a charitable training provider which provides apprenticeships and traineeship to youth learners and adults, many of whom are the furthest from education. The charity was in a challenging financial position and this has been exacerbated by the impact of the Covid-19 pandemic which had a material impact on planned in-year recruitment, particularly for apprentices, with a related reduction in income.

This together with the ongoing impact of Covid-19 resulted in doubts over the future solvency of the company and its ability to trade as a going concern. As a consequence of this, the LSfG Board of Trustees have resolved that the legal entity should cease trading, with the operations, assets and liabilities being transferred to the College as the parent entity. In this regard the charity ceased trading on 31 December 2020, and the operations, assets and liabilities transferred to the College on 1 January 2021.

The financial results of the charity for the 5 months to 31 December 2020 are consolidated into these (Group) financial statements and the charity made an operating loss of £88k for this period. (2019/20: £417k). Details of the assets, liabilities, and reserves transferred to the College at fair value can be found in note 11a. The net assets transferred of £588k, will be held as a restricted reserve within LSEC, and used in the furtherance of the aims of LSfG.

FUTURE PROSPECTS

Curriculum Developments

During the 2019/20 academic year our curriculum developments were impacted by Covid 19 and the switch to fully remote teaching during the National Lockdown. Developments in 2020/21 have therefore focussed to the digital and online space and the lessons learnt from this enforced move. With these being taken forward into 2020/21 year to benefit from the momentum gained.

Covid19 Response

2020/21 was once again a mixed and difficult year with periods in College and in full lockdown and remote learning. Although the College made the decision to go ahead and continue with the BTEC exam series as well as Functional Skills exams which were not cancelled in line with the GCSEs.

Members' Report (continued)

FUTURE PROSPECTS (continued)

Curriculum Developments (continued)

QTAGs and adapted assessments were used for the majority of vocational course 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.

During periods of remote learning digital poverty gaps have been addressed, with both new hardware being purchased and existing hardware being repurposed. This supported learners with both the hardware and connectivity they needed during periods of lockdown in order to continue studying.

College sites also remained open for those learners unable to study at home and continued to run exams during this period as allowed under the guidance.

Catch Up Funding

The impact of the pandemic on pupils studying English and maths will mean that more learners in this new cohort will present with gaps in their knowledge and skills, regardless of GCSE grade. It is important to address these not only to rebuild vital literacy and numeracy skills but also to give access to the rest of the vocational learning. A significant proportion of the catch-up funding will be devoted to English and maths and this task. This is both through the Colleges own English and maths team and also through expanding the programme delivered by "Get Further" which will be running across more provision and providing support for Functional Skills as well as GCSE.

In addition the tuition fund will also be supporting learners who missed learning opportunities last year on vocational programmes. Whilst there will be an emphasis on the practical skills which were so difficult to deliver remotely, support will also be available to the majority of our student programme learners.

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.

Virtual Learning Environment (VLE) Developments

Last year saw the running of parallel VLE systems whilst Canvas was fully integrated into the College. This year Canvas remains as the sole VLE platform and is central to curriculum delivery. Support continues to be available for curriculum teams and Canvas and its usage remains a central plank of the CPD focus.

English and Maths Digital Learning

Building on the use of the specialist "Century" English and maths software introduced last year the delivery model has been reshaped to give learners additional teaching input and access to support. The classroom delivery hours remain the same but learners have an additional delivered online session providing a bridge between classroom learning and self-directed study. English and maths hubs providing in person support have also been created on each campus as another intervention and support resource. This has been achieved through the introduction of a new "digital coach" and "hub facilitator" role providing a cost-effective way of providing this additional time and support.

GCSE English and Maths

GCSE exams were once again cancelled and assessment this year was by Teacher Assessed Grades (TAGs) these being very different to the previous years Centre Assessed Grades (CAGs) which were based on actual performance rather than teacher predictions. All grades were

Members' Report (continued)

FUTURE PROSPECTS (continued)

Curriculum Developments (continued)

submitted to the Awarding Body by the deadlines and were subject to robust internal validation processes. Internal mock exam windows are set to gather assessment evidence in the eventuality that there are any further disruptions during this academic year. The exam series for summer 2022 is set to go ahead with possible adaptations which will be released in October.

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.

Access to Higher Education

This provision has been in huge demand which could be seen in the applications at the end of last year, especially nursing. With the curriculum plan being expanded to accommodate additional groups and to introduce new pathways including a blended learning evening delivery model and the introduction of new pre-access provision.

In accordance with the OfS requirements the College's Access and Participation Plan is published on the Higher Education Section of the Website and is available to all perspective and current students. The published access and participation plan for the College can be found at: https://www.lsec.ac.uk/images/documents/AP_Statement_-_Published_230620_FINAL.pdf In accordance with the agreement the College's University Centre is committed to providing good quality teaching and support for learners.

The 2020/21 Student Premium Allocation totalled £67,973 and was split between the allocation categories as in the table below:

Student premium allocations in 2020/21	
Support successful student outcomes (full time)	57,272
Support successful student outcomes (part time)	7,737
Disabled students premium	2,964
Total	67,973

The 2020/21 Access and Participation activity expenditure has been calculated against the 3 main reportable categories as shown in the table below:

Members' Report (continued)

FUTURE PROSPECTS (continued)

Curriculum Developments (continued)

Access to Higher Education (continued)

A&P Activity Expenditure	
Access Activity	13,660
Success Activity	62,342
Progression Activity	27,320
Total	103,322

Social Value

Every year, the College looks to increase the amount of social value we generate. 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.

Having developed three reports for the College, and two for the Group, the College is in a good position to start taking the strategy further. For the 2021/22 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, who will take on additional responsibilities to plan and record activities that generate social value.

Our ambition is to embed ownership of the social value agenda with each department empowering them to directly upload evidence and data onto the Social Value Portal rather than this being a centralised remote process. The additional demands placed on the curriculum staff during the pandemic has stalled progress in this area. As we enter the 2021/22 academic year, with potential limited disruptions caused by the pandemic, the Group Strategy Office will work with staff across the College to develop a working system that promotes new social action projects and enables all staff to record and upload all the necessary data to calculate the College's social value.

As we further embed social value generation within our performance processes across the College, we hope to achieve many of the recommendations laid out in our previous Centre for Local Economic Strategies (CLES) and Social Value Reports, including:

- Expanding the range of activities that we measure, including prioritising local and sustainable procurement
- Develop a comprehensive social value reporting process that supports additional College and Group departments to support the capture of social value, increasing the amount that is recorded every year
- Continue to support the Trust through the Group Strategy Office in order to further embed social value within the Trust and increase the amount of social value generated by the Group
- Continue to engage with regional and local stakeholders to promote social enterprise efforts and create new volunteering opportunities for staff and students
- Continue developing and adopting an environmental sustainability policy, both to reduce the College's environmental impact and to reduce skills gaps within key sectors

Members' Report (continued)

FUTURE PROSPECTS (continued)

Other Developments and Achievements

The FE White Paper introduced last year sets out a wide range of proposals building on current reforms and sets a refocused agenda and purpose for FE which reflects FE skills in developing young people and adults

In responding to the challenges and opportunities presented by the White Paper we must continue to develop our strategic relationships and discussions with employers and Local Authorities to ensure that our offer meets the skills needs of the local area. In doing so the College is developing its new Education and Skills strategy.

Whilst our curriculum offer will still continue to offer lower level skills and qualifications these need to be framed as important pathways into Higher Education and our curriculum must provide greater opportunities for learners to move into higher technical skills with an expanded range of level 4 and level 5 provision.

There are also opportunities with the lifelong learning entitlement which need to be considered and built into curriculum planning in order to capitalise on the adult learner market and the additional funding flexibilities available to students.

Whilst the White Paper has additional freedoms and opportunities for the College it also comes with greater consequences and powers of intervention.

The College acknowledges the challenges it faces in terms of learner recruitment as we emerge from the pandemic and the nature of the job market changes. Curriculum development last year sought to mitigate this risk and grow alternative sources of income including the reduction of the adult subcontracting volumes and the replacement of this with College internal provision. In addition, the College plans to continue to grow its employer-responsive provision through Traineeship and Apprenticeship training opportunities offered to those learners who are 16-18 and 19-24.

Alongside this the College has been recognised by the Chartered Institute of Further Education, a Royal Charter Body by being awarded FE Charter Status in 2018. Chartered status is a mark of excellence which shows potential new students and employers that an education provider is a centre of high quality in the areas of governance, leadership, professional development, teaching practice and community impact.

In addition, our Construction provision has been given Royal recognition through the Queen's Anniversary Prize. 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.

Members' Report (continued)

FUTURE PROSPECTS (continued)

Future Prospects and Developments (continued)

Other Developments and Achievements (continued)

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 during the event of further significant Covid-19 safety measures.

The impact of Covid-19, the lost learning last year and the move to QTAG grading and adapted assessment, have impacted on success rates for the College, which show a decline in achievement performance last year.

At the same time as Centre Assessed Grades were used for the majority of qualification outcomes, there were also a range of adapted assessments across a range of subjects. All Awarding Body deadlines were complied with, and apart from some very minor requests for validation, all grades were agreed and accepted. One impact of the lockdown and move to fully remote teaching is the removal of a significant number of short qualifications which were scheduled for completion by learners in the second half of the year. These additional qualifications always contribute positively to overall College performance and there is the potential for this impact to be seen in the data once all the achievement claims are recorded.

Functional skills in English and maths have been particularly impacted and while an extensive summer school programme was used in an attempt to make up this lost time and learning, achievement rates for both adults and young people are down on previous years.

The College Self-Assessment Reports validated in December 2020, have indicated that the College has maintained its self-assessed grade of Good following its Ofsted inspection in March 2019.

During the year, the College successfully progressed to stage two of the DfE FE Capital Transformation Fund, in a bid to secure £20M of external funding to invest in the Bromley campus. If successful this will enable significant campus improvements and development. Parallel to this, the College successfully secured planning approval for the redevelopment of the Greenwich Campus in Plumstead, which has enabled works to commence.

However, even though the College remains in a strong reputational and financial position, national trends, the pandemic, 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 as it embarks on some major capital projects over the next few 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.

Members' Report (continued)

FUTURE PROSPECTS (continued)

Financial plan

The Corporation approved a three-year financial plan in July 2021 which sets objectives for the period to July 2023. 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. In addition, the plan acknowledges that it will take time for some income streams to return to pre pandemic levels. This all introduces a much higher level of uncertainty for future enrolment levels together with the financial performance, and health of the College. Therefore, suitable contingences and 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 improve slightly over the life of the plan, with underlying cash levels remaining largely unchanged.

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. 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:

- 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 which 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 undertaken further work during the 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.

Members' Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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 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.

Government Funding for Core Provision

The College has considerable reliance on continued government funding through the ESFA. In 2020/21 85% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. In light of the cost of the Covid-19 pandemic to the state and its impact on the economy, there can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

Government Funding for Core Provision (continued)

The College is aware of several issues which may impact on future funding, including accountability and funding reforms, together with the rollout of T Levels, and the impact of the Covid-19 pandemic. The College, in conjunction with its key stakeholders, continues to develop new strategies for growth in response to these matters. It is recognised that the accountability and funding reforms in response to the FE white paper could also significantly affect the curriculum offer and funding for the College.

In addition, despite some green shoots regarding funding rates for Further Education, funding per learner is expected to continue to be a challenge for at least the medium term.

This risk is mitigated in a number of ways:

- 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 and demand from employers;
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding; and
- Regular dialogue with funding bodies, employers, and other key stakeholders.

Members' Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Major Capital Projects impacting on the financial viability/solvency of the College

The College is embarking on a significant and capital project for the part disposal of its Plumstead campus and a planned circa £28.5m 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.

Coronavirus

The ongoing impact of the Coronavirus pandemic and new variants may continue to have an adverse impact on learner recruitment or College operations for the foreseeable future and this could directly affect demand, how learners want to study and income. In addition, the extended duration and impact of the pandemic may have an adverse impact on the mental health of learners and staff. The coronavirus risk is mitigated in a number of ways:

- Through appropriate and strong health & safety controls and systems
- Through robust and prudent financial forecasting & monitoring
- By making appropriate budget contingences
- Continuing to support the mental health and wellbeing of both learners and staff
- By taking advantage of new income streams as they emerge
- Responding to changing stakeholder demand and needs in response to the pandemic

KEY PERFORMANCE INDICATORS

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

The College's main learner related targets for 2020/21 were:

Key performance indicator	Target	Actual
ESFA Youth Learner Numbers	3,779	3,976
Total Adult Education Budget income	£6.43m	£6.44m
Total Apprenticeships Income	£2.59m	£2.35m
Total HE Income	£2.97m	£2.51m

Performance against the apprenticeship income target was adversely affected by the pandemic. The slight AEB underperformance relates to the both the devolved and non-devolved contracts.

Members' Report (continued)

KEY PERFORMANCE INDICATORS (continued)

The College's main financial targets for 2020/21 were:

Key performance indicator	Target	Actual
To maintain or improve the adjusted operating deficit each year (prior to exceptional items & non-cash FRS102 adjustments)	£(0.29)m	£2.19m
To achieve an Education Specific EBITDA of at least £2.0m each year	£2.48m	£4.79m
Achievement of an annual net cash inflow each year before major capital project expenditure	>£0	£7.2m
An adjusted current ratio target of at least 1.1	1.25	1.81
To maintain a minimum bank balance of £12.5m	£12.5m	£18.3m
A ratio of staff costs (excluding restructuring costs) against income (excluding releases of capital grants) of no more than 70%	63.1%	65.0%
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	4.5%
Debt service cover	>2	10.7
Cash days in hand	>25	135
Adjusted current ratio	>1.4	1.81
Staff cost (excl restructuring as a % of income (excl. Partner income))	65%	65%
Financial Health grade	Good or Outstanding	Outstanding

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 2020/21 is considered to be a significant achievement in the current FE climate in which the College operates and the impact of the pandemic.

Members' Report (continued)

KEY PERFORMANCE INDICATORS (continued)

As stated elsewhere in these financial statements, Covid-19 has the potential to have a detrimental impact on both income and expenditure and performance against a number of KPI's will have been impacted as a consequence. However, with our prudent budget forecasting together with work to improve our performance during the year, the overall adverse impact of the pandemic on key performance indicators is not considered to be material.

dWith the impact of the pandemic last year achievement rates for both 16-18 and adults have declined on the previous year, 16-18 by -2.5% and adults by -1.8%, therefore meaning a 2% drop overall. However, this is against a backdrop of a significant proportion of learners programmes (22%) where the College not being physically open to most learners between the 5th January and the 5th March. The achievement is mostly impacted by achievement of Functional skills qualifications for both age groups and the disparity caused by the Government decision to continue with Functional Skills exams when equivalent GCSEs were cancelled should be remembered. Had the Functional Skills exams followed the GCSE model the achievement profile would likely have tracked the previous year meaning that outcomes for both age groups would have been broadly comparable with previous years and the overall drop would have been just over half a percent.

Awarding body grading systems also changed significantly and the necessity of early submission of the CAG grades effectively meant that the final term was shorter at a time when it really needed to be longer to make up some more of the missed learning. There was also a lack of clear National guidance over BTEC exams and whether these should go ahead or not with Colleges being left to make last minute individual decisions.

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 97% of its invoices within 30 days in line with the Treasury target. 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
7	7

Percentage of time spent on facility time:

Percentage of time	Number of employees
0%	-
1-50%	7
51-99%	-
100%	-

Percentage of pay bill spent on facility time:

Total cost of facility time	£23,124
Total pay bill	£252,889
Percentage of total bill spent on facility time	9.14%

Paid trade union activities:

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Members' Report (continued)

Streamlined Energy and Carbon Reporting

UK Greenhouse gas emissions and energy use data for the period 1 August 2020 to 31 July 2021	
Energy consumption used to calculate emissions (kWh)	8,809,726 kWh
Energy consumption break down (kWh) (optional) <ul style="list-style-type: none"> • gas, • electricity, • transport fuel 	Gas 5,625,238 kWh Elec 3,366,224 kWh Transport Fuel 41,396 kWh
<u>Scope 1 emissions in metric tonnes O2e</u> Gas consumption Owned transport – mini-buses <u>Total scope 1</u>	Gas 1,030.3 tCO ₂ e Transport 7.6 tCO ₂ e
<u>Scope 2 emissions in metric tonnes CO2e</u> Purchased electricity	667.4 tCO ₂ e
<u>Scope 3 emissions in metric tonnes CO2e</u> Business travel in employee owned vehicles	2.7 tCO ₂ e
Total gross emissions in metric tonnes CO2e	1,707.9 tCO₂e
<u>Intensity ratio</u> Tonnes CO ₂ e per	2.253 CO ₂ e/staff member 0.033 CO ₂ e/Sqm of floor space

Quantification and Reporting Methodology

The 2019 UK Government Environmental Reporting Guidelines were followed and the 2020 UK Government GHG Conversion Factors for Company Reporting were used in emission calculations. The report has been reviewed independently by 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) or based on historic consumption for a similar time period (direct comparison method) to ensure it falls within a reasonable range. Vehicle energy use and emissions were calculated from odometer readings from MOT records.

The associated emissions are divided into mandatory and voluntary emissions according to the 2018 Regulations, then further divided into the combustion of fuels and the operation of facilities (scope 1), purchased electricity (scope 2) and in-direct emissions that occur as a consequence of company activities (scope 3).

Members' Report (continued)

Streamlined Energy and Carbon Reporting (continued)

Intensity measurement

The primary intensity ratio is total gross emissions in metric tonnes CO₂e per staff member, which is the recommended ratio for the sector for consistency and comparability.

A secondary intensity ratio based on floor area (Gross Internal Area) is also provided to reflect the energy efficiency of the buildings, which are the source of the majority of emissions.

Measures taken to improve energy efficiency

Energy consumption is expected to be below typical this year due to the reduced occupancy across all sites following COVID-19 restrictions from 23rd March 2020. A result of the health precautions has been the greater implementation of video conferencing for staff and board meetings, reducing the need for travel to and between sites. The emission saving resulting from these activities has not been quantified, but this practice has resulted in behaviour changes that are expected to continue for the foreseeable future.

EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period.

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 2021 and signed on their behalf by:



Stephen Howlett CBE DL
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 2020 to 31 July 2021 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. 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 2021.

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.

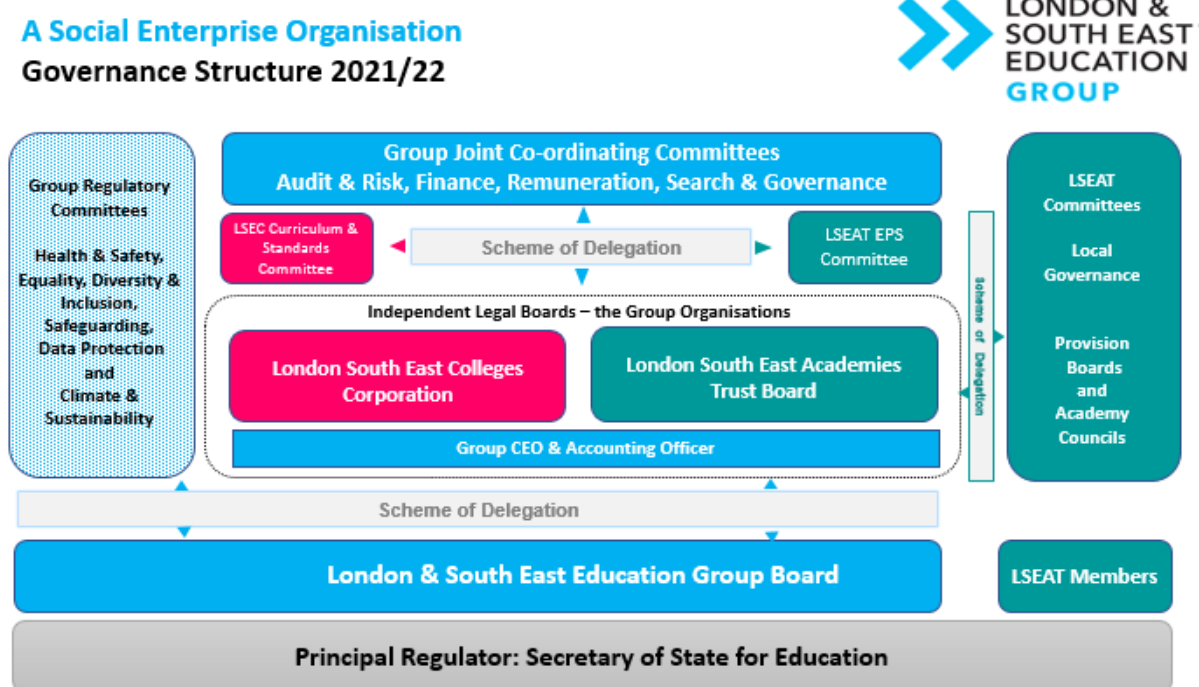
The College works closely with London & South East Academies Trust (LSEAT), and in April 2018 the independent boards of each entity agreed to work together to further their strategic aims as London & South East Education Group (LSEEG). Although not a legal entity, LSEEG had a collective turnover circa £75m in 2020/21.

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) and Group Finance (F). 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 CBE DL	01/08/2017	4 years	Chair	4	3	75%	
Charles Yates	01/08/2015	4 years	Vice Chair	4	4	100%	14/07/2021
Dr Sam Parrett CBE	n/a	n/a	Governor	4	3	75%	
Maxwell Bero	01/08/2018	4 years	Governor	4	4	100%	14/07/2021
Jane Hobson	01/11/2018	4 years	Governor	4	3	75%	
Christopher Briggs	01/11/2018	4 years	Governor	4	4	100%	
Mark Trinick	11/12/2019	4 years	Governor	4	3	75%	
Louise Nadal	06/01/2020	4 years	Governor	4	4	100%	
David Eastgate	09/07/2020	4 years	Governor	4	4	100%	
Allan Carey	09/07/2020	4 years	Governor	4	3	75%	
Lucie Allen	09/07/2020	4 years	Governor	4	2	50%	
Olivia John	09/07/2020	4 years	Governor	4	3	75%	
Chinyama Okunuga	21/10/2020	4 years	Governor	4	3	75%	
Barry Spencer	05/12/2017	4 years	Governor	4	4	100%	
Keat Senior	01/09/2020	1 year	Governor	4	3	75%	14/07/2021
David Bailey	21/10/2021	4 years	Governor	0	0	0%	Appt 21/10/21

Mr Stephen Howlett CBE DL was appointed Chair of the Corporation on 1 August 2017. 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 four times during the year, with a Special Corporation Meeting called to discuss capital project related matters only.

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.

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.

Statement of Corporate Governance and Internal Control (continued)

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

The Corporation and LSEEG Group has 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

During the pandemic that commenced in March 2020 and continued through to July 2021, there have been significant disruptions to the operations of the College. 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 this 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 period of lockdown and restrictions throughout 2020-21, it was not possible to facilitate and organise virtual learning walks and observations of teaching and learning. Formal lesson observations were temporarily suspended during this time. Due to rising infection rates and to reduce risks, on site visits were also suspended. 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 more than two terms of office (or eight years) should be served by members.

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.

Corporation performance

As part of the College's self-assessment process, the Corporation carried out a self-assessment of its own performance for the year ended 31 July 2021. This identified key areas of strength and challenge together with areas that required development and growth in capacity to improve governance effectiveness. Plans have been put 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.

Statement of Corporate Governance and Internal Control (continued)

Group Remuneration Committee

Throughout the year ended 31 July 2021, 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 £48m, over 12,000 students) and 696 members of staff, 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) and London Skills for Growth (LSfG). 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 £27m, over 1,100 pupils, and 501 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 completed by Korn Ferry Group in early 2021 using benchmarking data on heads of similar institutions. 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 2021 are set out in note 7 to these financial statements.

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.

Statement of Corporate Governance and Internal Control (continued)

Group Audit and Risk Committee (continued)

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 2020-21 this will include details of the tender and following rigorous selection process the successful appointment of the external audit services. This report is considered by the Corporation prior to the financial statements being approved.

Details of the attendance of Audit & Risk Committee Members during 2020/21 is set out below:-

GROUP AUDIT & RISK COMMITTEE				
Role	Name	Meetings	Attended	%
Group Audit Chair	Marek Michalski	3	3	100%
Governor	David Eastgate	3	3	100%
Governor	Max Bero	3	3	100%
Governor	Olivia John	3	3	100%
		12	12	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 2020/21 is set out below:-

GROUP FINANCE COMMITTEE				
Role	Name	Meetings	Attended	%
Group Finance Chair	Allan Carey	3	3	100%
Governor	Stephen Howlett, CBE DL	3	3	100%
Governor	Charles Yates	3	3	100%
Governor	Dr Sam Parrett, CBE	3	3	100%
		12	12	100%

Statement of Corporate Governance and Internal Control (continued)

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

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 2020/21 is set out below:-

CURRICULUM & STANDARDS COMMITTEE				
Role	Name	Meetings	Attended	%
Committee Chair	Mark Trinick	3	3	100%
Governor	Jane Hobson, OBE	3	3	100%
Governor	Lucie Allen	3	3	100%
Governor	Christopher Briggs	3	2	67%
Governor	Louise Nadal	3	3	100%
Governor	Chinyama Okunuga	3	3	100%
Co-opted Governor - Curriculum & Standards	Lois Vassell	3	3	100%
Governor	Dr Sam Parrett, CBE	3	3	100%
		24	23	96%

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

Statement of Corporate Governance and Internal Control (continued)

Internal Control (continued)

Scope of Responsibility (continued)

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 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 2021 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 2021 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 risk and control framework

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 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.

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:

Statement of Corporate Governance and Internal Control (continued)

Internal Control (continued)

Review of effectiveness (continued)

- 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 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2021.

Despite the Coronavirus pandemic and related restrictions imposed by the Government during the year, the programme of internal audit was completed with most audits taking place remotely. This ensured the Audit Committee and Corporation were provided with the required assurance opinion on the system of internal control.

The Internal Auditors Annual Report, presented to the Group Audit Committee on 24 November 2021, and the Audit Committee's Annual Report, approved on 24 November 2021 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

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*".

Going Concern

The College has funding contracts in place with the ESFA for 2021/22 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 at least improve and the College will continue to meet its banking covenants. The plan which takes account of the potential longer-term impact of the Covid-19 pandemic and also shows that the College will have sufficient working capital to meet liabilities as they fall due.

Statement of Corporate Governance and Internal Control (continued)

Going Concern (continued)

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.

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.

Approved by Members of the Corporation on 8 December 2021 and signed on its behalf by:



Stephen Howlett CBE DL
Chair



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

Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's financial memorandum and funding agreement in place between the College and the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum and funding agreement.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum and funding agreement.

We further 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 the ESFA.



Stephen Howlett CBE DL
Chair



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

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 College's Financial Memorandum and funding agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction for 2020 to 2021 issued by the ESFA, and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and of the results for the year.

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

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

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

The Corporation is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with the 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 in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA, and any other public funds, are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA, or any 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 the ESFA and other public bodies are not put at risk.

Approved by Members of the Corporation on 8 December 2021 and signed on its behalf by:



Stephen Howlett CBE DL
Chair

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') and its subsidiary (together referred to as the "Group") for the year ended 31 July 2021 which comprise the Group and College statements of comprehensive income, the Group and College statements of changes in reserves, the Group and 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 Group's and the College's affairs as at 31 July 2021 and of the Group'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 Group 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 Group 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 Group's or 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.

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 Group's and 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 Group or 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 Group and 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 Group and 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 Group's and 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 Group'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: 17 December 2021

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 2020 to 31 July 2021 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 2020 to 31 July 2021 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 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

17 December 2021

Date

Consolidated and College Statements of Comprehensive Income

Year ended 31 July 2021

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Income					
Funding body grants	2	35,987	35,489	33,238	31,805
Tuition fees and education contracts	3	6,416	6,416	6,773	6,713
Other grants and contracts	4	4,794	4,792	5,708	5,641
Other Income	5	911	882	1,127	1,005
Investment income	6	5	5	36	36
Transfer of net assets from LSfG	11a	—	588	—	—
Total income		48,113	48,172	46,882	45,200
Expenditure					
Staff costs	7	31,689	31,331	29,860	28,920
Other operating expenses	8	12,893	12,660	14,478	13,501
Depreciation	11	4,219	4,193	4,524	4,343
Interest and other finance costs	9	694	694	631	631
Total expenditure		49,495	48,878	49,493	47,395
Deficit before other gains and losses and tax		(1,383)	(706)	(2,611)	(2,195)
Gain on disposal of assets		—	—	79	—
Deficit before taxation		(1,383)	(706)	(2,532)	(2,195)
Taxation	10	—	—	—	—
Deficit for the year		(1,383)	(706)	(2,532)	(2,195)
Actuarial gain (loss) on defined benefit pensions	23	5,297	5,297	(17,587)	(17,587)
Total Comprehensive income for the year		3,914	4,591	(20,119)	(19,782)
Represented by:					
Restricted comprehensive income		—	588	—	—
Unrestricted comprehensive income		3,914	4,003	(20,119)	(19,782)

Consolidated and College Statements of Changes in Reserves

Year ended 31 July 2021

Group	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 August 2019	9,862	14,510	43	24,415
Deficit from the income and expenditure account	(2,532)	—	—	(2,532)
Other comprehensive income	(17,587)	—	—	(17,587)
Transfers between revaluation and income and expenditure reserves	545	(545)	—	—
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 2021

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total
College	£'000	£'000	£'000	£'000
Balance at 1 August 2019	8,848	14,510	43	23,401
Deficit from the income and expenditure account	(2,195)	—	—	(2,195)
Other comprehensive income	(17,587)	—	—	(17,587)
Transfers between revaluation and income and expenditure reserves	545	(545)	—	—
Balance at 1 August 2020	(10,389)	13,965	43	3,619
Deficit from the income and expenditure account	(1,294)	—	588	(706)
Other comprehensive income	5,297	—	—	5,297
Transfers between revaluation and income and expenditure reserves	546	(546)	—	—
Total comprehensive income for the year	4,549	(546)	588	4,591
Balance at 31 July 2021	(5,840)	13,419	631	8,210

Balance sheets as at 31 July

	Notes	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
<u>Non-current assets</u>					
Tangible fixed assets	11	76,355	76,355	78,996	78,952
		76,355	76,355	78,996	78,952
<u>Current assets</u>					
Trade and other receivables	12	2,357	2,357	1,788	1,665
Cash and cash equivalents	17	18,297	18,297	13,255	12,112
		20,654	20,654	15,043	13,777
Less: Creditors – amounts falling due within one year	13	(14,480)	(14,480)	(12,212)	(11,579)
Net current assets		6,174	6,174	2,831	2,198
Total assets less current liabilities		82,529	82,529	81,827	81,150
Less: Creditors – amounts falling due after more than one year	14	(34,235)	(34,235)	(35,390)	(35,390)
Provisions					
Defined benefit obligations	16	(38,784)	(38,784)	(40,657)	(40,657)
Other provisions	16	(1,300)	(1,300)	(1,484)	(1,484)
TOTAL NET ASSETS		8,210	8,210	4,296	3,619
Reserves					
Restricted reserves – LSEC		43	43	43	43
Restricted reserves - LSFG		588	588	—	
Income and expenditure account		(5,840)	(5,840)	(9,712)	(10,389)
Revaluation reserve		13,419	13,419	13,965	13,965
Total Reserves		8,210	8,210	4,296	3,619

The financial statements on pages 45 to 71 were approved and authorised for issue by the Corporation on 8 December 2021 and were signed on its behalf on that date by:



Stephen Howlett CBE DL
Chair



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

Consolidated Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Cash flow from operating activities			
Deficit for the year		(1,383)	(2,533)
Adjustment for non-cash items			
Depreciation		4,219	4,524
(Increase) / decrease in debtors		(569)	1,106
Increase in creditors due within one year		2,762	3,190
Decrease in creditors due after one year		(1,155)	(1,901)
(Decrease) / increase in provisions		(183)	146
Pensions costs less contributions payable		3,424	2,008
Adjustment for investing or financing activities			
Investment income	6	(5)	(36)
Interest payable	9	136	174
Profit on sale of fixed assets		—	(78)
Net cash inflow from operating activities		<u>7,247</u>	<u>6,600</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		—	918
Disposal on non-current asset investments		—	1,068
Investment income		5	36
Payments made to acquire fixed assets		(1,579)	(2,041)
		<u>(1,574)</u>	<u>(19)</u>
Cash flows from financing activities			
Interest paid	9	(136)	(174)
Repayments of amounts borrowed		(494)	(532)
		<u>(630)</u>	<u>(706)</u>
Increase in cash and cash equivalents in the year		<u>5,043</u>	<u>5,875</u>
Cash and cash equivalents at start of the year	17	13,254	7,380
Cash and cash equivalents at end of the year	17	<u>18,297</u>	<u>13,255</u>

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 2015 (the 2015 FE/HE SORP), the College Accounts Direction for 2020 to 2021 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. Acquisition accounting has been used to bring in the assets and liabilities of London Skills for Growth at fair value.

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 £4.6m 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 operations of the College were significantly affected by the Covid-19 pandemic, and income was materially lower than it would have been if this had not occurred. However, through prudent financial forecasting and the swift introduction of control measures the College achieved a better than budgeted operating position for 2020/21. With the continuing impact of the pandemic, the budget for 2021/22 includes contingencies which can be utilised to balance the potential financial impact for the year.

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.

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.

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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

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

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

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Non-current assets - Tangible fixed assets (continued)

Borrowing costs

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

Leased assets

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

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.

Notes to the Financial Statements (continued)

1 Accounting policies (continued)

Provisions and contingent liabilities (continued)

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.

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 2021. 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

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Recurrent grants				
Education and Skills Funding Agency – adult	9,831	9,831	8,189	8,189
Education and Skills Funding Agency – 16-18	21,802	21,609	20,162	19,511
Education Funding Agency – Apprenticeships	2,659	2,354	3,161	2,379
Higher Education Funding Council	104	104	136	136
Specific Grants				
Releases of government capital grants	1,591	1,591	1,590	1,590
Total	<u>35,987</u>	<u>35,489</u>	<u>33,238</u>	<u>31,805</u>
Included within the above are:				
	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
OfS Grants and income				
HE Recurrent Grant	104	104	136	136
HE Contracts and Fees	<u>2,511</u>	<u>2,511</u>	<u>3,025</u>	<u>3,025</u>

3 Tuition fees and education contracts

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Adult education fees	2,024	2,024	2,011	2,011
Apprenticeship fees and contracts	898	898	910	850
Fees for FE loan supported courses	983	983	827	827
Fees for HE loan supported courses	981	981	1,218	1,218
Total Tuition Fees	<u>4,886</u>	<u>4,886</u>	<u>4,966</u>	<u>4,906</u>
Education contracts	<u>1,530</u>	<u>1,530</u>	<u>1,807</u>	<u>1,807</u>
Total	<u>6,416</u>	<u>6,416</u>	<u>6,773</u>	<u>6,713</u>

Notes to the Financial Statements (continued)

4 Other grants and contracts

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Coronavirus Job Retention Scheme Grant	27	25	270	203
Other grants and contracts	4,767	4,767	5,438	5,438
Total	4,794	4,792	5,708	5,641

The corporation claimed under the Government Coronavirus Job Retention Scheme (CJRS) for a number of staff where their employment was directly related to income streams affected by the Covid-19 pandemic. Staff were furloughed for varying lengths of time of at least 3 weeks and total of 38 staff were furloughed at various times during the pandemic. This included staff employed in our commercial catering outlets and staff employed to recruitment and delivery of apprenticeships. The funding received in respect of 38 staff of £27k (2019/20: 94 staff of £270k) relates to staff costs which are included within the staff costs note below as appropriate.

5 Other income

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Catering and residences	90	90	317	317
Other income generating activities	368	339	320	198
Miscellaneous income	453	453	490	490
Total	911	882	1,127	1,005

6 Investment income

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank Interest received	5	5	36	36
Total	5	5	36	36

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	Group 2021 No.	College 2021 No.	Group 2020 No.	College 2020 No.
Teaching staff	431	417	428	411
Non-teaching staff	478	469	460	449
Total	909	886	888	860

Staff costs for the above persons

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Wages and salaries	26,337	26,017	24,274	23,441
Social security costs	1,872	1,842	1,885	1,804
Other pension costs	3,337	3,329	3,291	3,268
Payroll Sub Total	31,546	31,188	29,450	28,513
Fundamental restructuring costs – Contractual	143	143	410	407
Total Staff Costs	31,689	31,331	29,860	28,920

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 Principal & Deputy CEO, Group Chief Financial Officer, Group Chief Transformational Officer and Group Chief People Officer.

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

	Group 2021 No.	Group 2021 No.	Group 2020 No.	College 2020 No.
The number of key management personnel including the CEO & Principal was:	5	5	6	6

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	
	2021 No.	2020 No.	2021 No.	2020 No.
£60,001 to £ 65,000			5	3
£65,001 to £ 70,000			3	2
£70,001 to £ 75,000			2	3
£75,001 to £ 80,000			1	1
£80,001 to £ 85,000			1	2
£85,001 to £ 90,000		1	1	
£90,001 to £95,000			1	1
£95,001 to £100,000	1		1	
£100,001 to £105,000		1		
£105,001 to £110,000	1			
£110,001 to £115,000		1		
£115,001 to £120,000		1		
£125,001 to £130,000	1			
£130,001 to £135,000	1			
£200,001 to £205,000		1		
£220,001 to £225,000	1			
	5	5	15	12

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:

	2021	2020
	£'000	£'000
Salaries	600	620
Retention and additional responsibility allowances	25	25
Payment for untaken annual leave	37	10
Employer's National Insurance	89	87
Flexible benefits	25	25
Total Key management personnel compensation	776	767
Pension contributions	88	95
Total emoluments	864	862

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).

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Salaries	164	164	162	162
Retention and additional responsibility allowances	10	10	10	10
Payments for untaken annual leave	21	21	6	6
Flexible benefits	25	25	25	25
	<u>220</u>	<u>220</u>	<u>203</u>	<u>203</u>
Pension contributions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

	2021	2020
CEO & Principal's basic salary as a multiple of the median of all staff	4.8	4.9
CEO & Principal and CEO's total remuneration as a multiple of the median of all staff	4.9	4.8

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

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Teaching costs	4,719	4,673	4,380	4,304
Non-teaching costs	3,726	3,658	5,390	4,947
Premises costs	4,448	4,329	4,708	4,250
Total	12,893	12,660	14,478	13,501

Other operating expenses include:

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Auditors' remuneration:				
Financial statements audit	64	55	65	53
Other services provided by statutory auditor	2	2	4	4
Internal audit	75	75	71	71
Hire of assets under operating leases	353	352	403	402

9 Interest payable

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
On bank loans, overdrafts and other loans:	136	136	174	174
Pension finance costs (note 22)	558	558	457	457
Total	694	694	631	631

9a. Access and participation spending

The 2020/21 Access and Participation activity expenditure has been calculated against the 3 main reportable categories as shown in the table below:

Access & Participation Activity Expenditure	
Access Activity	13,660
Success Activity	62,342
Progression Activity	27,320
Total	103,322

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 2020	111,112	1,031	1,142	11,856	125,141
Additions	94	610	—	876	1,580
Transfer from LSFG	—	—	—	89	89
At 31 July 2021	111,205	1,641	1,142	12,821	126,810
Depreciation					
At 1 August 2020	34,360	—	1,142	10,687	46,189
Charge for the year	3,671	—	—	522	4,193
Elimination in respect of disposals	—	—	—	73	73
At 31 July 2021	38,031	—	1,142	11,282	50,455
Net book value at 31 July 2021	73,175	1,641	—	1,539	76,355
Net book value at 31 July 2020	76,752	1,031	—	1,169	78,952

Other assets under construction represents the costs of the Plumstead redevelopment works of £1.5m scheduled to complete in 2025. Also included in assets under construction is £74k of CCTV upgrade and £38k of FECA capital spend.

11a Transfer from LSFG

On 1 January 2021 in accordance with the transfer agreement dated 21 October 2020, details of the LSFG assets, liabilities, and reserves transferred to the College at fair value are in the table below

LSFG Transfer details £'000	
Fixed Assets	16
Bank	1,057
Debtors	131
Liabilities	(616)
Reserves	(588)

Notes to the Financial Statements (continued)

12 Trade and other receivables

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade receivables	1,611	1,611	562	552
Prepayments and accrued income	746	746	1,226	1,113
Total	2,357	2,357	1,788	1,665

13 Creditors: amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans and overdrafts	216	216	216	216
Trade payables	1,194	1,194	789	743
Other taxation and social security	761	761	960	943
Accruals and deferred income	7,093	7,093	6,259	5,937
Deferred income - government capital grants	1,768	1,768	1,590	1,590
Deferred income - government revenue grants	140	140	117	117
Amounts owing to the ESFA	2,373	2,373	2,003	1,755
Amounts owing to the ESFA (EFS loan)	936	936	278	278
Total	14,480	14,480	12,212	11,579

14 Creditors: amounts falling due after one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans	4,413	4,413	4,629	4,629
Amounts owing to DBEIS (EFS loan)	2,630	2,630	3,566	3,566
Deferred income - Government capital grants	27,192	27,192	27,195	27,195
Total	34,235	34,235	35,390	35,390

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 projects. The project as originally planned was aborted and we are working with the GLA to transfer the grant to a new related project at our Bromley campus. If such approval is ultimately not forthcoming, it could transpire that the grant may become repayable to the GLA in part or in full. Should this be the case, the liability will become current at that time.

15 Maturity of Debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	216	216	216	216
Between one and two years	432	432	458	458
Between two and five years	648	648	687	687
Five years or more	3,333	3,333	3,484	3,484
Total	4,629	4,629	4,845	4,845

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 £4.845m secured on a portion of the freehold land and buildings of the College.

16 Provisions (Group and College)

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2020	40,657	1,484	42,141
Expenditure in the period	(1,873)	(108)	(1,981)
Transferred from income and expenditure account	—	(76)	(76)
At 31 July 2021	38,784	1,300	40,084

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.

The principal assumptions for this calculation are:

	2021	2020
Price inflation	3.15%	3.05%
Discount Rate	1.60%	1.35%

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

Notes to the Financial Statements (continued)

17 Group cash and cash equivalents

	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	12,112	6,185	—	18,297
Inherited upon acquisition	1,142	(1,142)	—	—
Total	13,254	5,043	—	18,297

18 Capital Commitments

There are no Commitments contracted for at 31 July.

19 Lease Obligations

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

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Future minimum lease payments due				
Land and buildings				
Not later than one year	—	—	33	—
	—	—	33	—
Other				
Not later than one year	274	274	353	352
Later than one year and not later than five years	—	—	254	252
	274	274	607	604

20 Contingent liabilities

There are no contingent liabilities.

21 Events after the reporting period

There are no events after the reporting period to report.

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	2021	2020
	£000	£000
Pension Costs		
Teachers' Pension Scheme: contributions paid	1,984	1,956
Local Government Pension Scheme		
Contributions paid	1,346	1,300
FRS 102 (28) Charge	<u>3,002</u>	<u>1,576</u>
Charge to the Statement of Comprehensive income	4,348	2,876
Enhanced Pension charge to the Statement of Comprehensive Income	183	(146)
Total Pension Cost for Year	<u>6,515</u>	<u>4,686</u>

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 £2,732,194 (2019/20: £2,709,267), of which employer's contributions totalled £1,983,269 (2019/20: £1,955,576) and employees' contributions totalled £748,924 (2019/20: £753,692).

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 2021 was £1,850,786 (2019/20: £1,679,133), of which employer's contributions totalled £1,346,049 (2019/20: £1,212,067) and employees' contributions totalled £504,737 (2019/20: £467,065). 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 2021 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 2021	At 31 July 2020
Rate of increase in salaries	3.60%	3.05%
Future pension increases	2.80%	2.25%
Discount rate for scheme liabilities	1.60%	1.35%
Inflation assumption (CPI)	2.80%	2.25%
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 2021	At 31 July 2020
<i>Retiring today</i>		
Males	21.4	20.8
Females	24.4	24.0
<i>Retiring in 20 years</i>		
Males	22.6	22.3
Females	25.6	25.5

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

	2021 £'000	2020 £'000
Fair value of plan assets	86,098	78,096
Present value of plan liabilities	(124,882)	(118,753)
Net pension liability	(38,784)	(40,657)

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

Notes to the Financial Statements (continued)

22 Defined benefit obligations (continued)

Principal Actual Assumptions (continued)

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	4,246	2,778
Total	4,246	2,778

	2021 £'000	2020 £'000
Amounts included in finance costs		
Net interest charge	539	430
Total	539	430

	2021 £'000	2020 £'000
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	8,057	2,406
Experience losses arising on defined benefit obligations	2,445	(5,822)
Changes in demographic assumptions -	1,447	671
Changes in assumptions underlying the present value	(6,652)	(14,271)
Liabilities		
Other actuarial (losses) on assets	-	(571)
Amount recognised in other comprehensive	5,297	(17,587)
Income		

Movement in net defined benefit liability during the year

	2021 £'000	2020 £'000
Deficit in scheme at 1 August	(40,657)	(21,064)
Movement in year:		
Current service cost	(4,246)	(2,778)
Employer contributions	1,463	1,300
Admin Expenses	(102)	(98)
Net interest on defined liability	(539)	(430)
Actuarial gain/(loss)	5,297	(17,587)
Net defined benefit liability at 31 July	(38,784)	(40,657)

Notes to the Financial Statements (continued)

22 Defined pension obligations (continued)

Asset and Liability Reconciliation

	2021	2020
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	118,753	96,102
Current service cost	4,246	2,778
Interest cost	1,587	2,003
Contributions by Scheme participants	538	468
Experience gains and losses on defined benefit obligations	(2,445)	5,822
Changes in financial obligations	5,205	13,600
Estimated benefits paid	(3,002)	(2,020)
	<hr/>	<hr/>
Defined benefit obligations at end of period	124,882	118,753
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of Assets

	2021	2020
	£'000	£'000
Fair value of plan assets at start of period	78,096	75,038
Interest on plan assets	1,048	1,573
Return on plan assets	8,057	2,406
Employer contributions	1,463	1,300
Contributions by Scheme participants	538	468
Changes in financial obligations	-	(571)
Estimated benefits paid	(3,002)	(2,020)
Admin Expenses	(102)	(98)
	<hr/>	<hr/>
Assets at end of period	86,098	78,096
	<hr/> <hr/>	<hr/> <hr/>

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 HEFCE 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's is restricted, and therefore, it would not be appropriate to consolidate their financial results within the financial statements of the College.

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 £41,280 in 2020/21 (2019/20: £41,280). All transactions with VLE support are conducted at arm's length and continue to be conducted on normal commercial terms.

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 2020/21: £NIL (2019/20: £72,224)

At 31 July 2021, the balance owed to the College by London South East Academies Trust was £14,988 (2019/20: £72,224). For 2020/21, this related to Trust expenditure which was invoiced to the college.

24 Amounts disbursed as agent

Learner Support Funds

	2021	2020
	£'000	£'000
Funding body grants - ESFA	1970	1,538
Other Funding bodies grants	22	-
	<u>1,992</u>	<u>1,538</u>
Disbursed to students	(1,368)	(1,228)
Administration costs	(181)	(199)
Balance unspent as at 31 July, included in creditors	<u><u>444</u></u>	<u><u>111</u></u>

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