Carshalton College | Kingston College | Merton College | South Thames College

South Thames Colleges Group

Report and Financial Statements for the year ended 31 July 2022

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South Thames Colleges Group
Strategic report

Nature, Objectives and Strategies

The governing body present their annual report together with the financial statements and auditor's report for South Thames Colleges Group for the year ended 31 July 2022.

Legal status

The Corporation was established under The Further and Higher Education Act 1992, originally for the purpose of conducting Kingston College, now renamed South Thames Colleges Group. The College is an exempt charity for the purposes of the Charities Act 2011.

On 1 August 2017 Kingston College merged with Carshalton College and South Thames College. South Thames and Carshalton College Corporations dissolved, and all assets and liabilities transferred to Kingston College Corporation on this date. The Kingston College Corporation subsequently changed its legal name to South Thames Colleges Group.

Mission and values

Governors reviewed the Group's mission during 2021 and agreed a new strategic plan that was published in the Autumn 2021. It builds on the previous plan and sets the Group an ambitious aim to grow in scale through innovation and development of its curriculum. The headline elements of the plan are summarised here:

Growing great futures

Mission

To achieve the ambitions of more students and partners than ever before.

Vision

South Thames Colleges Group aspires to be an exceptional Further and Higher Education provider, leading our sector in London and beyond.

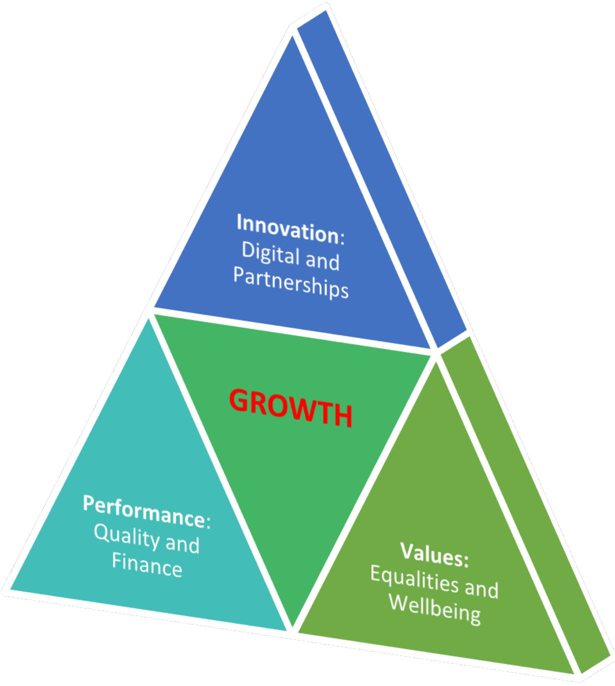
This will mean:

- Excelling in our curriculum, securing great outcomes for our students
- Growing our provision, attracting new students and developing new pathways to success
- Transforming our teaching, learning and services through digital innovation
- Establishing and sustaining effective partnerships with employers and schools across the region
- Upholding the fundamental values of our community, especially equalities and wellbeing
- Managing resources well so that we are financially robust to invest in our buildings and staff

Our strategic plan

This strategic plan sets the Group on an ambitious path as it helps to lead its communities through the recovery following the pandemic and building on the substantial success enjoyed by the Group since merger. It sets out to combine its existing strengths in both curriculum quality and financial management with a bold plan to grow and innovate while remaining true to its fundamental beliefs.

The core of our strategy will be:



<u>Our strategic approach</u>

This strategic plan restates the core purpose of the Group and directs all of our organisational capital towards growth and development, doing so in service of our communities and making sure that our regional roots stay strong throughout the process of transformation.

We aim to grow this organisation in order to ensure that more individuals and partners benefit because of our involvement.

Many of the innovations set out here are designed to deliver our mission more widely and in new ways. This includes our ambition for comprehensive digital transformation of our curriculum and services and the bold expansion of our partnership activity, seeking more integration with more employers and schools. In setting out actively to broaden and grow this Group of Colleges, we will remain true to our fundamental values.

These values span many influences and expectations from within and beyond the Group and are captured here, updated to reflect our new priorities. At South Thames Colleges Group, we

- **Aspire** to excellent outcomes for everyone, ensuring our students succeed and progress to great futures, improving our work continuously through reflection and mutual support
- **Innovate** to develop and expand the Group, with an active focus on new ways of working, digital transformation and meaningful partnerships
- **Care** about the wellbeing of our staff and students, building resilience in a challenging world, safeguarding the vulnerable and promoting happiness
- **Make equality happen**, equalising outcomes, raising diverse talent through our work and including everyone from all our communities

To secure these values in practice, we have committed to a curriculum which will:

- Secure equal <u>**access**</u> for students from all backgrounds

- Ensure structured and ambitious **learning** towards successful attainment of meaningful qualifications
- Develop **capable** people, able to adapt, progress and continue to learn into the future
- Sustain a line of sight on **employment** and its requisite skills across a broad range of vocations

And we wholeheartedly embrace British Values, committing the Group to:

- Democracy
- The rule of law
- Individual liberty
- Mutual respect and tolerance of different faiths and beliefs

Public Benefit

South Thames Colleges Group is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 23 and 24.

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

The Group's strategic approach is to base its work around the values and ethos of public service and to provide a community-based Further Education offer firmly rooted in south-west London.

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

- High-quality teaching and excellent student outcomes
- Widening participation, tackling social exclusion and supporting social mobility
- High participation rates for students with High Needs
- High rates of progression for students into further learning or employment
- Strong student support systems, with particular emphasis on mental health at this time
- Links with employers, industry and commerce
- Well-developed partnerships with local authorities, universities and other local and national agencies

The legacy organisations brought together on merger have long records of committed public service and had undertaken structural reforms before the Local Area Reviews, with South Thames College and Merton College merging and Kingston and Carshalton Colleges entering into their novel alternative to merger, an FE Federation. The Group's long-established historic approach to the delivery of public benefit is further exemplified in its newest strategic plan, although this also develops the work of the Group to diversify its curriculum and expand its student numbers through partnership and innovation.

The culture and focus of the Group's leadership remain strongly guided by a meaningful commitment to public service and the Group has demonstrated that its values are firmly aligned to the public bodies it partners, locally, regionally and nationally. These values are restated in the new strategic plan and the Group is currently working on full, detailed programmes to strengthen its impact on equalities, wellbeing and climate change. It is forming Advisory Groups to help the leadership team to expand its perspective on these issues and understand expectations across and beyond the Group.

During the periods of the lockdown and following the disruption of the pandemic, the Group has exemplified this approach through a number of positive measures:

- Sustained provision for vulnerable students from March to July 2020 and then January to March 2021 during the full national lockdowns
- Work with DWP to train job coaches to support unemployed people back into work
- Local leadership of recovery efforts to support businesses in the Royal Borough of Kingston, including a Borough jobs and careers fair delivered by the Group on-line in 2021
- Work with local schools to ensure young people leaving year eleven were able to access the FE curriculum and begin planning their next steps, using a mix of virtual and in-person activities to deliver this
- Establishment of a schools liaison team within a strengthened Marketing and Recruitment Department, intended to enhance the offer to schools and school-leavers in the region and improve the Group's likelihood of securing growth
- Delivery of a sub-regional ESF project to reduce the incidence of young people becoming NEET
- Developing delivery solutions and innovations that enabled it to retain its many learners and continue to support the participation and success of its students in spite of the disruptions consequent on the pandemic, including effective use of the small-group tuition fund for 16-19 year-olds
- Renewed efforts to diversify and expand the Group's curriculum offer to meet better the evolving demands of a sophisticated market for 16-18 education and training, including the launch of new combined A Level and BTEC courses in Autumn 2022 and preparations for the roll-out of T Levels in 2023

Separately from the impact of the pandemic and the measures it is taking to tackle its legacy, the Group has worked on a number of projects to develop further the impact of its benefit to the community, continuing through the merger to influence the operations of the Group and drawing on the work of the other colleges becoming part of the merged Group:

- Increased focus on learner destinations and detailed metrics developed to report on students' economic participation post-College. This approach was noted and praised by Ofsted and is now being implemented as a standard Group routine
- Strong emphasis on our enrichment curriculum to diversify students' experience and provide opportunities for volunteering, project activity and community engagement
- The Group has placed particular emphasis on the expansion and development of work experience opportunities, especially for younger students and has benefited for the past four years from additional Government investment through its Capacity Development Fund in this area, much of which continued through the pandemic
- An active focus on the protection of students from safeguarding and radicalisation risks as well as welfare, wellbeing and mental health issues, including active participation in the NHS Mental Health Trailblazer

- Contribution to significant public projects, such as the establishment of the new Free School in North Kingston, The Kingston Academy, now developing this activity further to establish a Mult-Academy Trust and support the work of a local primary school in partnership with Kingston University and the Royal Borough of Kingston-upon-Thames
- Participation in skills competitions, such as World Skills
- Project activity, such as the pilot of the T Level industrial placement scheme and significant European Social Fund projects, such as the Careers Cluster initiative, both led by South Thames College from before the merger
- The merger itself has generated public benefit by creating a consolidated institution, better able to reduce cost and invest in its key priorities and making for a more resilient organisation in the context of straitened public finances
- Significant investment in its buildings and resources through its evolving Estates Strategy, which has created space for a new primary school in Wandsworth, a base for a Job Centre Plus in Tooting and investment in the dilapidated building at Kingston Hall Road, now reaching completion

The Group is also actively engaged with the new policy agenda established by the Government in 2022, requiring the Group to develop further its focus on skills, employment and the regional economy. The Group has embraced this with enthusiasm and is strongly committed to extensive partnership with employers, having previously created a well-distributed employer partnership network throughout its schools as well as establishing Employability teams in every College in 2018. The Group is working to assess the impact of these efforts through internal review during 2022-23 and is seeking to add further strategic resources to its ability to respond to local and regional skills needs by:

- Establishing an Employer Advisory Group
- Establishing sectoral and local employer panels
- Appointing a lead Governor for Skills and a senior leader with a designated responsibility for this development theme
- Enhancing its partnerships with key bodies, such as Chambers of Commerce, the South London Partnership and Business LDN (the organisation designated by Government as the regional Employer Representative Body)

The Group has benefited significantly from additional Government investment through the national Strategic Development Fund with the Group's allocation being dedicated to the rapid expansion of sub-regional capacity to deliver skills training for those working in industries now using more low-carbon technologies, such as electric vehicles and renewable energy sources. During 2022-23, the Group will lead this sub-regional partnership, with Croydon and Richmond Colleges as key partners, further adding social value through its leadership and organisation of public resources.

Resources

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

During 2021/22, the Group employed an average of 952 permanent members of staff, of whom 580 were teaching staff.

The total number of students enrolled by the Group during 2021/22 was approximately 16,731. The college's student population includes 4,552 16-to-18-year-old students, 684 apprentices, 624 higher education students, 6,630 adult learners in directly-funded provision and 2,353 adult learners in the two adult education contracts delivered by the Group for Wandsworth and Merton Councils.

As at 31 July 2022, the Group had £72.8 million of net assets (including £2.8 million pension liability) and long-term debt of £5.4 million. Tangible resources include six main campuses across South London.

The Group has a good reputation locally and nationally, evidenced by its ongoing strong recruitment, its extensive and well-developed relationships with employers and its regional and national partnership and project activity. It is the largest FE College in south-west London, currently the third largest in London and about the tenth largest in the country.

Stakeholders

The College has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions;
- the employers it works with;
- the professional organisation in the sectors where it works;
- its partner schools, especially the school of which it is a sponsor, The Kingston Academy
- its partner universities, especially Kingston University
- the wider college community through various associations and memberships, such as the AoC and Collab Group
- Employer and business groups, such as Kingston First, local Chambers of Commerce and the South London Partnership
- the four local borough councils in Kingston, Merton, Sutton and Wandsworth
- the Greater London Authority, now a significant funding body with the devolution of responsibility for most of our AEB activity to the GLA
- Government offices, such as the DfE and ESFA, with which the Group works closely
- regulatory bodies, such as Ofsted

DEVELOPMENT AND PERFORMANCE

Financial Results

The Group generated a deficit of £5.8 million for the year ended 31 July 2022 (2021: deficit of £1.4 million) and EBITDA of £4.9 million (2021: £8.1 million). The implementation of financial control measures across the Group delivered year on year improvement in financial performance across all of the Colleges within the Group over the four financial years following merger. Performance has now stabilised and in the year ended 31 July 2022, the EBITDA achieved exceeded the target (6% of total income) set for the year. The EBITDA generated each year since the Group was formed in August 2017 is as follows:

Year 1	Year 2	Year 3	Year 4	Year 5
Year ended	Year ended	Year ended	Year ended	Year ended
31/07/2018	31/07/2019	31/07/2020	31/07/2021	31/07/2022
£2.1m	£5.3m	£6.6m	£8.1m	£4.9m

Based on the ESFA's financial health measures, the College is in 'Outstanding' financial health at the end of 2021/22 with a financial health score of 260. The performance indicators that inform the Group's financial health assessment can be found on page 18 of this report.

The budget for 2022/23 that was approved by the Governing Body in July 2022 as well as the College Financial Forecast Return (CFFR) submitted to the Funding Body at the end of July 2022 indicate that the Group will remain in 'Good' to 'Outstanding' financial health in 2022 to 2024.

The Group's Estates Strategy seeks to improve the quality of accommodation and facilities as well as align it to current requirement. The Strategy is intended to provide learners with high quality learning facilities at the same time as improving efficiency and reducing operating costs. Parts of the estate were disposed of in 2019 and the proceeds were utilised in part to fund the reduction in long term debt. The disposals also enabled the Group to make significant investment in the Kingston Hall Road campus between 2020 and 2022.

Developments

The Group developed its Estates Strategy for all campuses during 2017/18. The Strategy was further refined during 2018/19 and parts of the estate were put up for sale. In addition to the disposals already completed, further disposals are planned for completion in 2023/24 and beyond. The disposals offer the Group the opportunity to generate additional reserves for reinvestment in our poorer quality facilities, such as the building at Kingston Hall Road. A new Estates Strategy is currently under development and is reviewing the accommodation needs of the Group as it refreshes and expands its curriculum, although there is early evidence that the Group still enjoys capacity beyond that warranted by its curriculum delivery.

The main capital project undertaken during the financial year was the completion of the first phase of development of Kingston Hall Road. The project is part of the Group's overall Estates Strategy. Investment was also made during the year on refurbishment works and IT and other equipment purchases. The Group, as it embarks on the next phase of its major investment programme, will continue to seek to build reserves through the generation of operating cash flows as well as the disposal of surplus accommodation. Further investment is planned in 2022/23 for the next phase of the replacement and refurbishment programme at Kingston Hall Road.

Reserves

As at 31 July 2022, the Group had accumulated reserves of £72,751,000 (Income and expenditure reserve of £65,860,000 and revaluation reserves of £6,891,000) and cash balance of £18,430,000. The LGPS pension deficit reduced by £57,595,000 in 2021/22 (reduction of £1,780,000 in 2020/21) with a significant impact on income and expenditure reserves at the end of the financial year. It should be noted that the pension liability included in the balance sheet does not represent a liability which is payable because the contributions payable to the LGPS are based on the results of the triennial revaluation of the scheme. Further details of the LGPS will be found in the notes to the financial statements.

The Group seeks to continue to accumulate reserves and cash balances in order to retain a safety net as well as to fund future capital development.

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22, the FE and HE funding bodies provided 76% of the Group's total income (75% in 2020/21).

Group companies

The Group has two subsidiary companies, Kingston and Sutton Educational Partnership Limited (KSEP) and KCTC Limited. The principal activity of KCTC Limited is the rental of facilities. KSEP Limited is a dormant company that has not traded since merger on 1 August 2017.

Any surpluses generated by the subsidiary companies are normally gift aided to the parent College. The KCTC Limited generated a surplus of £148,000 for the year ended 31 July 2022. No donations were made to the College for 2020/21 because, following KCTC's investment in capital equipment during the year, the Company made a trading loss for the year.

Academic performance

At merger, the separate constituent Colleges that came together to form the Group had a range of inspection grades:

Kingston College	South Thames College	Carshalton College
Good (2016)	Requires Improvement (2016)	Requires Improvement (2016)

At merger, the Group self-assessed the quality of its provision as Requires Improvement. This was because:

- results across the different Colleges in the Group were too disparate
- English and Maths achievement and high grades were too low
- the quality of teaching and learning was too variable
- work experience was insufficiently developed
- standards of provision at Carshalton College were generally very poor

In addition, the original silver rating for Kingston College in the Teaching Excellence Framework reduced to bronze as the other Colleges' HE provision and its data were drawn together in the Group.

In 2018/19, significant focus was sustained in raising the standards of teaching and the proportions of students achieving their outcomes. Considerable attention was given to assessment practice across the Group, with greater focus on students successfully completing their assignments to deadline and then being stretched to aspire to higher grades. This has led to some increases in the value-added scores at Kingston College, Carshalton and Merton College using the ALPS measurement system. In Carshalton, Merton and South Thames Colleges, student achievement rose substantially, in some cases surpassing the historically high achievement levels seen previously at Kingston College.

On the basis of these improvements, as well as strong progression rates, and a strengthened approach to work placements and subcontracted provision, the Group was inspected successfully in February 2020, its grade profile being:

Further education and skills inspection report

Ofsted
raising standards
improving lives

Inspection of South Thames Colleges Group

Inspection dates: 4–7 February 2020

Overall effectiveness	**Good**
The quality of education	**Good**
Behaviour and attitudes	**Good**
Personal development	**Good**
Leadership and management	**Good**
Education programmes for young people	**Good**
Adult learning programmes	**Good**
Apprenticeships	**Good**
Provision for students with high needs	**Requires improvement**
Previous inspection grade	Not previously inspected

After this, the impact of the pandemic was to disrupt teaching and learning significantly and exacerbate educational disadvantage nationally. While the Group sought to mitigate these effects as fully as possible, participating diligently in both the Centre-Assessed (2020) and Teacher-Assessed (2021) Grade processes, some impact remained and student attainment proved uneven. This was especially true in areas where no adaptations were made to assessment practice and, for example, Functional Skills and Apprenticeship outcomes fell back in the results recorded by the Group in 2021, alongside similar national trends in the same provision. Indications for 2021/22 show improvements in Apprenticeship and Adult provision, although less progress in Functional Skills and some decline in Study Programmes for young people.

Some achievement data is currently available for 2021/22, especially for Diploma qualifications, and GCSEs, but, at time of writing there are some gaps and this data has not been fully included in the report. The review below summarises the Group's emerging position and identifies areas for future improvement activity.

Overall Education &Training:

The Group performed well through the time of the pandemic, with high levels of retention and sustained achievement for 16-18 year-olds and most adults, although some adult provision showed a decline, especially in practical and craft subjects. National averages date from pre-pandemic and are not included here because there has been no formal publication of national averages for 2019/20 and 2020/21, with data for 2022/23 still to be released. The exception to this is the national rates for Apprenticeship provision which continued to be made public both during and after the pandemic.

Adult Programmes

This provision was much less subject to adaptations to its associated assessment practices during the pandemic, although some programmes such as GCSEs were subject to different approaches. In 2020/21, recruitment, retention and achievement all fell for the Group's adult provision, more so in some Colleges, but the general picture was one of decline through this period.

In 2021/22, still with low levels of student recruitment in evidence, the Group did make progress, drawing on the efforts of both its in-house delivery teams and those of its sub-contracted partners, to a higher level of student achievement, improving the headline rate by about four percentage points, although the final figures have yet to be published. Student recruitment also showed signs of improvement during the year and enrolments during Spring 2022 rose against similar figure in 2020. This trend appears to have continued into Autumn 2022 and areas such as ESOL and Workforce Development have begun reporting higher numbers than have been seen for some time, which may further strengthen the Group's ability to reduce its dependence on subcontracted delivery.

Apprenticeships

The Group's Apprenticeship provision had improved following merger, but a combination of weak internal systems and the effects of the pandemic on employment in a number of sectors in which the Group operates saw a marked decline in Apprenticeship achievement rates. The published national average showed a significant decline, but not as great as that experienced by the Group. In 2021/22, national achievement rates fell to 57.7%, while the Group's rate declined further, to 49%, with a very differentiated level of performance across the Colleges.

The Group resolved to address these deficiencies and established new roles and quality processes to attempt to improve its performance in this regard. Apprenticeship achievement rates have improved to around the level of the previous national average and compliance and administrative issues have been largely eliminated with positive internal and external audit reports received during 2021/22. Further progress is required here, but the position has improved to a more acceptable level.

High Needs Students

The Group's provision for High Needs Students had not made sufficient progress to improve consistently to a good standard in all areas by the time of inspection in 2020. It is also a fast-growing element of the Group's provision, with numbers rising from around 200 at the time of merger to around 800 in 2022.

It was evident at inspection that more work was needed here to secure whole-Group improvements. Concerted efforts to enhance this thriving area of the Group's provision have been undertaken during and after the pandemic, with a focus on raising expectations for High Needs Students and ensuring they attain and progress at rates comparable to students from across the Group.

New structures were adopted in 2021 and, although they have taken some time to fill to capacity, they are having an effective impact, with strong College-based leadership and good levels of partnership with mainstream curriculum teams. This provision has improved significantly and, with the exception of Functional Skills outcomes, this cohort of students is generally performing at a level comparable with its peers. This will continue to be a focus of the Group's improvement and equalities activity.

Study Programmes

The Group has a strong track record in the delivery of Study Programmes for young people and this has been a very substantial part of its provision for many years, with about half of the Group's annual grant income derived from this cohort.

The quality of provision has largely been sustained since it became an improvement focus post-merger, given the inconsistencies in standards and the limited extent of Work Experience and Employability opportunities. These areas were rapidly addressed in 2019 and practice improved significantly with interventions in teaching and learning, English and Maths and the establishment of the Employability teams across the Group. Standards rose to match the best in the Group and this was reflected in the inspection outcomes in 2020.

Since then, the pandemic has disrupted progress and removed any meaningful set of national benchmarks. Student outcomes were largely sustained through the pandemic, although the picture was not wholly consistent across provision types and the different Colleges. Nonetheless, progression rates remained strong and almost all students in this cohort progressed to a positive destination.

Data for 2021/22 appears to show a decline in some outcomes, for example Functional Skills and Level 3 BTEC Diplomas with new, examined elements within the syllabus. Teachers almost commented on the study skills and resilience of this student body during the past year and indicated that, while retention remained good, achievement became more challenging as students seemed to engage less successfully with assessment tasks.

Of particular note is the progress made by the Group in the delivery of English and Maths since merger. This is a requirement on all colleges and a condition of funding for their 16-18 Study Programmes, meaning that all young people attending an FE College must retake their English and Maths if they don't already have a grade C or grade 4 in the new grading methodology introduced in 2016. Most colleges struggle to do this well and the national average for the proportion of young people retaking their English and Maths and achieving a grade 4 or above is between 20% and 30%; the four Colleges drawn together in the merger are no exception, but continued improvement, building on the progress in 2017/18 and 2018/19 and based on the Group's approach to the Teacher-Assessed Grades system adopted across England during the pandemic, saw sustained progress in this area.

This has been enhanced further in 2021/22, where early data appears to show that national averages for high grades in English and Maths GCSEs fell by about 12-15 percentage points nationally. The Group's own data shows a very similar position between 2020/21 and 2021/22, with a very limited reduction in its high grades profile, demonstrating the integrity of its local assessment decisions and strong teaching and learning in these key subjects, although the performance has been less positive for students taking Functional Skills and more attention will be needed to strengthen this area in 2022/23.

Curriculum intent

During 2018/19, the Group commissioned and completed a thorough and comprehensive review of its curriculum offer, providing signposts towards a reinvigorated digital skills strategy, better employer engagement and stronger internal progression for students among several other recommendations. These have been adopted and a curriculum strategy for the Group was agreed during the Autumn of 2019; it states that, at South Thames Colleges Group, the curriculum will:

- Secure equal **access** for students from all backgrounds
- Ensure structured and ambitious **learning** towards successful attainment of meaningful qualifications
- Develop **capable** people, able to adapt, progress and continue to learn into the future
- Sustain a line of sight on **employment** and its requisite skills across a broad range of vocations

These statements were reviewed during 2022 and their validity has been sustained through and after the pandemic, especially with the new Skills policy as a key influence for curriculum expectations. A new action plan to enhance the curriculum's relevance to the employment market and develop its reflection of the realities of the workplace is being agreed for implementation during 2022/23.

The Group also reviewed its historical subcontracting activities and in 2019/20 it reprocured all of this provision in line with the Group's new curriculum strategy, focusing better on priority provision in key regions. This has proved successful and the consistency and strength of its subcontracted work have improved significantly. Further procurement exercises were run effectively in Autumn 2020 and Summer 2022, again with a strong emphasis on the quality and relevance of the provision as well as the safety and wellbeing of learners.

FUTURE PROSPECTS

Ongoing improvements

Significant efforts are now being exerted to continue these positive trends and remedy the emerging shortcomings, by identifying and tackling those areas still under-performing and in need of further improvement. The Group adopted a matrix development and improvement structure over the Summer of 2018 to draw staff together from across the Group to share practice and ensure greater consistency for students. In Autumn 2018, the Group was successful in securing a Strategic College Improvement Fund allocation to help it invest in critical improvements in partnership with Chichester College, an outstanding college. This additional funding allowed the Group to build best practice, draw on support from a strong partner College and provide additional development opportunities to teachers and junior and middle leaders. This focus on CPD opportunities and the development of strong, distributed leadership capabilities has continued beyond the life of the Strategic College Improvement Fund and is one vehicle for the Group's ongoing improvement over coming years.

Two further bids for improvement funding were successful in 2020/21 and the Group led two major national projects to support development and improvement in the sector, with over £500,000 of designated funding managed with partner Colleges.

The Group will use its improvement focus in 2022/23 to:

- Identify specific areas for intervention, likely to be aspects of 16-18 Study Programmes and Apprenticeship provision

- Improve exam preparation for students in some areas, such as Level 3 BTEC Diplomas

- Review areas previously under intervention, such as programmes for High Needs Students

- Review and improve the Group's delivery of Employability, both across the curriculum as strategically

- Enhance teaching and learning

Further developments

The Group has invested in its facilities over a number of years, and engaged proactively with the Area Review Process that led to the merger of Kingston, South Thames and Carshalton Colleges on 1 August 2017. The merger was intended to secure a strategic solution to the sectoral challenges faced by all three Colleges and eliminate some over-supply in the local FE marketplace. In particular, the duplication in the curriculum provision spanning both Merton and Carshalton Colleges, so very near each other, was eliminated during the Summer of 2018. The merged College is continuously seeking to improve efficiency and resource utilisation across all its campuses and performance to date demonstrates decisively that the Group has made significant progress in achieving this, its quality of provision at inspection rated 'good' in 2020 and its financial health has remained 'outstanding' since 2019/20.

The Group will seek to draft and agree a new Estates Strategy during 2022/23, having successfully delivered the previous plan to rebalance its facilities, divesting its over-capacity and investing in enhancements for students, staff and stakeholders.

The Group will implement new curriculum development plans during 2022/23, with the purpose of further enhancing its relevance to the regional economy and to ensure that it is able to grow. After a gradual start in 2021/22, this approach appears to be yielding some positive impact based on early indications from the Autumn 2022 enrolment patterns emerging and the Group will refine and sustain this strategy over the coming year.

The Group is also committed to sustaining the quality and capacity of its workforce and is embarked on a set of reforms to its pay and grading systems, currently reflecting legacies from a number of previous and now defunct institutions and their employment practices. The Group is currently operating around seventy-five different contracts and pay scales and seeks to reform this situation during 2022/23 as well as acknowledging cost pressures on its employees' households during a time of challenging inflation levels. The Groups seeks to make this reform generous and effective in recruiting and retaining staff while avoiding any possible industrial dispute in the year ahead.

Financial plan

The Group has a Financial Policy in place that sets parameters for capital investment, minimum cash balance and EBITDA generation. The Governing Body approved the Financial Policy along with Group's budget for 2022/23 in July 2022. The budget formed the basis of the College Financial Forecast Return (CFFR) submitted to the Funding Body in July 2022. The CFFR sets out the Group's financial objectives for the two years ending 31 July 2024.

The budget for 2022/23 and the CFFR for 2022 to 2024 take account of the Strategic Plan that came into effect in 2021/22 and identified growth as its main ambition. In 2022-23, the Group faces the significant challenge of containing the impact of the increase in energy prices. The financial targets set within the budget for 2022-23 recognise the extraordinary nature of the increase (270%) in the Group's energy costs. An EBITDA target of 2.27% has been set for 2022-23 because the minimum EBITDA of 6% required by the Group's Finance Policy is not a realistic target in these exceptional circumstances.

A further £2,100,000 of loans were repaid in July 2022, providing the Group with improved capacity to meet loan covenants as well as improve its borrowings ratio. Based on the CFFR, the Group's financial health will remain 'good' throughout the plan period.

Treasury policies and objectives

The Group has treasury management arrangements in place to manage cash flows, banking arrangements and the risks associated with those activities.

The Group has a separate Treasury Management Policy in place.

At the point of merger on 1 August 2017, the existing loans of South Thames and Kingston Colleges were consolidated into borrowings from one lender. The Group repaid £5,000,000 of its term loan in December 2020 and entered into a Revolving Credit Facility agreement for £5,000,000 at the same time. This enabled the Group to reduce its debt without losing access to finance should a requirement for significant investment arise at the next review of the Estates Strategy. Following a further voluntary repayment of £2,100,000 in July 2022, the Group has now fully repaid one of the two term loan facilities that made up its total borrowings. The Revolving Credit Facility was increased to £7,000,000 in November 2022 in order that the Group's access to finance is maintained.

Reducing long term borrowings has enabled the Group to set a realistic EBITDA target for 2022/23 and still remain compliant with its loan covenants.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation. As the Group has a Revolving Credit Facility in place, there are no plans in place for other short term borrowing. No amounts were drawn down from the Revolving Credit Facility since the facility was agreed in December 2020.

Cash flows and liquidity

The Group's cash balance improved significantly through improved operating performance and disposal of parts of its estates. Disposals during 2019 contributed £13,200,000 to cash reserves. Proceeds were used in part to re-accommodate activities that were previously housed in disposed parts of the estate. The disposals also enabled the Group to repay a part of its borrowings as well as fund the much-needed investment in parts of its estate.

There were no disposals of fixed assets in 2021/22 and the proceeds from a land disposal that was planned for 2022/23 is no longer expected to be realised till 2023/24 based on the timescales for the buyer to obtain planning permission.

The net cash flow from operating activities in 2021/22 was £4,016,000 (£13,121,000 in 2020/21). The reduction in net operating cash flow from 2020/21 is mainly attributable to the following:

- EBITDA of £4.9m (planned reduction of £3.2m on 2020/21)
- Disposal proceeds included in debtors at the end of 2019/20 and received in 2020/21 (£2.5m)
- Adult Education Budget funding receipts of £2.9m included in creditors at 31 July 2021 and paid during 2021/22 (AEB creditors reduced by £2.1m at 31 July 2022).

As the Group has set a lower EBITDA target for 2022/23, cash generation will not be as significant as in previous years. The budgets and forecasts for 2022/23 indicate that net cash flow from operating activities will not meet the level required to maintain debt service cover of 1 or more. As the Group has had to plan for 2022-23 within the constraints set by the exceptional increase in energy costs, the Group's lender has agreed to exclude redundancy costs in measuring performance against loan covenants in 2022/23. This, coupled with the reduced level of borrowings, will enable the Group to remain covenant compliant in 2022/23.

Cash balance at the end of 2022/23 is expected to fall to £12,200,000 as operating cashflow is forecast to be less than £1,000,000 and the investment in phase two of the Kingston Hall Road project will also impact the cash balance. The planned disposal of surplus land in 2022/23 (expected net proceeds of £5.5m) is no longer expected to be completed till 2023/24. Despite the reduced cash inflow during 2022/23, the Group will still hold a healthy cash reserve at the end of the financial year.

No amounts have been drawn down on the Revolving Credit Facility since it was agreed in December 2020, and cash flow forecasts indicate that there will be no requirement to draw down funds during 2022/23 or 2023/24. The facility was increased by £2,000,000 in order to retain access to finance, should the requirement arise, during a period of significant investment in the Group's accommodation.

The Loan facility agreement for the long-term debt requires the Group to maintain a minimum cash balance of £5,000,000 at the end of each year throughout the life of the loan. The Group has set its own minimum cash balance target of £7,500,000 at year end (and an average cash balance target of £5,000,000) in order to provide a safety net against cash flow risks.

The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. This margin was maintained during the year ended 31 July 2022, and will be maintained in 2022/23 with the agreed treatment of redundancy costs.

Reserves

The Group has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The Group's Financial Policy sets parameters for capital investment, minimum cash balance and EBITDA generation. A minimum percentage target for EBITDA (percentage of income) is set each year as part of the budget setting process.

The EBITDA target for 2021/22 was 5.98% (£4 million). At the time of setting the budgets, the EBITDA target for the year was moderated in view of the risk and uncertainty that remained after the Coronavirus pandemic. The actual EBITDA of £4.9 million is an improvement on the target for the year. The income and expenditure reserve balance at 31 July 2022 has improved significantly (by £58.5 million) following a reduction of £57.6 million in the pension deficit at year-end.

The Financial Policy also requires the Group to maintain a minimum year end cash reserves of £7,500,000 and an average cash balance of £5,000,000 throughout the financial year. The Group takes a risk based approach to its reserves target each year and environmental volatility or poor financial performance may increase the minimum average cash balance by up to 75% from the base requirement of £5 million. The purpose of this target is to build up sufficient reserves to enable further investments in accommodation and teaching resources.

Going concern

In setting its budget for 2021/22, the Group built in significant contingencies in recognition of the uncertainty over the time it will take to recover from the Covid-19 pandemic. The budgeted EBITDA was set at a realistically lower level than the budgets set before the pandemic. Actual performance for the year indicates that the Group's performance recovered at a better than planned rate. As stated earlier in this report, the financial targets set within the budget for 2022-23 recognise the extraordinary nature of the increase in energy prices. The Group recognised that it is not realistic to set a minimum EBITDA target of 6%, as the staff reductions required to achieve this are likely to have a negative impact on the Group's operations. The College Financial Forecast (CFFR) indicates that the Group will maintain 'Good' financial health over 2022/23 and 2023/24. Repaying part of the term loan has also given the Group greater freedom to set a lower EBITDA target without the risk of breaching loan covenants.

The Group had loans of £5,357,000 million outstanding as at 31 July 2022. The borrowings are secured on a part of the Group's estate and are repayable over 13 years commencing 1 August 2017. The Group met the loan covenants for the year ended 31 July 2022 and as stated above, made a voluntary repayment of £2,100,000 in July 2022. The Group also has a Revolving Credit Facility agreement in place for £7,000,000. The forecasts and financial projections indicate that it will be able to operate within this facility and covenants for the foreseeable future. The CFFR submitted to the Funding Body in July 2022 indicates that the cash balance will remain above the minimum cash balance target throughout the two-year period ending 31 July 2024.

The Group has net current assets at 31 July 2022 and creditors payable within one year include a holiday pay accrual and deferred capital grants (total of £2,614,000) for which payments are not required.

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

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management

The Group has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

A risk register is maintained at the Group level which is reviewed at least annually by the Audit Committee and more frequently where necessary. 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. Not all the factors which constitute or contribute to a risk may be within the Group's control. Given the significant changes to funding systems, governance arrangements and public sector finances, other factors besides those listed within the risk register may also emerge which adversely affect the Group and these are identified and incorporated in the Risk Register as they arise. The committees of the Governing Body own a number of the Group's risks and report on these and their levels of assurance at the end of each meeting.

The main risk factors affecting the Group are outlined below along with the action taken to minimise them. Other factors besides those listed below may also adversely affect the Group.

1. **Funding and income levels**

   The Group has considerable reliance on funding for 16-18 year olds, and about 50% of total income in 2020/21 was derived from this student cohort. The Group recognises the risk that recruitment will be affected by competition from other providers including schools, and insufficient internal progression and retention. The risk is mitigated through curriculum planning, internal delivery targets set above funding targets, internal marketing targeted at improving progression and the development of curriculum clusters aimed at maintaining quality and reputation. The Group has seen gentle but constant decline in16-18 recruitment over the past four years and this has given the Group a considerable challenge in consolidating to a level of activity that is affordable and based on reliable and stable student numbers. New initiatives such as curriculum development and a new schools liaison team have been undertaken to address this issue and there are signs in Autumn 2022 that this trend may have stabilised.

   Significant opportunities exist for the Group to grow its adult provision further and there are major investment funds available to the Group from Government as it promotes engagement and supports employment across the economy. The Group has not been successful in realising these opportunities over recent years, but plans to deliver provision more in line with its funding allocations in 2022/23, relying less on subcontracted provision to achieve this.

   HE recruitment continues to be a significant concern and the withdrawal of some key collaborative programmes from Autumn 2018 has created further pressure on the Group to reduce costs and find growth elsewhere. Apprenticeship recruitment has begun to improve and appears to be stable or rising slightly. The recruitment of High Needs Students is generating growth, but contribution rates for this provision to central costs is limited. Additionally, the complexity of claiming funding from a large number of Local Authorities requires the Group to further develop its systems and capacity for this task.

   The Group has resolved to identify the decline in 16-18 recruitment as the principal strategic risk to its future over the medium-term and actions to address this from the core of its new strategic plan from 2021 onwards.

2. **Staff recruitment**

   In common with many employers, the Group has experienced significant challenges in the recruitment and retention of staff after the Covid-19 pandemic. A number of measures have been implemented or proposed to address the issue, including the proposed implementation of a new pay and grading structure. These measures have significant cost implications that the Group has estimated and current forecasts indicate that the additional costs will not impact the Group’s financial viability. New income secured as well as other savings will compensate the additional expenditure.

3. **Cost efficiency**

   Where income targets are not achieved, if fixed costs are not controlled, there is a risk that expenditure will exceed affordable levels and undermine efficiency. In order to mitigate the risk, the Group sets an annual EBITDA target and a minimum contribution target for each delivery area. Annual budgets also contain an allowance for contingency. Monthly financial performance monitoring meetings are held to review the forecast outturn and lead to detailed monthly reports to the Group Leadership Team and Governors and the impact of these measures have been decisive in returning the Group's financial performance to a positive level after the first year of merger.

In 2022/23, the Group faces the significant challenge of containing the impact of the increase in energy costs as well as other cost of living increases. The financial targets set within the budget for 2022/23 recognise the extraordinary nature of the increase in energy prices and the EBITDA target for the year has been set at a realistically low level. The Group has engaged the services of an energy consultancy to act on its behalf and energy prices up to 31 July 2023 were fixed in summer 2022.

4. **Quality improvement**

   The progress seen in student achievement rates during 2018/19 and 2019/20 are commendable. There remain a few curriculum areas within the Group where performance is not yet at an acceptable level, but the Group has been judged 'good' at inspection and finds significant reason to reduce the rating of this risk as it clearly has deployed an effective set of quality improvement measures to raise standards. Data for 2019/20 and 2020/21 shows that Apprenticeships declined and reinstates the risk of a critical opinion of this key area of work, with good progress in evidence from 2021/22 to be sustained into the coming year. Provision for High Needs Students is improving rapidly and benefiting from considerable investment in new middle and senior leadership resources. Achievement rates for young people, however, appear to have declined following the transition from Teacher Assessed Grades back to normal examinations and concerted attention to exam preparation, better teaching and learning, support for more vulnerable students and more robust forecasting will have to be deployed quickly across the Group to improve attainment for young people.

KEY PERFORMANCE INDICATORS

Financial performance indicators

	2021/22		2020/21
	Actual	**Target**	**Actual**
Sector EBITDA as % of income	7.5%	6.0%	12.5%
Staff costs (excluding restructuring) as % of income	67.4%	68.0%	65.9%
Cash balance	£18.4M	£18.9M	£25.1M
Cash days in hand	104	103	142
Adjusted current ratio	2.57	2.27	2.82
Borrowing as % of income	8.30%	<12%	12.98%
Reliance on ESFA income	76%	75%	75%
Financial Health Score	260	230	280
Financial Health Score	Outstanding	Good	Outstanding

Performance against bank covenants

	Bank target	Actual
Operational leverage covenant Ratio of borrowings to EBITDA less than	3.0:1	1.10:1
Debt Service covenant Cash flow: debt servicing cost	>100%	>100%
Security cover covenant Property value: loan	>140%	>140%
Minimum Cash balance covenant	£5M	£18.4M

OTHER INFORMATION

Equality

South Thames Colleges Group is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, belief, gender, sexual orientation, disability, class and age.

At South Thames Colleges Group, we will continue our work to ensure wherever we can that:

- equality of opportunity is embedded in all policies, practices, decision making and evaluation processes;
- we actively promote access to learning programmes and services for all our learners and potential clients to enable them to improve their skills, to make progress and be successful in realising their ambitions;
- we create a visibly diverse environment which values and celebrates difference and raises the aspiration of existing and potential learners;
- we develop a staff profile, management team and governing body which are commensurate with the above;
- we provide services which are effective in recognising and assessing the specific needs of individuals and ensuring that the right kinds of support and interventions are provided to meet these needs;
- we tackle discrimination, whether direct or indirect, and ensure that we have well understood and well used procedures for challenging all forms of discrimination, harassment, bullying and other unacceptable behaviour;
- we promote an ethos within the Group whereby all learners and members of staff respect the views, values, culture and beliefs of others - regardless of ethnicity, national origin, gender, sexual orientation, marital status, religious beliefs, political affiliation, age, social class, disability, trade union membership or non-membership, employment status, role as a parent, guardian or carer, or whether someone has a criminal record;
- all governors and staff are clear about the Group's standards and strategies to meet diverse learner needs and are equipped to respond effectively;
- we undertake rigorous and open monitoring of learner and staff performance and experience to identify and act on equality gaps;
- we develop comprehensive feedback systems to capture the views and perceptions of learners, staff, governors and stakeholders about how well we do things and what we could improve. We will remain alert to patterns of inequality and related concerns which are not identified through statistical monitoring tools;

- we develop a systematic approach to assessing the impact of new and existing policies, procedures and processes to ensure that negative impacts on the equality of opportunity are identified and addressed.

The Group has adopted the IHRA definition of Anti-Semitism and is proud to make public its absolute resistance to any form of anti-semitism in the words below:

Antisemitism is a certain perception of Jews, which may be expressed as hatred toward Jews. Rhetorical and physical manifestations of antisemitism are directed toward Jewish or non-Jewish individuals and/or their property, toward Jewish community institutions and religious facilities.

The Group's senior leaders have also agreed to sign the Black FE Leadership Group's open letter committing to an active anti-racist campaign in the sector and redoubling the organisation's efforts to combat all forms of racism.

The Group actively encourages applications from people with disabilities. Where an existing employee becomes disabled every effort is made to ensure that employment with the Group continues.

The Group endeavours to provide an environment that is free of discrimination to staff with disabilities and its policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

In 2022, a new and comprehensive action plan was adopted and specific, quantifiable equality and diversity targets were published, with actions under implementation for better outcomes in a number of equalities strands. A link Governor for equality and diversity was appointed and this became a specific responsibility for one of the Group's Governance committees.

DISABILITY STATEMENT

The Group seeks to achieve the objectives set down in the Disability Discrimination Act 2000 (and the subsequent Special Education Needs and Disability Acts 2001 and 2005) and the Equalities Act 2010 and in particular makes the following commitments:

a) As part of the continuing redevelopment of the buildings all facilities will continue to ensure that there is ready access to people with a disability;
b) The admissions procedure aims to ensure that no applicant will be denied the opportunity to apply for a course at the group on the grounds of having a disability and/or learning difficulty;
c) Specialist equipment and accommodation adaptations will be provided, or made, whenever possible or practical;
d) The admissions policy for all students is described in the Group policies. Appeals against a decision not to offer a place are dealt with under the complaints policy;
e) The Group has made a significant investment in the appointment of staff to support students with learning difficulties and/or disabilities who can provide a variety of types of support for learning. The Group arrangements ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
f) Specialist programmes are described in programme information guides and achievements are recorded and published in the standard Group format;
g) Counselling and welfare services, which are available to all learners, are described on the Colleges' websites;
h) The Group has produced a Disability Equality Scheme and an associated action plan which seeks to eliminate discrimination and harassment, promote equality of opportunity, promote positive attitudes towards disability, take account of people's disabilities - even if

this means treating someone more favourably, and encourage participation by disabled people in public life.

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the Group to publish information on facility time arrangements for trade union officials at the Group. The trade union facility time for 1 April 2021 to 31 March 2022 is set out below.

Number of employees who were relevant trade union officials during the relevant period	FTE of trade union officials during the relevant period
21	17.5

Percentage of time	Number of employees
0%	0
1-50%	21
51-99%	0
100%	0

Total cost of facility time	£86,243
Total pay bill	£37,601,757
Percentage of total bill spent on facility time	0.23%

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

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2021 to 31 July 2022, the College paid 98 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

EVENTS AFTER THE REPORTING PERIOD

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Corporation on 8th December 2022 and signed on its behalf by:

Robert Foulston
Chair

Governance Statement

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

The College endeavours to conduct its business:

i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code")

In the opinion of the Governors, the Group complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2022. This opinion is based on an internal review of compliance with the Code undertaken for the Corporation by the Head of Governance annually (last review May 2022) and an external compliance review carried out by the College's Internal Audit Service in June 2022. The Governing Body 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 2016 together with the September 2021 revisions to this.

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

The Corporation

The Governors who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	Date Appointed/ Re-Appointed	End date for Term of office	Date resigned	Committees served	Corporation & Committee Meeting attendance from 1/8/21 to 31/7/22
Chair					
Mr R. Foulston	01.08.2019	31.07.2023		Finance Planning & Resources, Remuneration, Estates Sub-Committee, Search and Governance	15 of 18 : 83%
Two Vice-Chairs					
Dr. J Brumwell	01.08.2019	31.07.2023		Finance Planning & Resources, Remuneration, Safeguarding, Special, Estates Sub-Committee	15 of 21 : 71%
Ms K. Driver	10.07.2017	31.07.2025		Audit, Search and Governance, Special	11 of 13 : 85%
Other general members					
Mr J. Azah	10.07.2017	31.07.2025		Safeguarding	6 of 10 : 60%
Mr D. Cheema .	10.07.2017	31.07.2023		Finance Planning & Resources, Quality Learning & Standards, Special, Remuneration, HE Committee	14 of 24 : 58%
Cllr J Cook	16.10.2019	31.07.2023	31.07.2022	Audit	6 of 10 : 60%
Cllr B. Fraser	01.08.2019	31.07.2023		Quality Learning & Standards, Remuneration, Search &	14 of 18 : 78%

Name	Date Appointed/ Re-Appointed	End date for Term of office	Date resigned	Committees served	Corporation & Committee Meeting attendance from 1/8/21 to 31/7/22
				Governance	
Cllr S. Gordon	10.07.2017	31.07.2025		Search & Governance, Safeguarding	12 of 13 : 92%
Cllr A. Holt	30.09.2020	31.07.2024		Finance, Planning and Resources	11 of 13 : 85%
Prof H .Laville	25.05.2021	31.07.2025		HE Committee, Quality Learning & Standards	8 of 13 : 62%
Mr J. Marshall	01.08.2021	31.07.2025		Finance Planning & Resources, , Remuneration	14 of 15: 93%
Mr T. Monger-Godfrey	10.12.2019	31.07.2023		Finance Planning & Resources,	9 of 13 : 69%
Ms M. Pottinger	01.04.2021	31.07.2025		Quality Learning & Standards	13 of 13 : 100%
Mr K. Shipman	08.07.2020	31.07.2024		Safeguarding	7 of 10 : 70%
Mr M. J. Stone	14.05.2019	31.05 2023		Quality Learning & Standards, HE Committee, Audit	19 of 19 : 100%
Ms J. Tatum	01.04.2021	31.07.2025	24.5.2022	Audit	3 of 6 : 50%
Mr G Willett	01.08.2019	31.07.2023		Quality Learning & Standards, Search and Governance, HE Committee	16 of 19 : 84%
Staff members					
Ms W. Miles	28.09.2021	27.09.2025		Safeguarding	6 of 9 : 67%
Ms C. Streliaev-Pivetta	28.09.2021	27.09.2025		Quality Learning & Standards	11 of 12 : 92%
Student members					
Mr J. Abban	24.02.2022	31.07.2022	31.07.2022		1 of 3: 33%
Ms S. Francis	01.08.2022	31.07.2023			N/A
Ms D. Garwood	01.08.2022	31.07.2023			N/A
Ms L. Warnes	01.11.2021	31.07.2022	31.07.2022	HE Committee	3 of 9: 33%
Ms J. Wells	01.11.2021	31.07.2022	26.01.2022		2 of 4 : 50%
Group Principal / CEO					
Mr P Mayhew-Smith	01.04.2010			Finance Planning & Resources, Search, Quality Learning & Standards, Safeguarding, HE Committee,	30 of 30 : 100%

Head of Governance	
Mrs H Meredith	(appointed 1 September 2017)

The governance framework

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets each term – usually more often than once a term.

The Corporation conducts its business through a number of committees. Each committee has Terms of Reference, which have been approved by the Corporation. These committees are Finance Planning & Resources, Quality Learning & Standards, Remuneration, Search and Governance, Health and Safety and Safeguarding, Audit and a Higher Education Committee. Full minutes of the main Committee Meetings, except those deemed to be confidential by the Corporation, are available on the Group's website at stcg.ac.uk or from the Head of Governance at:

Kingston College
Kingston Hall Road
Kingston upon Thames
KT1 2AQ

The Head of Governance maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

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

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are also provided regularly.

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

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole apart from the elected positions for staff and student Governors. The Corporation has a Search and Governance committee, consisting of seven members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years and may serve up to two terms of office, a maximum of eight years. This may be extended in exceptional circumstances for example where a governor is undertaking a new and more senior role, such as chair or vice-chair of the Corporation or chair of a Corporation Committee.

Corporation performance

The Corporation carried out a self assessment of its own performance for the year ended 31st July 2022 and graded itself as "good" on the Ofsted scale.

The extract from the February 2020 Ofsted Report which relates to governance is as follows:

"Following the merger of Carshalton, Kingston and South Thames colleges, Governors and senior leaders have been effective in securing a clear strategic direction for the South Thames Colleges Group. They have placed a strong focus on maintaining a distinct college ethos for each of the colleges in the group. As a result, each college has maintained good local connections and continues to serve its communities well.

Governors and leaders have taken decisive action to establish a relevant curriculum in each borough. They have streamlined the courses they teach at Carshalton and Merton colleges, so that students benefit from well-resourced, high-quality provision. They have closed a declining A-level provision at Kingston College. Managers have taken effective steps to reduce the numbers of subcontractors with whom they work. They have taken appropriate action to improve the quality of the remaining subcontracted provision. As a result, most areas of the college now perform at a consistently high standard".

In 2021 the Corporation requested a review of Board effectiveness to be carried out by the ETF which found that **"***the board of STCG has some positive impact on the college's outcomes and there is strong evidence that it is proficient in many key areas."* Areas identified for improvement were incorporated into a Governance improvement action plan for implementation. The Corporation considered DfE guidance on board reviews and has plans to commission an external review in future but did not carry out a formal review in 2021/22 because of having been reviewed by the ETF in summer 2021.

The Corporation is committed to personal development to continue to improve the effectiveness of governance. Governors and the Head of Governance attended many training and development activities during 2021-22 including :

- A full day Governance Awayday on 8 November 2021 organised by the College.
- Webinars organised by the Office for Students, JISC, the Association of Colleges and the Education and Training Foundation and National Governors' Association
- 4 Governors attended new governor inductions organised by the Association of Colleges
- 2 student Governors attended student governor inductions organised by Unloc and the Association of Colleges
- All Governors and the Head of Governance completed online refresher training on Safeguarding and the Prevent Duty
- 1 Student Governor attended the Unloc Festival of Student Governance
- 5 Governors attended the residential Annual Association of Colleges Conference
- 4 Governors and the Head of Governance attended the online Association of Colleges Governors' Summit
- 1 Governor undertook Safer Recruitment Training
- The Head of Governance attended training sessions for Governance Professionals organised by the Education and Training Foundation and the Association of Colleges, webinars run by solicitors and accountants and the Association of Colleges' SE Governance Conference, a series of webinars on LSIPs run by the Association of Colleges and the Gatsby Foundation and webinars on diversity run by the Association of Colleges.

In addition, during the year, an internal mentoring scheme was set up for newly appointed Governors to be mentored by more experienced Governors.

Remuneration Committee

Throughout the year ending 31 July 2022 the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post holders (some of who are also the College's key management personnel). In carrying out its responsibilities, it takes full account of The Colleges Senior Staff Remuneration Code issued by the Association of Colleges in December 2018, which it formally adopted on 25 February 2020.

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

Audit Committee

The Audit Committee has a minimum of three and maximum of eight members. In addition, the Committee can appoint up to two co-opted members including a finance/audit specialist. The Corporation Chair, the Head of Governance, the Accounting Officer, Members of Finance Planning and Resources Committee and senior management staff may not be members of the Audit Committee. The Committee operates in accordance with written terms of reference approved by the Corporation.

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

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

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

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation. The audit committee met three times in the year to 31 July 2022. The members of the committee and their attendance records are shown below:

Name	**Audit Committee Meeting attendance from 1/8/21 to 31/7/22**
Cllr J. Cook	2 of 3: 67%
Ms K. Driver	3 of 3: 100%
Mr J. Stone	3 of 3: 100%
Ms J. Tatum	1 of 2: 50%
Mr A. Roberts (Co-opted Member)	2 of 3: 67%
Mr N. Ware (Co-opted Member)	1 of 1: 100%
Mr N. Ratnavel (Co-opted Member)	2 of 2: 100%

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

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

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2022 and up to 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 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 governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

South Thames Colleges Group has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Risks faced by the Corporation

The Corporation has overall responsibility for risk management.

The Group has well developed strategies for managing risk and strives to embed risk management in all that it does. A risk register is maintained at the Group level which is reviewed at least annually by the Audit Committee and more frequently where necessary. 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. Not all the factors which constitute or contribute to a risk may be within the Group's control. Given the significant changes to funding systems, governance arrangements and public sector finances, other factors besides those listed within the risk register may also emerge which adversely affect the Group and these are identified and incorporated in the Risk Register as they arise. The Corporation committees each 'own' a number of the Group's risks and report on these and their levels of assurance at the end of each meeting to the Audit Committee. If further assurance is required, each Committee or the Audit Committee can request that additional assurance is provided internally or commissioned externally.

The main risk factors affecting the Group are set out below along with the action taken to minimise them. Other factors besides those listed below may also adversely affect the Group.

Risk	
Funding and income levels	The Group recognises the risk that 16-18 recruitment will be affected by competition from other providers including schools, and insufficient internal progression and retention. The risk is mitigated through curriculum planning, internal delivery targets set above funding targets, internal marketing targeted at improving progression and the development of curriculum clusters aimed at maintaining quality and reputation. The Group has seen gentle but constant decline in16-18 recruitment over the past four years and this has given the Group a considerable challenge in consolidating to a level of activity that is affordable and based on reliable and stable student numbers. New initiatives such as curriculum development and a new schools liaison team have been undertaken to address this issue and there are signs in Autumn 2022 that this trend may have stabilised. Significant opportunities exist for the Group to grow its adult provision further and there are major investment funds available to the Group from Government as it promotes engagement and supports employment across the economy. The Group has not been successful in realising these opportunities over recent years, but plans to deliver provision more in line with its funding allocations in 2022/23, relying less on subcontracted provision to achieve this. HE recruitment continues to be a significant concern and the withdrawal of some key collaborative programmes from Autumn 2018 has created further pressure on the Group to reduce costs and find growth elsewhere. Apprenticeship recruitment has begun to improve and appears to be stable or rising slightly. The recruitment of High Needs Students is generating growth, but contribution rates for this provision to central costs is limited. Additionally, the complexity of claiming funding from a large number of Local Authorities requires the Group to further develop its systems and capacity for this task. The Group has resolved to identify the decline in 16-18 recruitment as the principal strategic risk to its future over the medium-term and actions to address this from the core of its new strategic plan from 2021 onwards.
Staff recruitment	In common with many employers, the Group has experienced significant challenges in the recruitment and retention of staff after the Covid-19 pandemic. A number of measures have been implemented or proposed to address the issue, including the proposed implementation of a new pay and grading structure. These measures have significant cost implications that the Group has estimated and current forecasts indicate that the additional costs will not impact the Group's financial viability. New income secured as well as other savings will compensate the additional expenditure.
Cost efficiency	Where income targets are not achieved, if fixed costs are not controlled, there is a risk that expenditure will exceed affordable levels and undermine efficiency. In order to mitigate the risk, the Group sets an annual EBITDA target and a minimum contribution target for each delivery area. Annual budgets also contain an allowance for contingency. Monthly financial performance monitoring meetings are held to review the forecast outturn and

	lead to detailed monthly reports to the Group Leadership Team and Governors and the impact of these measures have been decisive in returning the Group's financial performance to a positive level after the first year of merger. In 2022/23, the Group faces the significant challenge of containing the impact of the increase in energy costs as well as other cost of living increases. The financial targets set within the budget for 2022/23 recognise the extraordinary nature of the increase in energy prices and the EBITDA target for the year has been set at a realistically low level. The Group has engaged the services of an energy consultancy to act on its behalf and energy prices up to 31 July 2023 were fixed in summer 2022.
Quality improvement	The progress seen in student achievement rates during 2018/19 and 2019/20 are commendable. There remain a few curriculum areas within the Group where performance is not yet at an acceptable level, but the Group has been judged 'good' at inspection and finds significant reason to reduce the rating of this risk as it clearly has deployed an effective set of quality improvement measures to raise standards. Data for 2019/20 and 2020/21 shows that Apprenticeships declined and reinstates the risk of a critical opinion of this key area of work, with good progress in evidence from 2021/22 to be sustained into the coming year. Provision for High Needs Students is improving rapidly and benefiting from considerable investment in new middle and senior leadership resources. Achievement rates for young people, however, appear to have declined following the transition from Teacher Assessed Grades back to normal examinations and concerted attention to exam preparation, better teaching and learning, support for more vulnerable students and more robust forecasting will have to be deployed quickly across the Group to improve attainment for young people.

Control weaknesses identified

No significant control weaknesses were identified by internal audit.

Responsibilities under funding agreements

The Corporation ensures that the College's funds are used only in accordance with the corporation's powers as set out in the Further and Higher Education Act 1992 and the College's own statutory duties and other obligations. The Corporation also ensures that the College's funds are used only in accordance with the College's powers as set out in the Further and Higher Education Act 1992 and the College's Instrument and Articles of Government.

Action taken by the Corporation to ensure this includes the scrutiny undertaken by the Corporation and its committees of the work undertaken by the College including oversight of quality and financial performance, health and safety and fraud and irregularity. Examples of this include:

The Finance, Planning and Resources Committee reviews monthly management accounts which include an assessment of financial health. The Committee meets twice a term to monitor financial performance closely.

The Audit Committee and senior management review the Risk Register which includes assessment of risks to financial health. Under the College Board Assurance Framework each Committee reviews the assurance levels on the risks allocated to it and reports to the Audit Committee on its judgments.

The Audit Committee reviews the risk of failing to comply with the procedures and regulations connected to learner funding (as set out by each funding body including the utilisation of expected compliance processes such as PDSAT) at its termly meetings.

The Audit Committee receives an annual presentation on data management and compliance strategies by MIS.

Any instances of fraud are reported to the Chair of the Audit Committee and reviewed by the Audit Committee at each meeting.

Statement from the Audit Committee

The Audit Committee has advised the Corporation that there is an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of review undertaken by the Audit Committee in 2021/22 and up to the date of the approval of the financial statements were as follows:

- STCG MIS controls – the committee received a presentation on the controls
- Annual Report on GDPR implementation
- Internal Audit Reports in relation to the following areas:
    - Curriculum Development - No opinion / Advisory
    - Apprenticeship Quality Improvement Action Plan - Substantial Assurance
    - Governance - No opinion / Advisory
    - High Needs and Additional Learning Support - No opinion / Advisory
    - Key Financial Controls - Substantial Assurance
    - Learner Number Systems - No opinion / Advisory
    - Quality Assurance - Reasonable Assurance.

Where auditors have made recommendations, management action to implement the recommendations has been followed up by a Tracker Report reviewed by the Audit Committee at following meetings and the Audit Committee is satisfied that the action taken is sufficient to address each recommendation.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

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 December 2022 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2022.

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

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

Robert Foulston	**Peter Mayhew-Smith**
Chair	**Accounting Officer**
8 December 2022	**8 December 2022**

Statement of regularity, propriety and compliance

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

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the terms and conditions of funding, under the corporation's grant funding agreements and contracts with ESFA, or any other public funder.

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

Peter Mayhew-Smith
Accounting officer

8 December 2022

Statement of the chair of Governors

On behalf of the corporation, I confirm that the Accounting Officer has discussed their statement of regularity, propriety and compliance with the board and that I am content that it is materially accurate.

Robert Foulston
Chair

8 December 2022

Statement of responsibilities of the members of the Corporation

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

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities. The Corporation is responsible for the maintenance and integrity of its website(s); the work carried out by auditors does not involve consideration of these matters and, accordingly, auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economic, efficient and effective management of the Corporation’s resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 08 December 2022 and signed on its behalf by

Robert Foulston
Chair

Independent auditor's report to the Members of the Corporation of South Thames Colleges Group

Opinion
We have audited the financial statements of South Thames Colleges Group ('the College') and its subsidiaries (together 'the group') for the year ended 31 July 2022 which comprise the group and parent college statement of comprehensive income, the group and parent college statement of changes in reserves and balance sheets, the group statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the College's affairs as at 31 July 2022 and of the group's deficit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- In all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;

- in all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and

- the requirements of 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 and the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of the members of the Corporation

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

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

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

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

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

- the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;

- we identified the laws and regulations applicable to the group and the College through discussions with management, and from our knowledge and experience of the sector;

- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group and the College, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and

- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and

- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

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

- performed analytical procedures to identify any unusual or unexpected relationships;

- tested journal entries to identify unusual transactions; and

- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with HMRC and the group's and the College's legal advisors (although none was noted as being received by the group and the College).

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

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

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

Use of our report

This report is made solely to the members of 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 members of 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 group and the College and the members of the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 15 December 2022

Reporting accountant's assurance report on regularity

To: The Corporation of South Thames Colleges Group and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter dated 14 June 2022 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by South Thames Colleges Group during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

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

Respective responsibilities of South Thames Colleges Group and the reporting accountant

The corporation of South Thames Colleges Group is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them. Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. 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. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation'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 the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

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

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Date: 15 December 2022

South Thames Colleges Group
Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2022 Group £'000	2022 College £'000	Year ended 31 July 2021 Group £'000	2021 College £'000
INCOME					
Funding body grants	2	50,876	50,876	49,534	49,534
Tuition fees and education contracts	3	13,112	13,112	14,288	14,288
Other income	4	2,109	1,881	1,624	1,489
Investment income	5	88	88	33	33
Donations	6	-	(71)	-	71
Total income		**66,185**	**65,886**	**65,479**	**65,415**
EXPENDITURE					
Staff costs	7	48,617	48,617	46,471	46,471
Other operating expenses	8	15,977	15,962	13,607	13,593
Depreciation	10	5,696	5,638	5,412	5,369
Interest and other finance costs	9	1,686	1,678	1,721	1,714
Total expenditure		**71,976**	**71,895**	**67,211**	**67,147**
Deficit before other gains and losses		**(5,791)**	**(6,009)**	**(1,732)**	**(1,732)**
Profit on disposal of fixed assets	10	-	-	322	322
Deficit for the year		**(5,791)**	**(6,009)**	**(1,410)**	**(1,410)**
Actuarial gain in respect of pension schemes	16	63,615	63,615	6,609	6,609
Total Comprehensive income for the year		**57,824**	**57,606**	**5,199**	**5,199**
Represented by:					
Unrestricted Comprehensive income		**57,824**	**57,606**	**5,199**	**5,199**

South Thames Colleges Group
Statements of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2020	1,439	8,289	9,728
Deficit from the income and expenditure account	(1,410)	-	(1,410)
Other comprehensive income	6,609	-	6,609
Transfers between revaluation and income and expenditure reserves	699	(699)	-
Total comprehensive income for the year	5,898	(699)	5,199
Balance at 31st July 2021	7,337	7,590	14,927
Deficit from the income and expenditure account	(5,791)	-	(5,791)
Other comprehensive income	63,615	-	63,615
Transfers between revaluation and income and expenditure reserves	699	(699)	-
Total comprehensive income for the year	58,523	(699)	57,824
Balance at 31st July 2022	**65,860**	**6,891**	**72,751**
College			
Balance at 1st August 2020	1,435	8,289	9,724
Deficit from the income and expenditure account	(1,410)	-	(1,410)
Other comprehensive income	6,609	-	6,609
Transfers between revaluation and income and expenditure reserves	699	(699)	-
Total comprehensive income for the year	5,898	(699)	5,199
Balance at 31st July 2021	7,333	7,590	14,923
Deficit from the income and expenditure account	(6,009)	-	(6,009)
Other comprehensive income	63,615	-	63,615
Transfers between revaluation and income and expenditure reserves	699	(699)	-
Total comprehensive income for the year	**58,305**	**(699)**	**57,606**
Balance at 31st July 2022	**65,638**	**6,891**	**72,529**

South Thames Colleges Group
Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2022	**2022**	**2021**	**2021**
		£'000	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible fixed assets	10	106,104	105,860	104,538	104,236
		106,104	**105,860**	**104,538**	**104,236**
Current assets					
Stocks		10	10	10	10
Trade and other receivables	12	1,272	1,739	2,062	2,561
Cash and cash equivalents	17	18,430	17,974	25,108	24,893
		19,712	**19,723**	**27,180**	**27,464**
Less: Creditors – amounts falling due within one year	13	(10,292)	(10,281)	(11,804)	(11,790)
Net current assets		**9,420**	**9,442**	**15,376**	**15,674**
Total assets less current liabilities		**115,524**	**115,302**	**119,914**	**119,910**
Less: Creditors – amounts falling due after more than one year	14	(37,056)	(37,056)	(41,028)	(41,028)
Provisions					
Defined benefit obligations	20	(2,799)	(2,799)	(60,394)	(60,394)
Other provisions	16	(2,918)	(2,918)	(3,565)	(3,565)
Total net assets		**72,751**	**72,529**	**14,927**	**14,923**
Unrestricted reserves					
Income and expenditure account		65,860	65,638	7,337	7,333
Revaluation reserve		6,891	6,891	7,590	7,590
Total unrestricted reserves		**72,751**	**72,529**	**14,927**	**14,923**

The financial statements on pages 40 to 66 were approved and authorised for issue by the Corporation on 8 December 2022 and were signed on its behalf on that date by:

Robert Foulston
Chair

Peter Mayhew-Smith
Accounting Officer

South Thames Colleges Group
Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Deficit for the year		(5,791)	(1,410)
Adjustment for non cash items			
Depreciation		5,696	5,412
Decrease in debtors		790	2,808
Increase/ (decrease) in creditors due within one year		(1,183)	880
Increase/ (decrease) in creditors due after one year		(1,308)	1,333
Decrease in provisions		(262)	(936)
Pension costs less contributions payable		4,476	3,668
Adjustment for investing or financing activities			
Investment income		(88)	(33)
Interest payable		1,686	1,721
Profit on sale of fixed assets		-	(322)
Net cash flow from operating activities		**4,016**	**13,121**
Cash flows from investing activities			
Investment income		88	33
Lennartz payment refund		665	-
Payments made to acquire fixed assets		(7,927)	(4,203)
		(7,174)	**(4,170)**
Cash flows from financing activities			
Interest paid		(527)	(704)
Repayments of amounts borrowed		(2,993)	(5,848)
		(3,520)	**(6,552)**
(Decrease)/Increase in cash and cash equivalents in the year		**(6,678)**	**2,399**
Cash and cash equivalents at beginning of the year		25,108	22,709
Cash and cash equivalents at end of the year	17	18,430	25,108

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2021 to 2022* 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 use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, KCTC Limited and Kingston and Sutton Educational Partnership Ltd. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2022.

Going concern

The activities of the Group, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the Group, its cash flow and liquidity are presented in the financial statements and accompanying notes.

The budgeted EBITDA for 2021/22 was set in recognition of the time the Group expected it will take for enrolment numbers to recover from the impact of the pandemic. The actual outturn for 2021/22 was an improvement of 21% on budgeted EBITDA. In 2022/23, the Group faces the significant challenge of containing the impact of a 270% increase in energy costs. The financial targets set within the budget for 2022/23 recognise the extraordinary nature of this increase in energy prices and the EBITDA target for the year has been set at a realistically low level. The College Financial Forecasting Return (CFFR) submitted to the Funding Body in July 2022 indicates that the Group will remain in 'Good' financial health in 2022/23 and 2023/24. Having made a voluntary loan repayment of £2.1m in July 2022 in order to further reduce indebtedness, the Group is also less constrained by loan covenants in setting its financial performance targets. In addition to the cash generated from operations, proceeds from the disposal of surplus land are forecast to improve the cash balance in 2023/24 and enable the Group to fund its ongoing capital programme.

The Group had loans of £5.36 million outstanding with bankers as at 31 July 2022. The borrowings are secured on a part of the Group's estate and repayable over 13 years commencing 1 August 2017. The Group met the loan covenants for the year ended 31 July 2022 with a comfortable margin following the voluntary repayment of £2.1 million in July 2022. A voluntary repayment of £5 million was previously made in December 2020 and the Group also entered into a Revolving Credit Facility (RCF) for £5 million at the time. The RCF was increased to £7 million in November 2022 in order to retain access to funds. No amounts have been drawn down on the RCF since it was agreed and forecasts indicate that there will be no requirement to utilise the Facility during 2022/23. The Group's forecasts and financial projections indicate that it will be able to operate within the existing facilities and covenants for the foreseeable future. The CFFR submitted in July 2022 includes monthly cash flow forecasts up to 31 July 2024 and indicates that the Group's cash balance will remain above the minimum cash balance target throughout the two-year period.

The Group has net current assets at 31 July 2022 and creditors payable within one year include a holiday pay accrual and deferred capital grants (total of £2.6 million) for which payments are not required. The early forecasts contained within the management accounts to date for 2022/23 indicate an improvement in the budgeted financial performance for the year.

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

Recognition of income

Revenue Grant funding

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

The recurrent grant from OFS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants (including research 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 method as permitted by FRS 102. The College does not have any capital grants from non-government sources. 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 income and expenditure account 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 and any other arrangements. 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. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. 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.

London Pension Fund Authority 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 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 interest and other finance costs.

Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. 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 the 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 in the year that the member of staff retires. In subsequent years, a charge is made to the statement of comprehensive income using the enhanced pension spreadsheet provided by the Funding Body.

Tangible fixed assets

Tangible fixed assets are stated at 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 adoption of FRS102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

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

Land and buildings

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 as follows

- freehold land – not depreciated as it is considered to have an infinite useful life.
- freehold buildings – between 20 and 50 years
- leasehold buildings – over lower of 50 years and life of lease
- leasehold improvements – over lower of 50 years and life of lease
- building improvements – 10 years on a straight-line basis

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 income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, 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.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to expenditure 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.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated on a straight-line basis over its remaining useful economic life as follows:

Motor vehicles– 4 years on a straight-line basis

Computer equipment – 4 years on a straight-line basis

Other equipment – 6 years on a straight-line basis

Furniture, fixtures and fittings – 6 years on a straight-line basis

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. The College has no finance leases or hire purchase agreements

Investments in subsidiaries

Investment in subsidiaries is accounted for at cost less impairment in the individual financial statements.

Inventories

Inventories are stated at the lower of their cost using the first in first out method and net realisable value, being selling price less costs to complete and sell. Where necessary, provision is made for obsolete, slow-moving and defective items.

Cash and cash equivalents

Cash includes cash in hand and deposits repayable on demand. 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.

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 around 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether there are indicators of impairment of the College’s tangible assets. 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.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

South Thames Colleges Group
Notes to the Accounts (continued)

2 Funding Body grants

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	979	979	1,264	1,264
Education and Skills Funding Agency - 16 - 18	32,602	32,602	32,649	32,649
Education and Skills Funding Agency - apprenticeships	2,392	2,392	2,319	2,319
Greater London Authority - Adult	11,205	11,205	9,718	9,718
Office for Students	194	194	371	371
Specific Grants				
Releases of government capital grants	1,362	1,362	1,114	1,114
16-19 Tuition Fund	515	515	732	732
Further Education Professional Development grant	258	258	-	-
College Collaboration Fund	178	178	-	-
Teachers Pension Scheme contribution grant	1,191	1,191	1,367	1,367
Total	**50,876**	**50,876**	**49,534**	**49,534**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees (including full cost)	1,616	1,616	1,317	1,317
Apprenticeship fees and contracts	85	85	77	77
Fees for FE loan supported courses	982	982	1,084	1,084
Fees for HE loan supported courses	2,054	2,054	2,441	2,441
International students fees	249	249	164	164
Total tuition fees	**4,986**	**4,986**	**5,083**	**5,083**
Education contracts	8,126	8,126	9,205	9,205
Total	**13,112**	**13,112**	**14,288**	**14,288**

4 Other income

	Year ended 31 July		Year ended 31 July	
	2022	**2022**	**2021**	**2021**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Catering and residences	496	496	395	395
Other income generating activities	1,273	1,045	937	802
Other Grant income	314	314	284	284
Coronavirus Job Retention Scheme grant	-	-	5	5
Other income	26	26	3	3
	2,109	**1,881**	**1,624**	**1,489**

5 Investment income

	Year ended 31 July		Year ended 31 July	
	2022	**2022**	**2021**	**2021**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Interest receivable	88	88	33	33
	88	**88**	**33**	**33**

6 Donations - College only

	Year ended 31 July	
	2022	**2021**
	£'000	**£'000**
Unrestricted donations (Gift Aid from subsidiary company KCTC Ltd)	(71)	71
Total	**(71)**	**71**

The provision made in the year ended 31 July 2021 for the subsidiary to donate its profits for the year to the College has been reversed in the year ended 31 July 2022.

South Thames Colleges Group
Notes to the Accounts (continued)

7 Staff costs - Group and College

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

	2022 No.	2021 No.
Teaching staff	580	505
Non teaching staff	372	397
	952	**902**

South Thames Colleges Group pays a number of sessional staff throughout the year based on actual hours delivered. The sessional staff have no contracted hours of teaching or other duties and are not included above.

Staff costs for the above persons

	2022	2021
Wages and salaries	30,426	29,097
Social security costs	2,912	2,764
Other pension costs	10,045	9,203
Payroll sub total	**43,383**	**41,064**
Contracted out staffing services	4,838	5,139
	48,221	46,203
Fundamental restructuring costs (contractual)	396	268
Total Staff costs	**48,617**	**46,471**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College.

The College defines key management personnel as the CEO and Group Principal, Deputy CEO and three College Principals. The College has undergone significant structural change following merger in August 2017 and has sought to clearly define responsibility for key decisions. The key management personnel have adopted a matrix approach to distinguishing between accountability and responsibility for key functions within the Group and accountable staff have been defined as key management personnel.

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

	2022 No.	2021 No.
The number of key management personnel including the Accounting Officer was:	5	5

One of the College Principals left at the start of the year and was replaced at a later date.

7 Staff costs - Group and College (continued)

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

	Key management personnel		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£10,001 to £15,000 p.a	1	-	-	-
£30,001 to £35,000 p.a	1	-	-	-
£60,000 to £65,000 p.a	-	-	8	7
£65,001 to £70,000 p.a	-	-	9	10
£70,001 to £75,000 p.a	-	-	4	2
£75,001 to £80,000 p.a	-	-	1	2
£80,001 to £85,000 p.a	-	-	4	3
£85,001 to £90,000 p.a	-	-	1	2
£90,001 to £95,000 p.a	-	-	3	1
£100,001 to £105,000 p.a	-	-	1	1
£120,001 to £125,000 p.a	1	2	-	-
£145,001 to £150,000 p.a.	-	1	-	-
£155,001 to £160,000 p.a.	1	1	-	-
£160,001 to £165,000 p.a.	1	-	-	-
£210,001 to £215,000 p.a	1	1	-	-
	6	5	31	28

Including part time workers grossed up to full time equivalent, 2 further members of other staff received emoluments of £60,000 or more in 2022. They were paid in the £65,001 to £70,000 (one), £85,001 to £90,000 (one) and £90,001 to £95,000 (one) bandings (2021: one in £60,000 to £65,000 and two in £80,001 to £85,000). Of these staff, two received actual emoluments below £60,000 and are not included above (2021: two) and one is included in the £70,001 to £75,000 banding (2021: one). The emoluments of other staff who started or left during the year have not been disclosed if this is below £60,000.

Based on basic pay only, the numbers disclosed above will change for a number of pay bands as follows :

	2022 No.	2021 No.	2022 No.	2021 No.
£90,001 to £95,000 p.a	-	-	4	2
£145,001 to £150,000 p.a.	1	-	-	-
£155,001 to £160,000 p.a.	1	1	-	-
£160,001 to £165,000 p.a.	-	1	-	-

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Salaries	687	745
Employers National Insurance	92	97
Benefits in kind	16	15
	795	**857**
Pension contributions	40	73
Total key management personnel compensation	**835**	**930**

South Thames Colleges Group
Notes to the Accounts (continued)

7 Staff costs - Group and College (continued)

The pension contributions in respect of key management personnel are employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as that for other employees. No pension contributions were made in respect of the Accounting Officer in 2022 or 2021.

The Group Principal and CEO waived salary of £4,000 in the year (2021: £5,600). There were no salary sacrifice arrangements in place for key management personnel. The above compensation includes amounts payable to Group Principal and CEO who is also the Accounting Officer (highest paid officer) of:

	2022 **£'000**	**2021** **£'000**
Salaries	213	210
Benefits in kind	-	-
	213	210
Pension contributions	-	-

The governing body adopted AoC's Senior Staff Remuneration Code in December 2019 and assesses pay in line with its principles.

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

The Group Principal and CEO reports to the Chair of the Corporation, who undertakes an annual review of his performance against the College's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Group Principal and CEO pay and remuneration expressed as a multiple	**2022**	**2021**
Group Principal and CEO's basic salary as a multiple of the median of all staff	6.4	5.7
Group Principal and CEO's total remuneration as a multiple of the median of all staff	5.6	5.2

There were no payments of compensation for loss of office paid to former key management personnel or higher paid staff in the year.

The members of the Corporation other than the Group Principal and CEO 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.

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	4,366	4,366	3,359	3,359
Non teaching costs	5,576	5,561	4,731	4,717
Premises costs	6,035	6,035	5,517	5,517
Total	**15,977**	**15,962**	**13,607**	**13,593**

Other operating expenses include:	**2022**	**2021**
	£'000	**£'000**
Auditors' remuneration:		
Financial statements audit*	51	49
Internal audit**	66	52
Other services provided by the financial statements auditors***	3	3
Other services provided by the internal auditors****	11	5
Hire of asset under operating leases	139	140

* includes £51,000 in respect of the College (2021 £49,000)
** includes £66,000 in respect of the College (2021 £53,000)
*** expenditure refers to taxation compliance and includes £0 in respect of the College (2021 £0)
**** includes £10,962 in respect of the College (2021 £5,312)

9 Interest payable

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	527	519	704	697
	527	519	704	697
Enhanced pension provision finance costs (note 16)	56	56	51	51
Net interest on defined pension liability (note 16)	1,103	1,103	966	966
Total	**1,686**	**1,678**	**1,721**	**1,714**

South Thames Colleges Group
Notes to the Accounts (continued)

10 Tangible fixed assets (Group)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2021	221,075	2,852	29,458	253,385
Additions	5,907	-	1,355	7,262
At 31 July 2022	**226,982**	**2,852**	**30,813**	**260,647**
Depreciation				
At 1 August 2021	121,687	266	26,894	148,847
Charge for the year	4,456	46	1,194	5,696
At 31 July 2022	**126,143**	**312**	**28,088**	**154,543**
Net book value at 31 July 2022	**100,839**	**2,540**	**2,725**	**106,104**
Net book value at 31 July 2021	**99,388**	**2,586**	**2,564**	**104,538**

There were no fixed asset disposals in the year ended 31 July 2022. During the year, the Group received a net refund of £665k from HMRC of Lennartz payments made in excess of the deferred VAT. The net refund received has been treated as a deduction from the cost of additions to land and buildings during the year.

Tangible fixed assets (College)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2021	221,075	2,852	29,113	253,040
Additions	5,907	-	1,355	7,262
At 31 July 2022	**226,982**	**2,852**	**30,468**	**260,302**
Depreciation				
At 1 August 2021	121,687	266	26,851	148,804
Charge for the year	4,456	46	1,136	5,638
At 31 July 2022	**126,143**	**312**	**27,987**	**154,442**
Net book value at 31 July 2022	**100,839**	**2,540**	**2,481**	**105,860**
Net book value at 31 July 2021	**99,388**	**2,586**	**2,262**	**104,236**

South Thames Colleges Group
Notes to the Accounts (continued)

11 Non current Investments

	College 2022 £	College 2021 £
Investments in subsidiary companies	200	200
Total	**200**	**200**

The College owns 100 per cent of the issued ordinary £1 shares of KCTC Limited, a company incorporated in England and Wales. The principal business activity of KCTC Limited is the rental of college facilities.

The College also owns 100 per cent of the issued ordinary £1 shares of Kingston and Sutton Educational Partnership Limited (KSEP Ltd), a company incorporated in England and Wales. KSEP Ltd was a cost sharing vehicle that was jointly owned by Kingston and Carshalton Colleges prior to the merger on 1 August 2017. The company became a wholly owned subsidiary of South Thames Colleges Group on merger and ceased trading on the same day.

KCTC Ltd
Statement of Comprehensive Income

	2022 £'000	2021 £'000
Turnover	228	135
Cost of Sales	-	-
Gross profit	228	135
Administration expenses	(15)	(15)
Depreciation	(57)	(43)
Operating profit	156	77
Interest payable	(8)	(6)
Profit for the year before taxation	148	71
Profit for the year	**148**	**71**

12 Trade and other receivables

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Amounts falling due within one year:				
Trade receivables	368	361	881	852
Amounts owed by Subsidiary undertakings	-	474	-	528
Prepayments and accrued income	404	404	748	748
Amounts owed by HMRC	275	275	275	275
Amounts owed by the ESFA	225	225	158	158
Total	**1,272**	**1,739**	**2,062**	**2,561**

13 Creditors: amounts falling due within one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans and overdrafts (note 15)	545	545	874	874
Trade payables	1,687	1,687	1,438	1,438
Other taxation and social security	38	33	78	74
Accruals and deferred income	4,486	4,480	4,194	4,184
Holiday pay accrual	1,214	1,214	976	976
Deferred income - government capital grants	1,400	1,400	1,200	1,200
Amounts owed to the ESFA	922	922	3,044	3,044
Total	**10,292**	**10,281**	**11,804**	**11,790**

14 Creditors: amounts falling due after one year

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Bank loans (note 15)	4,812	4,812	7,476	7,476
Deferred income - government capital grants	32,244	32,244	33,552	33,552
Total	**37,056**	**37,056**	**41,028**	**41,028**

15 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
In one year or less	545	545	874	874
Between one and two years	577	577	901	901
Between two and five years	1,941	1,941	2,902	2,902
In five years or more	2,294	2,294	3,673	3,673
Total	**5,357**	**5,357**	**8,350**	**8,350**

The Group has a secured term loans from Barclays Bank. The fixed rate loan of £7.7m (Facility A) is repayable in instalments falling due monthly over a 13 year period commencing August 2017. The loan is secured on a portion of the Group's freehold land and buildings. The balance of a second facility (Facility B) was repaid in July 2022.

16 Provisions

	Defined benefit obligations £'000	Restructuring £'000	Enhanced pensions £'000	Total £'000
At 1 August 2021 (Group and College)	**60,394**	**86**	**3,479**	**63,959**
Payments in the period	(2,224)	-	(262)	(2,486)
Charge to expenditure:				
Current service cost	6,700	-	-	6,700
Net interest on pension liability	1,103	-	56	1,159
Actuarial gains	(63,174)	-	(441)	(63,615)
At 31 July 2022 (Group and College)	**2,799**	**86**	**2,832**	**5,717**

Defined benefit obligations relate to the liabilities under the Group's membership of the Local Government pension Scheme. Further details are given in Note 20.

The enhanced pension provision relates to the cost of staff who have already left the Group's employment and commitments for reorganisation costs from which the Group 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:

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

17 Cash and cash equivalents (Group)

	At 1 August 2021 £'000	Cash flows £'000	At 31 July 2022 £'000
Cash and cash equivalents	25,108	(6,678)	18,430
Total	**25,108**	**(6,678)**	**18,430**

18 Capital commitments

	Group and College	
	2022 £'000	**2021 £'000**
Commitments contracted for at 31 July	1,528	-
	1,528	**-**

19 Lease Obligations

At 31 July 2022 the goup had total minimum lease payments under non-cancellable operating leases as follows:

	Group and College	
	2022 £'000	**2021 £'000**
Total future minimum lease charges payable:		
Equipment		
Not later than one year	140	140
	140	**140**

20 Defined benefit obligations

The College's employees belong to two principal post-employment 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. Both are multi-employer defined-benefit plans.

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

Total pension cost for the year

		2022 £'000		2021 £'000
Teachers Pension Scheme: contributions paid		3,345		3,510
Local Government Pension Scheme:				
Contributions paid	2,224		2,025	
FRS 102 (28) charge	4,476		3,668	
Charge to the Statement of Comprehensive Income		6,700		5,693
Total Pension Cost for Year		**10,045**		**9,203**

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 Regulations. 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.

20 Defined benefit obligations (continued)

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 below the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

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

The latest actuarial review of the TPS was carried out as at 31 March 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 £196 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 23.68% during 2018/9). DfE paid a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year and will also fund the costs in 2022-23.

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

The pension costs paid to TPS in the year amounted to £3,345,000 (2021: £3,510,300).

20 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by the London Pensions Fund Authority (LPFA). The total contribution made for the year ended 31 July 2022 was £3,015,000 of which employer's contributions totalled £2,224,000 (The Group was not required to make deficit reduction payments) and employees' contributions totalled £791,000. The agreed contribution rate for future years is 18.5% for employers. Employee contribution rates will vary from 5.5% to 7.5% depending on salary. The employer contribution is calculated as a percentage of salary, and the College did not make any separate, lump-sum contributions into the pension scheme during the year. No deficit reduction payments will be made in the year ending 31 July 2023.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 by Barnett Waddingham LLP.

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	2.75%	2.80%
Rate of increase for pensions (CPI)*	2.75%	2.80%
Discount rate for scheme liabilities	3.40%	1.60%

* The CPI assumption has been adjusted to take account of the expected impact of the 2023 pension increase order.

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

	At 31 July 2022 years	At 31 July 2021 years
Retiring today		
Males	21.80	21.70
Females	24.50	24.40
Retiring in 20 years		
Males	22.70	22.60
Females	25.90	25.80

Sensitivity analysis	At 31 July 2022 £'000	At 31 July 2021 £'000
Discount rate +0.1%	(2,692)	(3,760)
Discount rate -0.1%	2,752	3,845
Mortality assumption - 1 year increase	4,922	8,359
Mortality assumption - 1 year decrease	(4,731)	(7,971)
Long term salary increase rate +0.1%	181	289
Long term salary increase rate -0.1%	(179)	(286)

The above sensitivities refer to the present value of total obligations and show the increase/(decrease) in the total obligations if rates change.

South Thames Colleges Group
Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2022 £'000	Fair Value at 31 July 2021 £'000
Equities	72,377	66,958
Target return Portfolio	27,690	26,116
Infrastructure	13,418	10,702
Property	12,524	10,081
Cash	1,534	4,708
Total market value of assets	**127,543**	**118,565**
Actual return on plan assets	**9,351**	**12,497**

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

	2022 £'000	2021 £'000
Fair value of plan assets	127,543	118,565
Present value of plan liabilities	(130,342)	(178,959)
Present value of defined benefit assets	**(2,799)**	**(60,394)**
Present value of unfunded liabilities (note 16)	(2,832)	(3,479)
Net pension liability	**(5,631)**	**(63,873)**

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

	2022 £'000	2021 £'000
Amounts included in staff costs		
Current service cost	(6,700)	(5,693)
Past service cost	-	-
Total	**(6,700)**	**(5,693)**
Amounts included in interest payable		
Net interest payable	**(1,103)**	**(966)**
Amounts recognised in Other Comprehensive expenditure		
Return on pension plan assets	7,651	11,059
Experience gains arising on defined benefit obligations	(10,525)	3,246
Changes in assumptions underlying the present value of plan liabilities	66,048	(7,891)
Amount recognised in Other Comprehensive expenditure	**63,174**	**6,414**

South Thames Colleges Group
Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2022 £'000	2021 £'000
Deficit in scheme at 1 August	(60,394)	(62,174)
Movement in year:		
Current service cost	(6,700)	(5,693)
Past Service costs	-	-
Employer contributions	2,224	2,025
Net interest on the defined liability	(1,103)	(966)
Actuarial loss	63,174	6,414
Net defined benefit liability at 31 July	**(2,799)**	**(60,394)**

Asset and Liability Reconciliation

	2022 £'000	2021 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	178,959	168,982
Current Service cost	6,700	5,693
Past Service costs	-	-
Interest cost	2,843	2,265
Contributions by Scheme participants	791	724
Experience gains and losses on defined benefit obligations	10,525	(3,246)
Changes in financial assumptions	(66,057)	7,882
Estimated benefits paid	(3,419)	(3,341)
Defined benefit obligations at end of period	**130,342**	**178,959**

Reconciliation of Assets

	2022 £'000	2021 £'000
Fair value of plan assets at start of period	118,565	106,808
Interest on plan assets	1,740	1,299
Return on plan assets	7,651	11,059
Other actuarial gains/(losses)	(9)	(9)
Employer contributions	2,224	2,025
Contributions by Scheme participants	791	724
Estimated benefits paid	(3,419)	(3,341)
Assets at end of period	**127,543**	**118,565**

The estimated value of employer contributions for the year ending 31 July 2023 is £2,195,000
The movements in the unfunded pension provision has been disclosed separately under note 16.
The fund was valued using the EPP calculator provided by the Association of Colleges.

Deficit Contributions

Following the most recent valuation of the scheme, the College is no longer required to make additional contributions for deficit reduction until the next full valuation at which point the situation will be reviewed again.

21 Related party transactions

The total expenses paid to or on behalf of the Governors during the year was £1,881 in respect of 7 Governors (2021: £744; five Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2021: None).

22 Amounts disbursed as agent

Learner support funds

	2022 £'000	2021 £'000
Funding bodies grants - 16-19 Bursary	853	698
Advanced Learning Loan Bursary	518	640
Other Funding body grants	62	122
	1,433	1,460
Disbursed to students	(911)	(1,274)
Administration costs	(32)	(44)
Balance unspent as at 31 July, included in creditors	**490**	**142**

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.

23 Access and participation expenditure

	2022 £'000	Restated 201 £'000
Access investment	10	10
Financial Support	12	52
Support for Disabled Students	31	30
	43	**92**

24 Events after the reporting period

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