

**Report and Consolidated Financial  
Statements for the year  
ended 31 July 2020**

## **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 2019/20:

Dr Sam Parrett OBE – CEO & Principal, and Accounting officer

John Hunt – Group Chief Financial Officer

Mary Herbert – College Principal (until 30 September 2020)

David Lambert – Deputy CEO (effective from 23 July 2020)

David Lambert – Chief Operating Officer – People/Information/Performance (to 22 July 2020)

Louise Wolsey – Group Chief Transformation Officer

Janet Curtis-Broni – Group Chief People Officer (appointed on 06 Jan 2020)

### **Board of Governors**

A full list of Governors is given on page 26 of these financial statements.

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

### **Professional advisers**

#### **Financial statements auditor and reporting accountant:**

Buzzacott LLP

130 Wood Street

London

EC2V 6DL

#### **Internal Auditors:**

RSM Risk Assurance Services LLP

25 Farringdon Street

London

EC4A 4AB

#### **Bankers:**

Barclays Bank Plc

1 Churchill Place

London

E14 5HP

Santander UK plc

1<sup>st</sup> Floor, 301 St Vincent Street

Glasgow

G2 5NB

Lloyds Bank

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#### **Solicitors:**

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Kett House

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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 2020. 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.

With effect from 1 August 2017, Bromley College of Further & Higher Education became the sole member and controlling party of London Skills for Growth, 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.

### Mission

The Corporation re-affirmed the Mission and Vision at its meeting in December 2019.

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, this a 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 547 people, of whom 242 FTE are teaching staff.

#### Learners

The College had approximately 8,272 learners during the year, circa 3,445 of these were 16-18, 226 19-24 High Needs Learner, 3,638 adults, and 963 apprentices

#### Financial

The College has £3.6m of net assets (including £40.7m) of pension liability. In addition, the College has cash balances of £12.1m

# Members' Report (continued)

## Resources (continued)

### 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
- Banks and providers of finance
- Canterbury Christchurch University (HEI Ptnr)
- University of Greenwich (HEI Ptnr)
- London Skills for Growth
- Trade unions
- Other FE institutions

Stakeholder relationships are very important to the College and significant senior staff invest time 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 26.

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

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

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

## Covid-19

2019/20 has 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.

## Members' Report (continued)

### Covid-19 (continued)

Following the imposition of a national lockdown in response to the Coronavirus threat the College prepared a set of underlying operating principles which were supported by an overall Covid-19 Health and Safety risk assessment. All buildings were closed to the vast majority of learners and both the College and its subsidiary moved very quickly to enable staff to work at home, and to switch onsite learning activities to remote delivery. By the time the lockdown commenced, systems had been reconfigured to enable remote access, and where required, the majority of staff and learners were allocated equipment to enable them to work or study at home. In order to ensure no learner was disadvantaged due to digital poverty or lack of access to digital resources, circa 100 of our existing laptops were provided to learners and an additional circa 850 laptops and 80 4G dongles were purchased and distributed to learners from learner support funds.

Whilst these were extremely challenging times, we learned quickly and our processes and online delivery / content were subject to continuous improvement and evolved quickly during the pandemic. This ensured any interruptions 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. Clearly, it was not possible to complete the practical element of some courses and related assessments, and much of this was taken into account by the awarding bodies in determining how qualifications would be awarded.

Our Erith campus remained open as a hub in order to offer its essential education services to the most vulnerable children, and those of households with members who were designated as key workers.

Despite the lack of staff and students on campus, where required our systems, processes, and controls were adapted to ensure the continued safeguarding of learners, and the safety of both learners and staff. Moreover, with an electronic purchase to pay system in place, the majority of our financial controls were unaffected by the remote working and the probity over the use of public funds remained throughout. For our return to site, it was necessary to make a number of changes to our operating models and sites in order to ensure the continued safety of learners and staff. Throughout the pandemic, we have and continued to comply with published guidance and standards of Health & Safety.

Our governance also moved to a digital model during the pandemic 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 as normal. As part of our continuing Health & Safety controls and risk mitigations, these meetings continue to take place remotely, and throughout the pandemic our governance, risk management, and decision making has remained highly effective.

Staff mental health and well-being during this pandemic 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.

## **Members' Report (continued)**

### **Covid-19 (continued)**

With most business 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, commercial income, and Adult Community Learning. Although there were some cost reductions due to the closure, 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 events and actions taken prior to the pandemic, and the overall performance of the College (and group) would have been better if the national lockdown had not occurred. The adverse financial impact of the pandemic will continue and is now expected to be greater in 2020/21, and suitable provisions and mitigations have been provided for in the 2020/21 budget.

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 included staff employed in our commercial catering outlets and in the recruitment and delivery of apprenticeships and claims were made in accordance with scheme rules. The College also used its discretionary right, to top up salary payments by 20% to ensure that these members of staff were not disadvantaged financially.

The College has been planning to build the London Aerospace Technology College (LATC) for a number of years and has been working with key partners including the GLA and London Biggin Hill Airport (LBHA) to deliver the project. A GLA grant agreement for circa £6.4m is in place, and planning permission for the project was granted in the summer of 2019, on land being provide by LBHA.

However, the impact of the Coronavirus pandemic on the airline and travel industry has been dramatic with the near complete collapse of global demand. It is currently expected that global and national travel will continue to be adversely affected for some time to come, and until the pandemic is in significant global decline. International and national companies have announced major redundancy programmes; cancellations of new aircraft orders; downsizing and consolidation. This will have an adverse effect on the aircraft manufacturing industry, the supply chain and aftermarket support businesses.

LATC is intended to add to the supply of entry level trained engineering operatives to the sector, and the impact of the pandemic will result in an over-supply of skilled labour and much lower demand for new entry level staff. As a consequence of the above, the Corporation has agreed to delay the project by a minimum of 12 months in order to determine the impact on demand and we can no longer be certain that the project will proceed. This has resulted in an exceptional charge being recorded in the financial statements to expense a total of £1.068m in respect of costs incurred to date. The related GLA capital grant received in respect of the project totalling £0.86m is included within deferred capital grants under long term liabilities and may become a current liability should there be a need to repay some or all of this grant.

### **Strategic Plan**

At its meeting in July 2019, the Corporation approved a new five year strategy which is effective from 2019/20, and 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:

# Members' Report (continued)

## Strategic Plan (continued)

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 2019/20 against the Strategic Plan

2019/20 saw the introduction of a new 5-year strategy. In contrast with the previous strategic plan, the College set out an ambition to become a social enterprise. This included a large focus on generating social value, while maintaining its commitment to excellent skills provision.

In order to measure progress towards the strategic plan, the College piloted a new method to measure social value that has not been applied in the FE sector before. The College worked with the Social Value Portal (SVP) to adapt the National TOMs Framework to calculate the social value generated from the College's key operations and additional projects. The National TOMs Framework establishes a series of actions, "measures" that organisations can perform, linked to "themes" and "outcomes" that have a measurable value attached to them. Normally the TOMs are used to measure the additional value generated in procurement with private businesses and local authorities, this was the first time the SVP had worked with an FE provider. Using 2018/19 as a baseline to compare subsequent years, the College calculated that it had generated over £26 million of social value which has detailed in a report by the SVP. This report included some recommendations on how to increase the amount of social value generated in later years. The College will now use what it has learnt from the pilot to bring this process across the Group so that all Group organisations can measure the social value they generate. By doing this, the College can show stakeholders the extent of its local impact and can evaluate its progress towards the strategic plan.

In November 2019, the College was awarded the Queen's Anniversary Prize for "Cementing talent in the housing sector". The application that was submitted in March 2019 focused on the impact of the Mayor's Construction Academy Hub, particularly how the programme supported low-skilled residents, many of whom were NEET, into construction jobs that would support the delivery of London's housing plans. The combined, collaborative solution to support the needs of the community was praised by the Anniversary Prize judges, who stated that "LSEC has created a blueprint for the role of the Further Education sector as a broker in public benefit planning". Out of the 22 prize winners for 2019/20, LSEC was one of only four FE Colleges. Since launching the prizes in 1994, only 49 FE Colleges have received the award, placing London South East Colleges among the most prestigious colleges in the UK. The prize was handed to the College in February at an awards ceremony held in Buckingham Palace.

The College has received multiple awards this year. In November 2019, it was announced that the College had reached the final of the Association of College's 2019/20 Beacon Awards, in the 'Excellence in Real World Learning' category. This was the first time the College had reached the final, out of eight commended applications and dozens of entries. The College submitted its application based on the real-world professional learning environments of its catering and hospitality provision, where students gain experience serving real customers and develop the skills that are normally only available through employment. While the College did not win the award, making the final three was a significant achievement.



## Members' Report (continued)

### Review of progress in 2018/19 against the Strategic Plan (continued)

London South East Colleges also received 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 a successful year for the College Principal, who has been shortlisted as a finalist for a TES FE Award as the FE Leader of the Year. In addition to being shortlisted as the FE Leader of the Year, Dr Sam Parrett OBE was appointed as a National Leader of Further Education, one of eleven, and as the FE advisor to the newly formed 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.

In order to expand upon the College's mission to improve social mobility, the College launched a 10-year grants programme to increase diversity and reduce inequality at the College and within the community. This was in support of the growing Black Lives Matter movement that followed the death of George Floyd in May 2020 and recent reports into how minority ethnic groups faced disproportionate challenges from the Covid-19 crisis. This programme has been open to staff and students across the organisation to design programmes and bid for funding for their projects. By 2030, the College plans to have funded 300 community projects via the programme, 20 of which will start in 2020.

The College has also been successful in a number of funding bids this year. The College is set to receive £142,500 from the College Collaboration Fund, to support another College to redevelop their SEND provision. The #ChangeMakers campaign will help connect both Colleges to pilot an agile project management approach to drive progress and innovation in order to improve learner outcomes.

The College is also set to receive an additional £70,000 from the Skills for Londoners Covid-19 Response Fund. The funding is being used to digitise the Career Advantage programme which will help students to develop the employability skills they will need to enter the post covid-19 workplace.

In addition to these projects, the College received £10,000 to deliver a Construction Industry Summit through the Education and Training Foundation's Teach Too programme. In February 2020, the College ran a Construction Industry Summit with over 30 employers to understand how the construction industry and education providers can develop better ways of working together to support students enter the industry to learn the skills employers need.

This year, the College successfully applied to be a lead provider in the Association of College's Professional Exchange Programme. Throughout the year, the College led discussions with 5 other colleges to share best practice for SEND development, following the SEND department's outstanding Ofsted grade in the previous year.

The College continues to develop its large capital projects that were set for Greater London Authority funding during 2018/19. The College's Mayor's Construction Academy Hub continues to be one of the College's flagship projects. Alongside being the main focus of the College's Queen's Anniversary Prize, the MCA Hub is being expanded with new pop-up skills centres. In addition to

# Members' Report (continued)

## Review of progress in 2018/19 against the Strategic Plan (continued)

this, the College is expanding the capacity of current pop-up skills centres at the Kidbrooke Village and the Greenwich Peninsular. The new centres that are in development will be set up at the Bromley campus and a new £230,000 centre in the London Borough of Bexley. This will expand the MCA Hub's capacity to support 1000 students a year by 2023/24.

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. Throughout the year, the College has been consulting with the Royal Borough of Greenwich and community organisations to increase public support and awareness of the new college. The funding agreement for the Future Greenwich Project was finalised this year after significant delays.

## DEVELOPMENT AND PERFORMANCE

### Financial Results

In 2019/20 the Group generated an adjusted operating deficit of £0.04m prior to FRS102 pension costs, and profit on sale of fixed assets (2018/19: deficit of £0.25m). This deficit is higher than it would otherwise have been if the pandemic had not occurred. The total comprehensive income of the College for the year after including these items and the actuarial loss in respect of the Local Government Pension Scheme (LGPS) was a deficit of £19.8m (2018/19: a deficit of £4.1m). The adjusted operating deficit of £0.25m includes a loss totalling £0.44m (2018/19: net loss of £0.16m) in respect of London Skills for Growth.

The overall adjusted operating Group deficit for the year of £0.04m is largely contributed by LSfG. Covid-19 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 2019/20 includes £0.41m (2018/19: £0.79m) of restructuring costs and £1.07m exceptional property strategy costs which have been expensed as a consequence of the Coronavirus pandemic, and £2.0m of FRS102 Local Government Pension Scheme (LGPS) adjustments (2018/19: £1.6m), and an actuarial loss totalling £17.6m in respect of the LGPS (2018/19: £1.4m loss).

The FRS102 pension deficit increased from £21.1m to £40.7m during the year. This is due to a number of reasons but includes lower market yields on corporate bonds which have been adversely affected by the pandemic.

The Group has an accumulated income and expenditure account deficit of £9.8m (2018/19: reserves of £9.9m) and cash balances of £13.2m (2018/19: £7.4m). 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 £46.8m which is an increase of £0.6m from 2018/19 (£46.2m) mainly due to an increase in Youth funding body grants. Total group income for the year was circa £0.69m lower than it would otherwise have been if the Covid-19 pandemic had not occurred. Moreover, with a lower number of learners on programme at the end of 2019/20, and the continued suppressed demand for apprenticeships, higher education and commercial activities, income for 2020/21 is also expected to be suppressed due to the ongoing pandemic.

# **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 £6.6m was achieved (2018/19: £0.05m cash outflow). 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 £2.01m to £2.73m at 31 July 2020 (2018/19: £0.72m) as a consequence of increased cash levels in the College.

Group liquidity remained reasonable during the year with cash balances of £13.3m (2018/19: £7.4m). 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 £2.04m (2018/19: £1.6m).

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 capital market 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 £3.6m (2018/19: £23.4m) of net assets (including £41m (2018/19: £21m) pension liability) and long term debt of £8.2m (2018/19: £8.7m). This excludes deferred capital grants of £27.2m (2018/19: £28.6m).

### **Sources of Income**

The College has an accumulated income and expenditure account reserve (excluding Pension Reserve) of £30.3m (2018/19: £29.9m) and cash balances of £12.1m (2018/19: £7.1m). 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 2019/20 the ESFA provided 70% of the College's total income (2018/19: 69%).

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 £204k under this scheme.

# Members' Report (continued)

## DEVELOPMENT AND PERFORMANCE (continued)

### Group Companies

The College has 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 is in a challenging financial position and this has been compounded by the impact of the Covid-19 pandemic which had a material impact on planned in-year recruitment with a related reduction in income. For 2019/20, the charity made an operating loss before asset disposals of £417k (2018/19: £159k). This together with the ongoing impact of Covid-19 has resulted in doubts over the future solvency of the company and the board have agreed that the legal entity should be closed, with the operations, assets and liabilities being transferred to the College. The results of LSfG are consolidated with the College in these (Group) financial statements.

## FUTURE PROSPECTS

### Curriculum Developments

During the academic year our curriculum developments were impacted by Covid 19 and the switch to fully remote teaching during the National Lockdown. Developments 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

The impact of Covid19 saw the switch to a full online delivery model, delivered across multiple platforms. IT equipment was re-purposed for both staff and student usage off site and students supported with connectivity issues as well. From a curriculum perspective online delivery using a range of mechanisms was the default with curriculum teams finding innovative solutions to delivery and keep learners engaged. This resulted in a period of creativity with innovative solutions found but also resulted in a divergence away from some of the central college platforms, which is now being addressed through the rollout of Canvas.

#### VLE Developments

The end of last year saw a curriculum lead evaluation of our Virtual Learning Environment (VLE) platform with Canvas being selected as the new platform. At the end of the year Canvas was integrated into our College systems and a roll out and training plan developed to support curriculum areas with the migration. This is a major project which continues into 2020/21 and will support our online curriculum delivery and enhance the learner online and digital experience.

#### English and Maths Digital Learning

Additional specialist English and maths software has been purchased and integrated into the English and maths delivery model. This will provide for individual and targeted delivery and assessment supported through the platform, allowing learners to focus on gaps in knowledge and understanding. The platform will also give learners the opportunity of support and interaction outside traditional class times and better help learners prepare for exams.

# Members' Report (continued)

## FUTURE PROSPECTS (continued)

### Curriculum Developments (continued)

#### GCSE English and Maths

The 2019/20 GCSE and FS exams were impacted by Covid19 and Centre Assessed grades were used for all qualification outcomes. Whilst no work beyond mid-March contributed to grading, teaching and learning continued online with the team learning some valuable lessons about online delivery. This has been taken forward with further resources invested into additional specialist software to promote and support learning in English and maths. This software is built into the delivery model and will help learners by providing them remote at time access to a range of targeted and personalised materials linked to their identified knowledge gaps.

#### Online Enrolment

As a consequence of the Covid-19 pandemic, significant resources were allocated to a major cross college projects to move to an online enrolment system which would meet the funding and audit requirements of the relevant agencies. This would ensure that both staff and learners could safely enrol at the College with a face to face service being available for those who were unable to enrol online. All milestones for the implementation of the new systems were achieved and online enrolment for 2020/21 was a success.

#### 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](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 2019/20 Student Premium Allocation totalled £93,837 and was split between the allocation categories as in the table below:

Student premium allocations in 2019/20	
Support successful student outcomes (full time)	81,256
Support successful student outcomes (part time)	9,199
Disabled students premium	3,382
<b>Total</b>	<b>93,837</b>

The 2019/20 Access and Participation activity expenditure has been calculated against the 3 main reportable categories as shown in the table below:

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

## Members' Report (continued)

### FUTURE PROSPECTS (continued)

#### Future Prospects and Developments

The College will continue to focus on adding social value and improving outcomes for learners and its reputation when compared to national benchmarks. We intend our curriculum to be education and training pipelines, with a vision to provide all learners from all vocational programmes with the right skills to meet the future of digital skills and our digital economy. We are supporting our teachers through Continuous Professional Development enabling them to respond to changes in the digital world and we have recently purchased Virtual Reality Devices that will provide learners with an immersive learning experience, improving their digital capabilities.

Through the College's social enterprise agenda and property strategy, the College seeks to improve space efficiency and dispose of surplus assets to support the balance sheet and solvency of the College. As the College progresses into its second year as a social enterprise, the College is working with the Centre for Local Economic Partnerships (CLES) to identify ways in which the College can further use its estate and resources to become further embedded within its communities as an anchor institution. Through this, the College will be able to identify ways in which additional social value can be generated and new revenue streams can be sourced.

In addition to working with CLES, the College has developed a pilot report with the Social Value Portal on how much social value the College provided in 2018/19, and ways to improve how much we generate. The College recognises the challenge of coordinating the evidence and data needed to calculate the full value that the College contributes so is developing ways for all staff to own the process of recording and sharing data. This will have the benefit of encouraging staff to commit to additional social value projects and ensuring that all the data needed to calculate the College's social value is readily available.

The College recognises the challenges the sector has historically faced and significant Government changes to the provision of post 16 education, proposed changes to qualifications together with significant financial constraints. However, 2019 has been a positive year for FE funding which has been set to receive an additional £1.5bn of capita funding over the next five years, including £200m allocated in August 2020. Of this £200m, the College received circa £1.5m which will be spent during 2020/21 to make material improvements to the condition of the estate based on priority need and grant conditions.

A new FE White Paper is set to be published in Autumn 2020, which will outline how colleges will play a role in the new higher technical education system the Government announced in July. While this may help to reduce learner recruit shortages, the changes to FE may require colleges to undergo significant restructuring or adopt new practices which will present additional challenges for the College.

The College also acknowledges the challenges it faces in terms of learner recruitment and short-term demographic changes. Plans are in place to mitigate this risk and grow alternative sources of income, which includes a strong focus of delivery in priority areas for funding and the number of 16-18 classroom based training places available. 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.

## Members' Report (continued)

### FUTURE PROSPECTS (continued)

#### Future Prospects and Developments (continued)

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.

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 a second national lockdown and larger numbers of remote learning for students. During the first lockdown in 2020, the College prepared its estate to meet Government guidelines for social distancing. In addition to this, the curriculum has been redesigned to support 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 significant Covid-19 measures.

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.

#### Financial plan

The Corporation approved a three year financial plan in July 2020 which sets objectives for the period to July 2022. The college aims 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 potential capital expenditure in respect of the partial disposal and rebuild of the Plumstead campus. In addition, the plan acknowledges that the Covid-19 pandemic is likely to have an adverse effect on the business, and it introduces a much higher level of uncertainty for future enrolment levels and the wider economy. 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 over the life of the plan.

# Members' Report (continued)

## FUTURE PROSPECTS (continued)

### 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.
- Manage 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.
- Manage known risks which are not insurable or where insurance does not provide value for money.
- Fund 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.
- Provide 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. 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 was updated during the year to reflect the numerous threats posed by the 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 2019/20 83% 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.



# Members' Report (continued)

## PRINCIPAL RISKS AND UNCERTAINTIES (continued)

### Government Funding for Core Provision (continued)

The College is aware of several issues which may impact on future funding, including apprenticeship reforms, devolution of the Adult Education Budget, the introduction 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 the devolution agenda and to the apprenticeships reform. It is recognised that the apprenticeship reforms continue to significantly affect the marketplace which remains challenging.

In addition, despite some green shoots regarding funding rates for Further Education, funding 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 the apprenticeship reforms, which will include working closely with employers to help them understand the Levy and how the College can help them and their business to get the most out of the new funding system;
- By ensuring the College is rigorous in delivering high quality education and training;
- Through the strategic alignment of apprenticeship provision across the College and its subsidiary LSfG;
- 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.

### Failure to maintain the financial viability of the College

The College's current financial health grade has returned to 'Good' which is an improvement from 'Satisfactory' following merger. Notwithstanding this, the continuing challenge to the College's financial position and the need for capital investment remains a constraint on the further education sector arising from the historic and ongoing underfunding. The risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis;
- Regular in-year budget monitoring;
- Robust financial controls;
- Exploring ongoing procurement efficiencies;
- Close scrutiny of the financial position by the College Corporation; and
- Expansion of the College Group in order to reduce costs and diversify income streams.

### Coronavirus

The ongoing impact of the Coronavirus pandemic is expected to continue have an adverse impact on learner recruitment in some areas which will directly affect demand and income. With a new set of operating principles in place, there will no doubt be additional costs to keep our sites open and safe. In addition, our operating model for staff and students is expected to continue to be a blend of on-site and home working study, and this presents a further set of risks such as those to learner achievement. 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

## Members' Report (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

#### Coronavirus (continued)

- 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 2019/20 were:

Key performance indicator	Target	Actual
ESFA Youth Learner Numbers	3,731	3,733
Total Adult Education Budget income	£6.12m	£5.95m
Total Apprenticeships Income	£2.97m	£2.38m
Total HE Income	£3.5m	£3.0m

Performance against the apprenticeship income target was adversely affected by the pandemic. The AEB underperformance relates to the ESFA out of London Contract following devolution of this budget.

The College's main financial targets for 2019/20 were:

Key performance indicator	Target	Actual
To maintain or improve the adjusted operating deficit each year (prior to exceptional items & non cash FRS102 adjustments)	£(0.42)m	£1.32m
To achieve an Education Specific EBITDA of at least £2.0m each year	£2.2m	£2.9m
Achievement of an annual net cash inflow each year before major capital project expenditure	>£0	£7.5m
An adjusted current ratio target of at least 1.1	1.1	1.6
To maintain a minimum bank balance of £5.5 by 2021m	£5.5m	£12.1m
A ratio of staff costs (excluding restructuring costs) against income (excluding releases of capital grants) of no more than 70% by 2020.	70%	63.8%
Achievement of all annual financial bank loan covenants	Achieved	Achieved

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

## **Members' Report (continued)**

### **KEY PERFORMANCE INDICATORS (continued)**

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 'Good' for 2019/20 is considered to be a significant achievement in the current FE climate which the College operates and the impact of the pandemic.

As stated elsewhere in these financial statements, Covid-19 has had a detrimental impact on a number of funding streams and a performance against a number of the KPI's is lower as a consequence. However, with the use of the Coronavirus Job Retention Scheme and our 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.

The College is continuously seeking to improve its learner success rates and all staff and managers are focused on meeting this strategic aim. With the impact of Covid-19 and the move to centre assesses grades, for 2019/20 headline classroom based success rates for the College have improved by 0.5% to 85.3%.

Whilst 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 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.

The College Self-Assessment Reports validated in October 2020, have indicated that the College has maintained its self-assessed grade of Good following its Ofsted inspection in March 2019. The student achievements of LSfG are reported through the financial statements of that entity.

### **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 95% 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
8	7.81

Percentage of time spent on facility time:

Percentage of time	Number of employees
0%	—
1-50%	8
51-99%	—
100%	—

Percentage of pay bill spent on facility time:

Total cost of facility time	£27,004
Total pay bill	£345,741
Percentage of total bill spent on facility time	7.81%

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 2019 to 31 July 2020	
Energy consumption used to calculate emissions (kWh)	8,421,365 kWh
Energy consumption break down (kWh) (optional) <ul style="list-style-type: none"> <li>• gas,</li> <li>• electricity,</li> <li>• transport fuel</li> </ul>	Gas 4,481,043 kWh Elec 3,912,355 kWh Transport Fuel 27,966 kWh
<u>Scope 1 emissions in metric tonnes O<sub>2</sub>e</u> Gas consumption Owned transport – mini-buses <u>Total scope 1</u>	Gas 823.9 tCO <sub>2</sub> e Transport 7.0 tCO <sub>2</sub> e
<u>Scope 2 emissions in metric tonnes CO<sub>2</sub>e</u> Purchased electricity	912.1 tCO <sub>2</sub> e
<u>Scope 3 emissions in metric tonnes CO<sub>2</sub>e</u> Business travel in employee owned vehicles	0 tCO <sub>2</sub> e
Total gross emissions in metric tonnes CO <sub>2</sub> e	1,743.0 tCO <sub>2</sub> e
<u>Intensity ratio</u> Tonnes CO <sub>2</sub> e per	2.303 CO <sub>2</sub> e/staff member 0.031 CO <sub>2</sub> 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)**

### **Intensity measurement**

The primary intensity ratio is total gross emissions in metric tonnes CO<sub>2</sub>e 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.

### **GOING CONCERN**

The College has funding contracts in place with the ESFA for 2020/21 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. Despite the challenges presented by the pandemic and some major capital disposal and investment ambitions, the plan demonstrates that financial performance is expected to 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.

### **EVENTS AFTER THE REPORTING PERIOD**

As a consequence of the ongoing operating losses of its subsidiary charitable private training provider, London Skills for Growth (LSfG), together with the challenges posed by the Coronavirus pandemic, the LSfG board of trustees took the difficult decision to close the charity

At its meeting in October 2020, and following confirmation that all of the required consents and approvals were in place, the Corporation of the College agreed to accept the transfer of the assets liabilities and learners to the College. This transfer took place on in accordance with a legal transfer agreement which will ensure the remaining resources of LSfG are applied towards furtherance of its charitable aims.

## **Members' Report (continued)**

### **DISCLOSURE OF INFORMATION TO AUDITORS**

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the 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 9 December 2020 and signed on their behalf by:**

A handwritten signature in black ink, appearing to read 'Stephen Howlett', with a stylized, cursive script.

**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 2019 to 31 July 2020 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 2016 (“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 2020.

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), together with its subsidiary London Skills for Growth. 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 £68.5m in 2019/20.

LSEEG is the umbrella organisation to coordinate 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:-

### A Social Enterprise Organisation



### 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 & Remuneration (GSR), Group Finance (F) and Remuneration (R). 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](http://www.lsec.ac.uk).

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

## Statement of Corporate Governance and Internal Control (continued)

### Members of the Corporation serving on the College Board during 2019/20

Name	Appointed	Tenure	Role	Meetings	Attended	%	Resigned
Stephen Howlett CBE DL	01/08/2017	4 years	Chair	5	4	80%	
Charles Yates	01/08/2015	4 years	Vice Chair	5	5	100%	
Dr Sam Parrett OBE	n/a	n/a	Governor	5	5	100%	
Maxwell Bero	01/08/2018	4 years	Governor	5	5	100%	
Jane Hobson OBE	01/11/2018	4 years	Governor	5	4	80%	
Christopher Briggs	01/11/2018	4 years	Governor	5	5	100%	
Lauren Ovenden	01/11/2018	4 years	Governor	0	0	0%	01/01/2020
Mark Trinick	11/12/2019	4 years	Governor	4	3	75%	
Louise Nadal	06/01/2020	4 years	Governor	4	4	100%	
Nick Hobden	16/07/2019	4 years	Governor	1	1	100%	Sabbatical 1/1/2020
Barry Spencer	05/12/2017	4 years	Governor	4	4	100%	
Daniella Oni-Okeke	01/09/2019	1 year	Student Governor	4	2	50%	31/07/2020
Jennifer Pharo	04/04/2019	n/a	Clerk to the Board	5	5	100%	
David Eastgate	09/07/2020	4 years	Governor				
Allan Carey	09/07/2020	4 years	Governor				
Lucie Allen	09/07/2020	4 years	Governor				
Olivia John	09/07/2020	4 years	Governor				
	2	4					
Lois Vassell	09/07/2020	4 years	Co-opted Governor				

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. The Corporation met five times during the year.

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

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

## **Statement of Corporate Governance and Internal Control (continued)**

### **Members of the Corporation serving on the College Board during 2019/20 (continued)**

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.

The Group reviewed the guidelines for paying suppliers and contractors following the publication of the Cabinet Office's Procurement Policy Note in March 2020. In line with the PPN note, invoices from contractors were based on staff costs including NIC and basic pension at 80% furloughed rates plus a percentage to cover indirect costs. Through open book accounting, each contractor was expected to be transparent with the calculation of their costs and justify a % rate of on cost. Contractor staff were expected to be furloughed wherever possible, and for the furlough income to be deducted from the invoiced value. For contracts on a nil cost basis, such as the Catering Contractor, invoices were paid within credit terms and based on services rendered.

Payment to utility and lease companies continued to be paid as normal within credit terms. Utilities charged based on usage and a fixed standing charge. As premises were closed the usage element was lower in the latter months of the year. The same also applied for lease companies as billed on a fixed charge plus usage. No payments were made in advance of fulfilment of capital project contracts.

### **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 Joint Group Strategy, Governance & Search Committee. This Committee comprises three members of the College Corporation and three members of the LSEEG 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.

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 2020 and graded itself as 'Good' on the Ofsted scale.

### **Group Remuneration Committee**

Throughout the year ended 31 July 2020, the Group Remuneration Committee comprised four 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 Executive Pay Policy approved by the Corporation.

## **Statement of Corporate Governance and Internal Control (continued)**

### **Group Remuneration Committee (continued)**

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 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, the London South East Colleges is a successful leading provider of further and higher education in South East London with an annual turnover of circa £45m, over 12,000 students) and 757 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 7 Schools which are a mixture of Special, Alternative Provision, and Primary. The Trust has an annual turnover of circa £22m, over 1,200 pupils, and 453 members of staff. LSfG is a small charitable training provider offering apprenticeships and traineeships with a turnover of circa £2m, approximately 600 learners, and 23 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 taken into account 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 the Hay Group, its own benchmarking data on heads of similar institutions, and the results of an externally commissioned biannual external Benchmarking survey. 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 other Key Management Personnel and 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 2020 are set out in note 7 to these financial statements.

### **Group Audit and Risk Committee**

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

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

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

## **Statement of Corporate Governance and Internal Control (continued)**

### **Group Audit and Risk Committee (continued)**

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 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. This report is considered by the Board prior to the financial statements being approved

### **Group Finance Committee**

The Group Finance Committee comprises three members of the College Corporation and LSEEG Boards, but not Chair or CEO & Principal. 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.

### **Group Strategy, Governance & Search Committee**

The Group Strategy, Governance & Search Committee comprises four members of the College Corporation and LSEEG Boards, but not Chair or CEO & Principal. 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 and Committee Terms of Reference. The Committee also acts as an advisory group for the Chair and Audit Committee on risks relating to new business.

## **Internal Control**

### Scope of Responsibility

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

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

The 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

## Statement of Corporate Governance and Internal Control (continued)

### Internal Control (continued)

Scope of Responsibility (continued) 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 2020 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 2020 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 CEO & Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

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

## Statement of Corporate Governance and Internal Control (continued)

### Internal Control (continued)

#### Review of effectiveness (continued)

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 9 December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2020.

Despite the Coronavirus pandemic and the mandated closure of Colleges, the programme of internal audit was completed with some audits taking place during the lockdown. This resulted in a only a couple of slight delays but still provided the Audit Committee and Corporation with the required assurance opinion on the system of internal control.

The Internal Auditors Annual Report, presented to the Group Audit Committee on 25 November 2020, and the Group Audit Committee's Annual Report, approved on 25 November 2020 contains the opinion that *'the College has adequate and effective risk management, control and governance processes to manage the achievement of the College's objectives'*.

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 2020/21 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 improve and the College will continue to meet its banking covenants. The plan which takes account of the potential ongoing impact of Covid-19 also shows that the College will have sufficient working capital to meet liabilities as they fall due.

In addition, the decision to delay the potential investment of cash reserves into the London Aerospace Technology College until such time as continuing demand can be evidenced is a further safeguard to Colleges resources

## Statement of Corporate Governance and Internal Control (continued)

### Going Concern (continued)

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

Approved by Members of the Corporation on 9 December 2020 and signed on its behalf by:



**Chair**



**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.



**Chair**



**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 2019 to 2020 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.

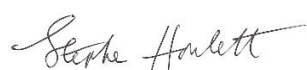
The Corporation is also required to prepare a Members Report, which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

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 9 December 2020 and signed on its behalf by:



**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 2020 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, in all material respects:

- 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 2020 and of the group's deficit of income over expenditure for the year then ended; we have taken into account relevant statutory and other mandatory disclosure and accounting requirements, and the requirements of the OfS and other funders.
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

## **Other information**

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

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

We have nothing to report in this regard.

## **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 by the College; or
- the College financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

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

- The College's grant and fee income, as disclosed in note 2 to these financial statements has been materially misstated; or
- The provider's expenditure on access and participation activities for the financial year has been materially misstated.

## **Responsibilities of the Corporation**

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

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

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

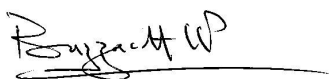
## **Auditor's responsibilities for the audit of the financial statements**

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

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

## **Use of our report**

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



### **Buzzacott LLP**

Chartered Accountants and Registered Auditors  
130 Wood Street  
London  
EC2V 6DL

15 December 2020

## **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 21 May 2019 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 2019 to 31 July 2020 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 2019 to 31 July 2020 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)**

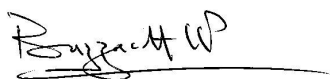
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

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 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



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Buzzacott LLP  
Chartered Accountants

15 December 2020

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Date

## Consolidated Statements of Comprehensive Income

Year ended 31 July 2020

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>Income</b>					
Funding body grants	2	33,238	31,805	31,922	30,136
Tuition fees and education contracts	3	6,773	6,713	6,948	6,896
Other grants and contracts	4	5,708	5,641	5,765	5,765
Other Income	5	1,127	1,005	1,561	1,390
Investment income	6	36	36	48	48
<b>Total income</b>		46,882	45,200	46,244	44,235
<b>Expenditure</b>					
Staff costs	7	29,860	28,920	32,393	31,209
Other operating expenses	8	14,478	13,501	11,554	10,675
Depreciation	11	4,524	4,343	4,551	4,446
Interest and other finance costs	9	631	631	686	686
<b>Total expenditure</b>		49,493	47,395	49,184	47,016
<b>Deficit before other gains and losses and tax</b>		(2,611)	(2,195)	(2,940)	(2,781)
Gain on disposal of assets		79	—	—	—
<b>Deficit before taxation</b>		(2,532)	(2,195)	(2,940)	(2,781)
Taxation	10	—	—	—	—
<b>Deficit for the year</b>		(2,532)	(2,195)	(2,940)	(2,781)
Actuarial (loss) gain on defined benefit pensions	23	(17,587)	(17,587)	(1,371)	(1,371)
<b>Total Comprehensive income for the year</b>		(20,119)	(19,782)	(4,311)	(4,152)
Represented by:					
Restricted comprehensive income		—	—	—	—
Unrestricted comprehensive income		(20,119)	(19,782)	(4,311)	(4,152)

# Consolidated and College Statement of Changes in Reserves

## Year ended 31 July 2020

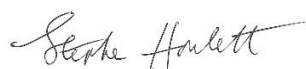
	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total
Group	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2019</b>	<b>9,862</b>	<b>14,510</b>	<b>43</b>	<b>24,415</b>
<b>Deficit from the income and expenditure account</b>	<b>(2,532)</b>	<b>—</b>	<b>—</b>	<b>(2,532)</b>
Other comprehensive income	(17,587)	—	—	(17,587)
Transfers between revaluation and income and expenditure reserves	545	(545)	—	—
<b>Total comprehensive income for the year</b>	<b>(19,574)</b>	<b>(545)</b>	<b>—</b>	<b>(20,119)</b>
<b>Balance at 31 July 2020</b>	<b>(9,712)</b>	<b>13,965</b>	<b>43</b>	<b>4,296</b>
<b>College</b>				
<b>Balance at 1 August 2019</b>	<b>8,848</b>	<b>14,510</b>	<b>43</b>	<b>23,401</b>
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)	—	—
<b>Total comprehensive income for the year</b>	<b>(19,237)</b>	<b>(545)</b>	<b>—</b>	<b>(19,782)</b>
<b>Balance at 31 July 2020</b>	<b>(10,389)</b>	<b>13,965</b>	<b>43</b>	<b>3,619</b>



## Balance sheets as at 31 July

		<b>Group 2020 £'000</b>	<b>College 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>
<b><u>Non-current assets</u></b>	Notes				
Tangible fixed assets	11	78,996	78,952	83,387	82,323
		<u>78,996</u>	<u>78,952</u>	<u>83,387</u>	<u>82,323</u>
<b><u>Current assets</u></b>					
Trade and other receivables	12	1,788	1,665	2,894	2,719
Cash and cash equivalents	17	13,255	12,112	7,380	7,054
		<u>15,043</u>	<u>13,777</u>	<u>10,274</u>	<u>9,773</u>
<b>Less: Creditors – amounts falling due within one year</b>	13	<u>(12,212)</u>	<u>(11,579)</u>	<u>(9,554)</u>	<u>(9,003)</u>
<b>Net current assets</b>		<u>2,831</u>	<u>2,196</u>	<u>720</u>	<u>770</u>
<b>Total assets less current liabilities</b>		<u>81,827</u>	<u>81,150</u>	<u>84,107</u>	<u>83,093</u>
Less: Creditors – amounts falling due after more than one year	14	(35,390)	(35,390)	(37,290)	(37,290)
<b>Provisions</b>					
Defined benefit obligations	16	(40,657)	(40,657)	(21,064)	(21,064)
Other provisions	16	(1,484)	(1,484)	(1,338)	(1,338)
<b>TOTAL NET ASSETS</b>		<u><u>4,296</u></u>	<u><u>3,619</u></u>	<u><u>24,415</u></u>	<u><u>23,401</u></u>
<b>Reserves</b>					
Restricted reserves		43	43	43	43
Income and expenditure account		(9,712)	(10,389)	9,862	8,848
Revaluation reserve		<u>13,965</u>	<u>13,965</u>	<u>14,510</u>	<u>14,510</u>
<b>Total Reserves</b>		<u><u>4,296</u></u>	<u><u>3,619</u></u>	<u><u>24,415</u></u>	<u><u>23,401</u></u>

The financial statements on pages 39 to 64 were approved and authorised for issue by the Corporation on 9 December 2020 and were signed on its behalf on that date by:



**Chair**



**CEO & Principal, and Accounting Officer**

## Consolidated Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(2,533)	(2,940)
<b>Adjustment for non-cash items</b>			
Depreciation		4,524	4,551
Decrease / (increase) in debtors		1,106	(5)
Increase / (decrease) in creditors due within one year		3,190	(2,099)
Decrease in creditors due after one year		(1,901)	(1,490)
Increase in provisions		146	131
Pensions costs less contributions payable		2,008	1,647
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(36)	(48)
Interest payable	9	174	203
Profit on sale of fixed assets		(78)	—
<b>Net cash inflow from operating activities</b>		6,600	(50)
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		918	—
Investment income		36	48
Payments made to acquire fixed assets		(973)	(1,577)
		(19)	(1,529)
<b>Cash flows from financing activities</b>			
Interest paid	9	(174)	(203)
Repayments of amounts borrowed		(532)	(570)
		(706)	(773)
<b>Decrease / increase in cash and cash equivalents in the year</b>		<b>5,875</b>	<b>(2,352)</b>
Cash and cash equivalents at start of the year	17	7,380	9,732
<b>Cash and cash equivalents at end of the year</b>	<b>17</b>	<b>13,255</b>	<b>7,380</b>

# 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 2019 to 2020 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.

### 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 £4.8m 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. LSfG has no loan debt.

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 2019/20. With the continuing impact of the pandemic, the budget for 2020/21 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.

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.

##### 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.

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### Accounting for post-employment benefits (continued)

##### Teachers' Pension Scheme (TPS) (continued)

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)

### Non-current assets - Tangible fixed assets (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 to 20 years |

# Notes to the Financial Statements (continued)

## 1 Accounting policies (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 2016 has been used by the actuary in valuing the pensions liability at 31 July 2020. 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 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency – adult	8,189	8,189	8,048	7,350
Education and Skills Funding Agency – 16-18	20,162	19,511	18,324	18,324
Education Funding Agency – Apprenticeships	3,161	2,379	3,792	2,704
Higher Education Funding Council	136	136	137	137
<b>Specific Grants</b>				
Releases of government capital grants	1,590	1,590	1,621	1,621
<b>Total</b>	<b>33,328</b>	<b>31,805</b>	<b>31,922</b>	<b>30,136</b>
<b>Included within the above are:</b>				
<b>OfS Grants and income</b>	<b>Group 2020 £'000</b>	<b>College 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>
HE Recurrent Grant	136	136	137	137
HE Contracts and Fees	3,025	3,025	3,619	3,619

### 3 Tuition fees and education contracts

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Adult education fees	2,011	2,011	1,962	1,962
Apprenticeship fees and contracts	910	850	487	435
Fees for FE loan supported courses	827	827	880	880
Fees for HE loan supported courses	1,218	1,218	1,725	1,725
International students fees	—	—	—	—
<b>Total Tuition Fees</b>	<b>4,966</b>	<b>4,906</b>	<b>5,054</b>	<b>5,002</b>
Education contracts	1,807	1,807	1,894	1,894
<b>Total</b>	<b>6,773</b>	<b>6,713</b>	<b>6,848</b>	<b>6,896</b>

## Notes to the Financial Statements (continued)

### 4 Other grants and contracts

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Coronavirus Job Retention Scheme Grant	270	203	—	—
Other grants and contracts	5,438	5,438	5,765	5,765
<b>Total</b>	<b>5,708</b>	<b>5,641</b>	<b>5,765</b>	<b>5,765</b>

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 94 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 94 staff of £270k relates to staff costs which are included within the staff costs note below as appropriate.

### 5 Other income

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Catering and residences	317	317	459	459
Other income generating activities	320	198	669	498
Miscellaneous income	490	490	433	433
<b>Total</b>	<b>1,127</b>	<b>1,005</b>	<b>1,561</b>	<b>1,390</b>

### 6 Investment income

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Interest	36	36	48	48
<b>Total</b>	<b>36</b>	<b>36</b>	<b>48</b>	<b>48</b>

## 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 full-time equivalents, was:

Headcount basis	Group 2020 No.	College 2020 No.	Group 2019 No.	College 2019 No.
Teaching staff	428	411	502	481
Non-teaching staff	460	449	533	517
<b>Total</b>	<b>888</b>	<b>860</b>	<b>1,035</b>	<b>998</b>

#### Staff costs for the above persons

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Wages and salaries	24,274	23,441	25,682	24,627
Social security costs	1,885	1,804	2,005	1,904
Other pension costs	3,291	3,268	3,907	3,879
<b>Payroll Sub Total</b>	<b>29,450</b>	<b>28,513</b>	<b>31,594</b>	<b>30,410</b>
Fundamental restructuring costs – Contractual	410	407	799	799
<b>Total Staff Costs</b>	<b>29,860</b>	<b>28,920</b>	<b>32,393</b>	<b>31,209</b>

#### 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 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 2020 No.	College 2020 No.	Group 2019* No.	Group 2019 No.	College 2019* No.	College 2019 No.
The number of key management personnel including the CEO & Principal was:	6	6	6	3	6	3

\*During the year, key management personnel was redefined to include members of the executive team rather than just the senior post holders. As a result, the comparative figures have been disclosed to show the key management personnel on both the current and prior year basis.

Of the Key Management Personnel, the 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	
	2020	2019*	2019	2020	2019*	2019
	No.	No.	No.	No.	No.	No.
£60,001 to £65,000	—	—	—	3	2	2
£65,001 to £70,000	—	—	—	2	2	2
£70,001 to £75,000	—	1	—	3	7	8
£75,001 to £80,000	—	—	—	1	—	—
£80,001 to £85,000	—	—	—	2	—	—
£85,001 to £90,000	1	1	—	—	—	1
£90,001 to £100,000	—	—	—	1	—	—
£100,001 to £105,000	1	—	—	—	—	—
£105,001 to £110,000	—	—	1	—	—	1
£110,001 to £115,000	1	2	—	—	—	—
£115,001 to £120,000	1	—	—	—	—	—
£120,001 to £125,000	—	1	1	—	—	—
£200,000 to £205,000	1	—	—	—	—	—
£215,000 to £220,000	—	1	1	—	—	—
	<b>5</b>	<b>6</b>	<b>3</b>	<b>12</b>	<b>11</b>	<b>14</b>

\*During the year, key management personnel was redefined to include members of the executive team other than just the senior post holders. As a result, the comparative figures have been disclosed to show the key management personnel on both the current and prior year basis.

Other staff numbers in 2020 include two members of staff employed by LSfG.

Key management personnel compensation is made up as follows:

	2020	2019	2019
	£'000	Restated £'000	£'000
Salaries	620	655	382
Retention and additional responsibility allowances	25	36	31
Payment for untaken annual leave	10	11	11
Employer's National Insurance	87	93	59
Flexible benefits	25	27	27
Benefits in kind	—	—	—
<b>Total Key management personnel compensation</b>	<b>767</b>	<b>822</b>	<b>510</b>
Pension contributions	95	81	37
<b>Total emoluments</b>	<b>862</b>	<b>903</b>	<b>547</b>

## 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). The amounts paid to the Accounting Officer include the work carried out by the CEO as a National Leader of Further education, and for her work in being a T Level Ambassador for the DfE. The total annual amount reimbursed to the College in respect of this work is £13k.

	<b>Group 2020 £'000</b>	<b>College 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>
Salaries	162	162	165	165
Retention and additional responsibility allowances	10	10	19	19
Payments for untaken annual leave	6	6	6	6
Flexible benefits	25	25	28	28
Benefits in kind	0	0	0	0
	<b>203</b>	<b>203</b>	<b>218</b>	<b>218</b>
Pension contributions	—	—	—	—

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

The remuneration package of key management staff, including the CEO & Principal, and Group Executive Director of Governance, 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

	<b>2020 £'000</b>	<b>2019 £'000</b>
CEO & Principal's basic salary as a multiple of the median of all staff	4.9	5.3
CEO & Principal and CEO's total remuneration as a multiple of the median of all staff	4.8	5.7

The Members of the Corporation, other than the 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 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Teaching costs	4,380	4,304	4,553	4,421
Non-teaching costs	5,390	4,947	2,538	2,266
Premises costs	4,708	4,250	4,463	3,988
<b>Total</b>	<b>14,478</b>	<b>13,501</b>	<b>11,554</b>	<b>10,675</b>

Other operating expenses include:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>Auditors' remuneration:</b>				
Financial statements audit	65	53	63	51
Other services provided by statutory auditor	4	4	4	4
Internal audit	71	71	51	51
Hire of assets under operating leases	403	402	409	400

### 9 Interest payable

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
On bank loans, overdrafts and other loans:	174	174	203	202
	174	174	203	202
Pension finance costs (note 23)	457	457	483	483
<b>Total</b>	<b>631</b>	<b>631</b>	<b>686</b>	<b>685</b>

### 9a Access and participation spending

The 2019/20 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
<b>Total</b>	<b>103,322</b>

### 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

	Freehold Land & Buildings £'000	Assets Under Construction	Leasehold Land & Buildings £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2019	111,974	954	1,307	11,217	125,452
Additions	43	1,209	—	790	2,042
Less write off of LATC in year	—	(1,068)	—	—	(1,068)
Disposals	(1,285)	—	—	(201)	(1,486)
Transfers	64	(64)	—	—	—
<b>At 31 July 2020</b>	<b>110,796</b>	<b>1,031</b>	<b>1,307</b>	<b>11,805</b>	<b>124,940</b>
<b>Depreciation</b>					
At 1 August 2019	30,722	—	1,157	10,187	42,066
Charge for the year	3,907	—	—	617	4,524
On disposals	(464)	—	—	(182)	(646)
<b>At 31 July 2020</b>	<b>34,165</b>	<b>—</b>	<b>1,157</b>	<b>10,622</b>	<b>45,944</b>
<b>Net book value at 31 July 2020</b>	<b>76,631</b>	<b>1,031</b>	<b>150</b>	<b>1,183</b>	<b>78,996</b>
Net book value at 31 July 2019	81,253	954	150	1,031	83,387

### 11 Tangible fixed assets - College only

	Freehold Land & Buildings £'000	Assets Under Construction	Leasehold Land & Buildings £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2019	111,005	954	1,142	11,067	124,168
Additions	43	1,209	—	789	2,041
Less write off of LATC in year	—	(1,068)	—	—	(1,068)
Disposals	—	—	—	—	—
Transfers	64	(64)	—	—	—
<b>At 31 July 2020</b>	<b>111,112</b>	<b>1,031</b>	<b>1,142</b>	<b>11,856</b>	<b>125,141</b>
<b>Depreciation</b>					
At 1 August 2019	30,609	—	1,142	10,095	41,846
Charge for the year	3,751	—	—	592	4,343
Elimination in respect of disposals	—	—	—	—	—
<b>At 31 July 2020</b>	<b>34,360</b>	<b>—</b>	<b>1,142</b>	<b>10,687</b>	<b>46,189</b>
<b>Net book value at 31 July 2020</b>	<b>76,752</b>	<b>1,031</b>	<b>—</b>	<b>1,169</b>	<b>78,952</b>
Net book value at 31 July 2019	80,396	954	—	972	82,323

## Notes to the Financial Statements (continued)

### 11 Tangible fixed assets - College only (continued)

With the major impact of Covid-19 on the aerospace industry, the total capitalised costs on LATC to date have been expensed. Other assets under construction represents the costs of the Plumstead redevelopment works of £745k scheduled to complete in 2024. Also included in assets under construction is £134k for Wifi due upgrade due to complete in September 2020, and £108k for the Finance System implementation scheduled for go live in Feb-21.

### 12 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	562	552	1,724	1,711
Prepayments and accrued income	1,226	1,113	1,170	1,008
<b>Total</b>	<b>1,788</b>	<b>1,665</b>	<b>2,894</b>	<b>2,719</b>

### 13 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	216	216	229	229
Salix loan	—	—	38	38
Trade payables	789	743	520	477
Other taxation and social security	960	943	822	792
Accruals and deferred income	6,259	5,937	4,643	4,492
Deferred income - government capital grants	1,590	1,590	1,621	1,621
Deferred income - government revenue grants	117	117	124	124
Amounts owing to the ESFA	2,003	1,755	1,279	952
Amounts owing to the ESFA (EFS loan)	278	278	278	278
<b>Total</b>	<b>12,212</b>	<b>11,579</b>	<b>9,554</b>	<b>9,003</b>

### 14 Creditors: amounts falling due after one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans	4,629	4,629	4,832	4,832
Salix Loans	—	—	—	—
Amounts owing to DBEIS (EFS loan)	3,566	3,566	3,845	3,845
Deferred income - Government capital grants	27,195	27,195	28,614	28,614
<b>Total</b>	<b>35,390</b>	<b>35,390</b>	<b>37,290</b>	<b>37,290</b>

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. Due to the impact of Covid-19, there is a risk that this project may be aborted, or its nature amended which may require 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:

	<b>Group 2020 £'000</b>	<b>College 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>
In one year or less	216	216	229	229
Between one and two years	458	458	458	458
Between two and five years	687	687	687	687
Five years or more	3,484	3,484	3,687	3,687
<b>Total</b>	<b>4,845</b>	<b>4,845</b>	<b>5,061</b>	<b>5,061</b>

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)

	<b>Defined benefit obligations £'000</b>	<b>Enhanced pensions £'000</b>	<b>Total £'000</b>
At 1 August 2019	21,064	1,338	22,402
Expenditure in the period	19,593	(111)	19,482
Transferred from income and expenditure account	—	257	257
<b>At 31 July 2020</b>	<b>40,657</b>	<b>1,484</b>	<b>42,141</b>

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:

	<b>2020</b>	<b>2019</b>
Price inflation	%	2.0%
Discount Rate	%	2.20%

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 2019 £'000	Cash flows £'000	Other changes £'000	At 31 July 2020 £'000
Cash and cash equivalents	7,053	5,060	—	12,113
Inherited upon acquisition	327	815	—	1,142
<b>Total</b>	<b>7,380</b>	<b>5,875</b>	<b>—</b>	<b>13,225</b>

### 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 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
<b>Future minimum lease payments due</b>				
<b>Land and buildings</b>				
Not later than one year	33	—	277	10
Later than one year and not later than five years	—	—	272	—
	<b>33</b>	<b>—</b>	<b>549</b>	<b>10</b>
<b>Other</b>				
Not later than one year	353	352	366	364
Later than one year and not later than five years	254	252	646	645
	<b>607</b>	<b>604</b>	<b>1,011</b>	<b>1,009</b>

### 20 Contingent liabilities

The College has been notified of an Employment Tribunal from a former employee. A provision is made in the accounts to cover possible costs.

### 21 Events after the reporting period

This transfer of LSfG to LSEC is expected to take place during the early part of 2020/21, and all employees, learners, assets and liabilities transferred to Bromley College of Further and Higher Education under a legal transfer agreement dated 9 December 2020. The company will continue to operate as a brand within the College and the charitable assets will be applied in furtherance of the LSfG charitable aims.

## 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 2016 and of the LGPS 31 March 2016.

<b>Total Pension cost for the year</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Pension Costs</b>		
Teachers' Pension Scheme: contributions paid	1,956	1,462
Local Government Pension Scheme		
Contributions paid	1,300	1,328
FRS 102 (28) Charge	<u>1,576</u>	<u>1,192</u>
Charge to the Statement of Comprehensive income	2,876	2,520
Enhanced Pension charge to the Statement of Comprehensive Income	(146)	(131)
<b>Total Pension Cost for Year</b>	<b><u>4,686</u></b>	<b><u>3,851</u></b>

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 2016. 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.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

The pension costs paid to TPS in the year amounted to £2,709,267 (2018/19: £2,304,864), of which employer's contributions totalled £1,955,576 (2018/19: £1,489,694) and employees' contributions totalled £753,692 (2018/19: £815,170).

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 2020 was £1,679,133 (2018/19: £1,723,302), of which employer's contributions totalled £1,212,067 (2018/19: £1,177,866) and employees' contributions totalled £467,065 (2018/19: £483,770). 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 2013 updated to 31 July 2016 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 2020	At 31 July 2019
Rate of increase in salaries	3.05%	3.20%
Future pension increases	2.25%	2.40%
Discount rate for scheme liabilities	1.35%	2.10%
Inflation assumption (CPI)	2.25%	2.40%
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 2020	At 31 July 2019
<i>Retiring today</i>		
Males	20.8	21.1
Females	24.0	23.7
<i>Retiring in 20 years</i>		
Males	22.3	22.9
Females	25.5	25.5

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

	2020 £'000	2019 £'000
Fair value of plan assets	78,096	75,038
Present value of plan liabilities	(118,753)	(96,102)
<b>Net pension liability</b>	<b>(40,657)</b>	<b>(21,064)</b>

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
<b>Amounts included in staff costs</b>		
Current service cost	2,778	2,431
Past service cost	-	-
<b>Total</b>	<b>2,778</b>	<b>2,431</b>

	2020 £'000	2019 £'000
<b>Amounts included in finance costs</b>		
Net interest charge	430	455
<b>Total</b>	<b>430</b>	<b>455</b>

	2020 £'000	2019 £'000
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	2,406	4,974
Experience losses arising on defined benefit obligations	(5,822)	-
Changes in demographic assumptions -	671	4,626
Changes in assumptions underlying the present value	(14,271)	(10,971)
Liabilities		
Other actuarial gains/(losses) on assets	(571)	-
<b>Amount recognised in other comprehensive Income</b>	<b>(17,587)</b>	<b>(1,371)</b>

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

	2020 £'000	2019 £'000
Deficit in scheme at 1 August	(21,064)	(18,046)
Deficit inherited upon merger -	-	-
Movement in year:		
Current service cost	(2,778)	(2,431)
Employer contributions	1,300	1,328
Past service cost	-	-
Admin Expenses	(98)	(89)
Net interest on defined (liability)/asset	(430)	(455)
Admin Expenses	(17,587)	(1,371)
<b>Net defined benefit (liability)/asset at 31 July</b>	<b>(40,657)</b>	<b>(21,064)</b>

## Notes to the Financial Statements (continued)

### 22 Defined pension obligations (continued)

#### Asset and Liability Reconciliation

	2020 £'000	2019 £'000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	96,102	86,722
Defined benefit obligations inherited upon merger	-	-
Current service cost	2,778	2,431
Interest cost	2,003	2,272
Contributions by Scheme participants	468	488
Experience gains and losses on defined benefit obligations	5,822	-
Changes in financial obligations	13,600	6,345
Estimated benefits paid	(2,020)	(2,685)
Curtailments and settlements	-	529
<b>Defined benefit obligations at end of period</b>	<b>118,753</b>	<b>96,102</b>

#### Reconciliation of Assets

	2020 £'000	2019 £'000
Fair value of plan assets at start of period	75,038	68,676
Fair value of plan assets inherited upon merger	-	-
Interest on plan assets	1,573	1,817
Return on plan assets	2,406	4,974
Employer contributions	1,300	1,328
Contributions by Scheme participants	468	488
Changes in financial obligations	(571)	-
Estimated benefits paid	(2,020)	(2,685)
Settlement prices received	-	529
Admin Expenses	(98)	(89)
<b>Assets at end of period</b>	<b>78,096</b>	<b>75,038</b>

### 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 are also members, Governors and Trustees 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.

The College provided services to London South East Academies Trust for ICT support, Estate, Facilities, Governance, HR and Finance support during the year and the charges have been included in the accounts.

Senior Management Services -	2019/20: £NIL	(2018/19: £135,486)
Shared Services Charge -	2019/20: £72,224	(2018/19: £53,529)

At 31 July 2020, the balance owed to the College by London South East Academies Trust was £72,224 (2018/19: nil).

### 24 Amounts disbursed as agent

#### **Learner Support Funds**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants - ESFA	1,538	1,666
Other Funding bodies grants	-	-
	<u>1,538</u>	<u>1,666</u>
Disbursed to students	(1,228)	(1,236)
Administration costs	(199)	(187)
<b>Balance unspent as at 31 July, included in creditors</b>	<u>111</u>	<u>242</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.