



**REPORT AND FINANCIAL STATEMENTS
FOR THE
YEAR ENDED 31 JULY 2021**

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2020/21:

Mrs Jayne Dickinson - Chief Executive Officer (College Group) & Principal (ESC); Accounting Officer
Mr Kevin Standish - Principal (John Ruskin College) & Quality Lead (College Group) (until 24th September 2021)
Mrs Jyoti Baker - Chief Operating Officer (College Group)
Mrs Mitzi Gibson – Executive Director HR & Professional Development (College Group)

Board of Governors

A full list of Governors is given on pages 18 and 19 of these financial statements.
Mrs S Glover acted as Clerk to the Corporation throughout the period.

Financial Statements and Regularity Auditor:

Buzzacott
130 Wood Street
London
EC2V 6DL

Internal Auditors:

Scrutton Bland
Fitzroy House
Crown Street
Ipswich IP1 3LG

Bankers:

NatWest Bank Plc
2nd Floor Turnpike House
123 High Street
Crawley RH10 1DQ

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Lawyers:

Knights plc
The Brampton
Newcastle-Under-Lyme
Staffordshire
ST5 0QW

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REPORT OF THE CORPORATION

NATURE, OBJECTIVES AND STRATEGIES:

The Members of the Corporation present their report and the audited financial statements for the year ended 31 July 2021.

Legal Status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting East Surrey College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Corporation Name

The Corporation was incorporated as East Surrey College Corporation on 1 April 1993.

On 1 February 2019, East Surrey College merged with John Ruskin College. The two college campuses operate as East Surrey College Corporation trading as Orbital South Colleges.

Strategy

The Corporation approved the College Group's three-year Strategic Statement for 2019-2022 at their Corporation meeting on 11 July 2019. At the Corporation meeting on 9 July 2020, the Corporation reviewed the Mission, Vision, Values and Public Value Statement for 2020/21. Objectives and targets are set annually and monitored by Committees, through the College's formal termly Performance Reviews which are attended by Governors and through formal reporting to the Corporation Board at their Self-Assessment Workshop in July each year.

The College's Mission as approved by its Members is:

- To provide inspirational, high quality education and training that meets the needs of individuals, employers and our local and wider communities.

Vision:

- To be an outstanding provider of further and higher education and training.

Values:

- Clarity, Responsibility, Innovation, Quality, Openness and Aspiration.

Public Value Statement

The East Surrey College Corporation seeks to add value to the social, economic and physical well-being of the communities it serves. It does this through a defined educational character, vision and mission, through strategic aims and overarching values. The wider community is defined as all partners who have an interest in promoting educational advancement of individuals to benefit business, the local economy and the community as a whole.

REPORT OF THE CORPORATION (continued)

Public Benefit

The East Surrey College Corporation trading as Orbital South Colleges (the College) is an exempt charity under Part 3 of the Charities Act 2011. Following the Machinery of Government changes in July 2016, the Secretary of State for Education regulates the FE Sector of which this College is part.

The Members of the Corporation, who are trustees of the charity, are disclosed on pages 18 and 19.

In setting and reviewing the College's strategic aims, objectives and targets, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. In delivering its mission, the College provides the following identifiable public benefits through advancement of education:

- High quality teaching, learning and assessment to benefit learning and achievement;
- Widening participation and tackling social inclusion reducing achievement gaps and maximising positive outcomes;
- Excellent employment and progression record for students through the development of workplace and personal behaviours and through engagement in work experience;
- Strong student support systems;
- Strong links with employers, industry and commerce and Local Enterprise Partnerships to ensure training meets skills needs.

These public benefits, are further drawn out and illustrated in various sections of this Report.

Implementation of the Strategic Statement

The three-year Strategic Statement 2019-2022 was approved by the Corporation on 11 July 2019, following an extensive process which involved staff from across campuses to ensure a strategy that had ownership from across the merged organisation.

The College's strategic aims confirmed for 2020/21 were:

1. To deliver excellence in teaching, learning and assessment.
2. To enable students to develop excellent workplace behaviours and skills.
3. To ensure an inclusive environment in which our students and staff feel safe and thrive.
4. To develop complementary partnerships that contribute positively to sustainable communities.
5. To generate strong finances and robust delivery structures that enable future investment and sustainability.

The College sets specific objectives for each year against these aims and with associated targets. Progress against these are reported to College Governors within committees, at Corporation, at formal Performance Reviews and at the annual Corporation Self-Assessment Workshop.

In 2020/21, the College's key quality and community targets were:

- All teachers and assessors to demonstrate continuous improvement with 95% at least Good and 40% Outstanding: **MET** based on wider range of assessment criteria due to Covid restrictions
- All curriculum Self-Assessment grades for Teaching, Learning and Assessment graded at least Good: **Substantially MET**
- Student survey results at least 95% agreement teaching is Good: **MET**
- Achievement rates for classroom based and apprenticeships to meet or exceed national rates: **MET**

REPORT OF THE CORPORATION (continued)

- Value added outcomes for L3 BTEC in 50th percentile: **MET**
- GCSE High grade Pass rates English and maths to demonstrate improvement: **MET**
- British values embedded: **MET**
- Safeguarding continues to be effective: **MET**
- Subcontracted partnerships flourish meeting financial and quality targets: **MET**
- Partnerships developed in Health, Construction, Engineering and Creative Industries: **MET**
- New partnerships developed: **MET**

The grading within the 2020/21 Self-Assessment Report is endorsed by the Corporation, Learning and Quality Committee (LQC) in January of the following year, through delegated authority from the Corporation. The respective Colleges at their previous Ofsted inspection prior to merger: John Ruskin College was graded Requires Improvement, East Surrey College graded Good with many areas of strength and progress confirmed. The merged College received a monitoring visit in November 2019; the report received in January 2020 reported Reasonable Progress made in all areas following merger. For 2020/21, the College expects to propose to Learning and Quality Committee a grade of Good for all cross-College aspect and provision type grades while noting the significant improvements that have taken place since merger at both organisations. LQC will consider whether there is sufficient evidence for any grade or grades to be moved to Outstanding. High Needs were graded Outstanding in 2019/20 and there is confident position this will remain the same in 2020/21. In drawing this conclusion, the College has considered the requirements and focus of the new Education Inspection Framework in terms of Quality of Education; Behaviour and Attitudes; Personal Development; Leadership and Management. This also includes the provision types of Apprenticeships, Education Programmes for Young People, High Needs and Adults.

Financial objectives:

The College's strategic aim:

To generate strong finances and robust delivery structures that enable future investment and sustainability

is underpinned by the following objectives:

- Long term sustainability prioritised through sourcing of opportunities for growth, bidding and pursuit of new funding streams - **MET**
- Robust financial management and governance oversight is upheld resulting in the College financial health to be at least 'Good'- **MET**
- Effective budget planning to enable continued investment in meeting the College strategic plan – **MET**
- Targeted staffing increases and introduction of new courses as referred to elsewhere in the report – **MET**
- Enhanced efficiency of internal systems and cost effectiveness of curriculum delivery – **MET**

REPORT OF THE CORPORATION (continued)

The College monitors its performance through a series of performance indicators. The key performance indicators for 2020/21 were:

- Good financial health to be sustained with ratios for Good financial health met:
 - Performance ratio (EBITDA) - Between Breakeven - 5% **MET**
 - Current ratio - above 1.2% **MET**
 - Borrowing as a % of Income - below 40% **MET**
 - Staff costs as a % of Income - below 66% **MET**

The College achieved its financial objectives in 2020/21.

Further information relating to quality and financial objectives are stated in the relevant sections within this report. Overall, the College expects to have significantly met its objectives/targets and made significant progress against remaining.

The College's Self-Assessment report for 2020/21 will be presented in draft to Learning and Quality Committee in November 2021 and, with amendments, to the Corporation in December 2021 at which the Corporation is expected to delegate final sign off to the Chair of Learning and Quality and members of that Committee in January 2022. This should therefore be seen as a progressive position. The College has achieved its financial objectives and maintained its financial health.

FINANCIAL POSITION

Financial results

The College incurred an operating deficit before exceptional items of £887k in the year, (2019/20 – deficit of £467k), with total comprehensive income of £489k (2019/20 – total operating expenditure of £6,219k).

The College has accumulated reserves of £20,604k (2019/20 - £20,115k) and a cash and short term investment balance of £8,914k, (2019/20 – £9,868k). The College has committed £3.75m of its cash reserves to capital projects to complete over the two years to 2020/21. The College will continue to focus on viable operating models to continue building its reserves and cash balances to enable capital investment and revenue growth and sustainability to build a long term future.

Fixed asset additions of £3,033k were made in the year as part of the College's capital programme and significant investment in facilities. £2,300k relates to the new Construction Skills Centre and refurbished classrooms at John Ruskin College and a further £750k on improvements made under the FE Condition fund at the Gatton Point South site at East Surrey College.

The College has significant reliance on the Education and Skills Funding Agency for its principal funding source, largely from recurrent grants. In 2020/21 the Education and Skills Funding Agency provided 76% (2019/20– 83%) of the College's total income.

The College has one subsidiary company, Surrey Skills Limited. The Company is expected to undertake education, training and related ancillary services. Any surpluses generated by the subsidiary will be transferred to the College under a deed of covenant. However, in 2020/21, Surrey Skills Limited remained dormant.

The College has net assets of £20,604k (2019/20 - £20,115k) after taking account of a LGPS pension liability of £17,240k (2019/20 - £17,494k).

The College is facing a potential increase in costs from the Teacher's Pension Scheme (TPS) and National Insurance. The Government has committed to paying the increases in the Employers contribution to TPS until 31 March 2023. If further commitments are not received the College faces a significant increase in its cost base after 31 March 2023. The increase of 1.25% to Employer's National Insurance rates will commence in April 2022.

REPORT OF THE CORPORATION (continued)

People

The College employed some 484 Headcount (360 FTE) established staff, full-time and fractional, in a range of curriculum and support functions during the year (see note 8). The College also employed 86 FTE of sessional staff to deliver primarily on its Community Learning courses and supporting its high needs students.

Reputation

The College has a strong reputation locally and nationally, reinforced by continuing engagement with stakeholders and through continued good quality reporting. The College has grown its student cohort by successful partnership working with a range of agencies and by a responsive approach to local employer needs as well as students and parents. This includes ongoing relationships and partnerships with Employers through the Care and Construction Academies, to better meet the needs of these sectors.

Treasury policies and objectives

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

The College currently has a long term loan outstanding of £3.0m (2019/20: £3.3m). Borrowing requirements require the authorisation of the Corporation and comply with any requirements of the Funding Agreements.

Cash flows and Liquidity

Net cash inflow from operating activities stood at £1,062k (2019/20: £1,305k). The positive net cash flow resulted from increased activity and management of other resources.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of debt servicing and operating cash flow. During the year the operating cash inflows comfortably exceeded the College's outgoings.

COVID 19 Impact

The pandemic has continued its significant impact on College operations as indicated elsewhere in the report. The College continued to invest significant sums in transferring its operations online and purchasing equipment to enable students and staff to continue working from home and ensuring full health and safety regulations and the COVID 19 measures as per Government guidance was fully implemented. The management of College operations, ensuring clear communications to its staff and students, with their mental health and well being maintained as much as possible, resulted in significant costs and pressures on key College teams.

The Government and the ESFA support in the furlough scheme and the increased reconciliation threshold of the Adult Education budget has supported the College's ability to maintain its financial health.

REPORT OF THE CORPORATION (continued)

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring adequate resources are provided for the College's core business. The College currently holds £23k of restricted reserves. As at the balance sheet date, unrestricted reserves are stated at £20,581k (2020: £20,092k). It is the Corporation's

intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

Going Concern

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

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Performance indicators

The College benchmarks its practice against a variety of national benchmarking opportunities including achievement rate tables, Matrix and other quality marks. The DAS employer survey, which replaced the FE Choices survey, confirms very high quality and the satisfaction rate for 2020/21 at 92%.

The College continues to benchmark the quality of its provision and progress through a range of referencing activities with other colleges and against national benchmarks. The overall achievement rate of our students aged 16-18 in 2020/21 was 86.1% which is 2.7% above the GFE national rate of 83.4% and a 1.4% improvement on 2019/20. Adult achievement rate was 87.6% slightly below the national rate but above for many courses and a 0.3% improvement on 2019/20. 16-18 achievement has improved at ESC by 2.2% in comparison to 19/20, JRC has seen a slight decline by 0.3%. Apprenticeship achievement for OSC has improved by 3.8% on LY, and now exceeds national rates by 0.9%.

In 2020/21, the termly Governor Learning Walk programme included 'learning walks' of virtual learning, provided opportunities for Governors' questions and challenge, informing their monitoring of the Executive including how leaders were managing learning during lockdowns. Long-established, termly Performance Reviews include Governors enabling them to question and challenge leaders and managers on quality improvement, Safeguarding, MIS, Finance, Marketing and HR management. This underpins the review of improvement.

In 2020/21, the College delivered training to 103% of its allocated 16-18 year olds, compared to 98% in 2019/20. Students are attracted by the excellent facilities at the Colleges which included 3 new workshops for construction provision at JRC, enabling this provision to be offered for the first time, meeting local employment skills needs. Good local transport links, sustained high quality and a growing range of provision, all impacted well on recruitment. The provision of suitable support to High Needs 19-25 year olds, contributes to the relatively sustainable recruitment of young people at ESC with bespoke courses brought in at John Ruskin College for 2021/22. In addition, the College delivered training to classroom based full and part-time adult (19+ years) students. The College also delivered provision to over 110 14-16 year-old students from local schools, 737 Apprentices, and circa 2,129 Community Learning enrolments. The Community Learning courses were most impacted by the pandemic and resulting lockdown. Some of the courses that lent themselves to online delivery were transferred online, with the practical courses suspended. The College also delivered a range of full cost courses, including higher level professional and HE courses.

REPORT OF THE CORPORATION (continued)

College Achievements

During 2020/21, the College has continued to monitor improvements in both Curriculum and Support departments through Quality Improvement Plans, which rigorously challenge all areas to continually improve, with particular emphasis on any areas of under-performance. The Ofsted short Inspection report from October 2017 states **“Senior leaders and Governors are clear about the College’s strengths and areas requiring improvement to make the College Outstanding”**.

The monitoring visit report of January 2020 confirmed the progress made following the merger with John Ruskin College. Support department Service Level Agreements were reviewed and revised in-year and monitored for progress through the College Quality and Performance Review process, with reporting to the Governors’ Learning and Quality Committee. External verifier and Centre Systems Reviews throughout the year have been overwhelmingly positive with high levels of quality delivered. The 2020/21 Quality Improvement Plan contained 15 key targets for improvement. Of these, 4/15 have made excellent progress; 10/15 good progress and 1/15 lacked progress (JRC Entry/Level 1 achievement with Covid impacting).

The College has introduced several new programmes including Higher and Degree Apprenticeships and brought in new provision at JRC: Basic Construction, Plumbing, Painting and Decorating, Engineering, Cabin Crew.

The College has Matrix Accreditation. The College was also graded as Bronze by QAA in the TEF (Teaching Excellence Framework) higher education review and has since seen sustained increases in continuation and completion rates. The College works with University of Chichester as its validating partner, has a formal progression partnership with the University of the Creative Arts and in 2020/21 signed an MOU with London South Bank University for a range of purposes including joint bidding activity.

Student Achievements 2020/21

Across the combined College group, the achievement rate for 16-18s is 86.1% which is 2.7% above the national rate and represents an increase of 1.4% on 2019/20. The achievement rate for adults is 87.6%, which is 2.3% below the national rate. It is notable that Covid hit adult achievement rates on a range of courses including Access to Nursing where many students progressed directly into work in local care settings rather than complete their course. Accounting was also impacted as a result of reduced

Most ethnic groups had achievement rates that were close to their respective national achievement rate however a few adult ethnic groups were below their respective achievement rate. Where this occurred, mostly at 19+, it is generally due to very low numbers having a percentage impact. Overall, 16-18 achievement for White British is 86.7%; for All Other Ethnicities, 85.3%, showing a small gap but both above national rates. Both male and female rates for 16-18s are above national rates with a very small gap between genders, however, 19+ male achievement is below national rates and a 3.5% decline on the previous year, with Covid impacting on the practical delivery of a number of courses.

REPORT OF THE CORPORATION (continued)

16-18 learners that have declared a learning difficulty or disability (LLDD) have an achievement rate of 85.7%, 3.7% above the national rates and a 0.8% improvement on the previous year. 19+ achievement for LLDD is high at 88% and is relatively in line with national rates. Students with EHCPs achieve well: 16-18 87.1% and is above national rates by 3.7%. 19+ EHCPs achieve well at 88.5% which is just under national rates by 1.4%. Those on Free School Meals achieved below their peer age group at 80.4% but with high retention, evidencing that they were mostly kept in learning throughout lockdowns, there is also a slight improvement on the year before. Difficulties in accessing practical sessions during lockdowns was a major barrier to achievement. The achievement rate for Young Carers is high at 86% and 1.5% up on the previous year, however, achievement for the small number of Care Leavers is low at 62.6%. The College is working with Croydon Council who are seeing low achievement for Care Leavers as a wider issue across education in the area.

Apprenticeship achievement has improved considerably in recent years and is well above national rates for Apprenticeship Standards and mostly above national rates for Frameworks, mainly evident where there is volume. The College is working with employers to see more apprentices taken on with LDD although currently the small (and slightly increasing) number are above national rates. Diversity of ethnicity is still small within apprenticeships however the college has seen a 3-year trend showing a steady increase of other ethnicities.

Curriculum Developments

The College offers a broad curriculum to young people and adults, that extends from Entry Level to Higher Education provision (Pre-entry to Level 5 with a few courses at Level 6). The College's curriculum offer is closely aligned to local employment prospects underpinned by regional and local data, employer engagement and DWP vacancy information.

Provision is in the main Subject Sector Areas of:

- Art, Media and Design (Reigate School of Art) – focusing on commercial and creative arts;
- Business, IT and Accountancy;
- Construction and the Built Environment;
- Engineering including Motor Vehicle Maintenance;
- Hairdressing, Beauty Therapy, Theatrical and Special Effects Make-Up and Spa Therapy;
- Health and Social Care and Childcare, including Access to Higher Education Study for Nursing, Science and for Social Work;
- Modern Foreign Languages (Adult Community Learning);
- Preparation for Life and Work;
- Public Services, Applied Science and Sport;
- Maths and English and ESOL;
- Travel and Tourism / Aviation Operations;
- Adult and Community Learning; and
- Teaching and Assessing.

The largest growth is in Construction and Engineering subjects, mirrored in buoyant apprenticeship growth over the past 5 years in these subject areas, pronounced at higher levels.

ESC continues to run 14-16 school links provision as well as a Springboard alternative learning offer in collaboration with SE Surrey schools and Surrey County Council. JRC has for several years run successful Key Stage 4 provision for ESOL students funded through Croydon Council. JRC successfully bid to run two cohorts in 2020/21.

REPORT OF THE CORPORATION (continued)

The Executive have planned for a major growth initiative at JRC around the development of new curriculum. An ambitious build project, part funded by Coast to Capital LEP, will establish a Construction Skills Centre at the JRC site with concurrent plans for the conversion of a suite of classrooms into three additional construction and plumbing workshop spaces. For 2020/21, 45 students were enrolled onto Basic Construction and Plumbing courses and these students plus new applicants are expected to return in September 2021 to study the next level of their chosen trade.

The curriculum continues to develop to ensure that there is a balance of provision between the levels and that there are clear progression routes in all curriculum areas that meet local employment and higher education needs. All provision is mapped to Coast to Capital LEP, Gatwick Diamond and local priority skills demands. Emphasis is also placed on developing a quality vocational offer targeted at 16-18s and 19+ adult students as well as priority groups such as those not previously in education or employment with training notable successful outcomes. There is a continuing drive in curriculum planning, to ensure efficient use of staffing as well as to provide more variety in the curriculum offer with a significant increase in employer interaction with the College and its curriculum delivery to students. Safeguarding (incorporating Prevent) duties and responsibilities are effective and well-embedded in delivery and the ethos of the College as well as employability skills. Due to lockdowns, provision quickly moved to become online, with some modern foreign languages, quantity surveying, rail engineering and other courses being marketed and delivered wholly online.

Stakeholder engagement

The College's curriculum maps to the Coast to Capital LEP priority areas, national priorities and local employment needs evidenced through working with sector skills organisations, the Surrey

Employment and Skills Board, local Business Leaders groups, employers in the ESC/Care Academy group and through discussions with local councils and local employers.

Validation of Foundation Degrees is through University of Chichester with whom a highly productive relationship has developed. This includes developments around the new Degree Apprenticeship for Quantity Surveying and for two full Degrees. A formal MOU was signed with London South Bank University, with other partnerships with Thales and a new partnership with UK Power Networks following a successful bidding process over summer 2021.

The College delivers Community Learning across East and Mid Surrey: Reigate and Banstead, Epsom and Ewell, Dorking and the Mole Valley. The Gatton Point site is open on Saturdays, attracting adult students to the College and the WEA continues to offer non-qualification programmes for specific student cohorts at venues around Surrey. This includes 'hard to reach adults', adults with learning difficulties and disabilities and families through working with family centres in the community. ESC is open on Tuesday-Thursday evenings; JRC is open on Tuesday and Thursday evenings, benefiting local people who wish to develop their skills.

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%. During the accounting period 1 August 2020 to 31 July 2021, the College paid 84% of its invoices within 30 days (2019/20 - 87%), invoice average payments being 24 days (2019/20 - 24 days). The College incurred no interest charges in respect of late payment for this period. The principal reason for the lower volume of payments was the capital projects and the induction of the new suppliers into the College financial regulations. These have been resolved in the latter part of the year.

REPORT OF THE CORPORATION (continued)

Events after the End of the Reporting Period

There have been no significant events affecting College operations after the end of the reporting period.

Future Prospects

The widespread demographic decline is beginning to reverse with particularly sharp growth in Reigate and Banstead and around Croydon, from where the College's heaviest recruitment stems for 16-18s and adults. The College positioned itself to take advantage of the upturn and continues to develop additional income streams and partnerships to ensure the College's long-term sustainable future. This has contributed to robust apprenticeship growth.

Partnerships have always been important to ESC and as a result have grown significantly, particularly over the past three years and especially since merger. The College is aware of mergers and collaborative activity taking place in the region and has continually sought to ensure a strong future that enables it to maintain and grow a strong market share. Since merger with John Ruskin College, the College has positioned itself in the south London area and continues to seek a range of proactive partnerships and engagements in the area, for example through the established Future Places Board which seeks to ensure sufficient provision and places to meet local need.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has continued to develop and embed systems of internal control including financial, operational and risk management designed to protect the College's assets and reputation.

Based on the Strategic Statement (previously referred to as the Strategic Plan), the Risk Management Committee ('RMC') undertakes a formal, termly comprehensive review of the risks to which the College is exposed. The Committee identifies systems and procedures including specific preventative and containment actions, which should mitigate any potential impact on the College. In addition to the annual review, the 'RMC' considers any risks, which may arise from a new area of work undertaken by the College.

The 'RMC' meets three times per year. Its membership consists of cross section of the College Executive, Directorate and Heads of Department. The identification of risks is an embedded part of the various team meetings. The risks identified at these meetings are collated and the risk register updated accordingly. This Committee reviews the Risk Register to ensure the information contained is relevant, assess the score allocated and amend the risks as appropriate.

The Risk Register is divided into sections, maintained at the College level, each section is allocated to a specific Corporation Committee for review each term. The Risk Register identifies key risks, the likelihood of those risks occurring, their potential impact on the College and actions taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. It is the key 'high rated' risks that governors focus on in committees.

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

1. Government Funding

The College continues to have considerable reliance on continued government funding through the further education sector funding bodies and through OfS. In 2020/21, 92% of the College's revenue, was ultimately publicly funded and this level of requirement is expected to continue. The controls resulting from the Insolvency Regime for the FE Sector, are now embedded in College operations and consequent impact on College operations is that of making the sector a high risk organisation resulting in risk ratings of high with pensions and banks. The Government have also committed to paying the Colleges for the increases to the Teacher's Pension Scheme, at least until 31 March 2023.

REPORT OF THE CORPORATION (continued)

The College is aware of several issues which may impact on future funding:

➤ **Achieving 16-18 learner targets**

Demographic data indicates a decline to July 2020, with an increase in future years and therefore, the College expected to see reduced numbers of applications and enrolments. There are many schools and Academies with small numbers in their Sixth Form and this presents a very competitive market for students aged 16. In 2020/21, a local secondary school to ESC ceased to offer a sixth form, with their Corporation instead seeking partner status with ESC and Reigate College as formal progression routes. The College receives many applications from 17-year-old students who are funded at a lower rate.

Mitigations:

- The College curriculum offer is attractive and is annually reviewed. It offers good progression routes to higher levels and into employment.
- There is continued focus on student progression and on careers. Students progress very well to higher levels, employment (predominantly apprenticeships) or HE.
- There is very good engagement with schools and the reputation of the College is strong.
- Strong partnership working with organisations to secure further number growth, to enhance student experience and offer complementary provision.
- The College continues to plan for its capital building strategy and capacity for growing the offer with the expected increase in local numbers from 2021.

➤ **Apprenticeship funding**

Apprenticeship funding continues to be reshaped, in 2020/21, the most significant impact was the expansion of Digital Apprenticeship Service to employers of all sizes. The College has supported many employers to understand the process.

The College is taking the following actions in order to mitigate this risk:

- Proactively engaging with employers and employer groups, keeping them informed of developments and helping design future plans for delivery.
- Ensuring it meets its allocation in a timely manner.
- Recognising the challenges but positioning itself to take advantage of the opportunities.

➤ **The risks to the other funding streams including the Community Learning Funding is being mitigated by:**

- Ensuring the College is rigorous in delivering high quality education and training.
- Regularly reviewing the offer, timing and availability of courses to maximise recruitment.
- Engaging effectively with local community groups to raise awareness of the offer and to introduce new provision based on local identified interest and need.
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.

REPORT OF THE CORPORATION (continued)

2. Tuition Fee Policy

There have been no changes to tuition fee assumption, which remains at 50%. In line with the majority of colleges, East Surrey College will seek to increase tuition fees in accordance with the fee assumptions and market information. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses as prices change.
- Regular review of the offer to ensure it meets local employment requirements and student needs and does not simply duplicate provision in the locality unless there is evidenced unmet interest.

3. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102. With the reclassification of capital grants from Reserves to Long term liabilities **in previous years**, the impact of the pension fund liabilities is significant and has the capacity to show the College Balance sheet with negative reserves. The Insolvency regime has meant that the Pension Fund has taken the view that the FE Colleges, whatever their financial health, are at the highest risk level increasing further the already significant costs of the Local Government Pension Scheme. Since 2015/16, the College's LGPS revenue costs have increased by 263% and Balance Sheet liability by 296% (including the liability transferred from John Ruskin College as part of the merger in 2019).

This risk is mitigated by:

- The College actively engaging with the Pension Fund to review its assumptions in calculating its long term liabilities. Where reasonable, in agreement with the various stakeholders these assumptions have been restated.
- The College continuing to engage with the Pension funds regarding its Triennial valuations, in the hope of more realistic risk categorisations.

4. Failure to maintain the financial viability of the College

The College's calculated financial health grade, based on the CFFR, is classified as 'GOOD', the College self-assesses as 'Good' due to the risks discussed in this report. This is largely the consequence of the development of the High Needs Provision and new provision that responds to the needs of our Employers. Notwithstanding that, the continuing challenge to the College's financial position remains:

- The constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience.
- The increased risk classification of the College, resulting in higher costs in funding pension liabilities and ability to raise capital financing to fund growth.

REPORT OF THE CORPORATION (continued)

This risk is mitigated in a number of ways:

- Effective marketing, an effective and robust curriculum plan, consultation with stakeholders, as well as maintaining excellent accommodation on Gatton Point North and teaching resources.
- By rigorous budget setting processes and sensitivity analysis.
- Regular in year budget monitoring.
- Robust financial controls.
- Exploring ongoing procurement efficiencies.
- Bidding for capital and revenue funding where available including the Local Enterprise Partnership (LEP).

The COVID – 19 pandemic has had a significant impact on operations. The whole business of the College, was transferred to online learning and working during the lockdown. Significant costs were incurred in ensuring the College environment is fully maintained in line Government guidance. The staff and students have coped well, and health and wellbeing maintained through active communication and follow through when issues were identified.

STAKEHOLDER RELATIONSHIPS

The College recognises the importance of stakeholder relationships and engages in regular communication with its wide range of stakeholders through its social media, electronic communication methods and face to face contact meetings. Stakeholders include:

- Students;
- Education Funding Bodies;
- Schools, including those with sixth forms;
- Staff;
- Local employers: large, SME and micro-businesses;
- Local Authorities and County Councils;
- Local Enterprise Partnerships (LEPs);
- Employer Organisations;
- Sector Skills representative bodies;
- Awarding Bodies;
- The local community;
- DWP/JCP;
- Other FE and HE institutions; and
- Trade Unions.

Equal Opportunities and Employment of Disabled Persons

East Surrey College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions, which place people at a disadvantage and we actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

The College has adopted a Single Equality Scheme, published on the College's Internet site. The College is a "Disability Confident" employer, committed to the principles and objectives of the "Disability Confident" scheme.

REPORT OF THE CORPORATION (continued)

Disability Statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005, and in particular makes the following commitments:

- a) The College has automatic doors to all entrance points, disabled ramps and lift access where reasonable to do so;
- b) There is a wide range of specialist equipment, such as adaptive keyboards and voice recognition software, which the College can make available for use by students;
- c) Information on choosing and enrolling on a course is included in the College Charter;
- d) Appeals against a decision not to offer a place are dealt with under the Complaints Policy;
- e) The College has invested in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. The College works with specialist institutions such as the SCC Sensory Support Service for students requiring visual/sensory aid support and expertise. The College employs learning support assistants who can provide a variety of support for learning. There is an extensive programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities, or who have particular support needs such as mental health issues;
- f) Specialist programmes described in programme information guides, and achievements and destinations are recorded and published in the standard College format. This includes a Supported Internship programme for students with high support needs;
- g) Information on counselling and welfare services is included in the College Charter and the College has a counselling service over 3 days a week; and
- h) The College has DDA compliant lifts at both of its main sites and ensures that there is colour and contrast in its colour schemes.

Trade Union Facility Time

The College recognises the University and College Union and Unison Trade Unions. In the year from 1 August 2020 to 31 July 2021 there were no requests from Unison staff for trade union facility time and there were 16 hours for the University and College Union.

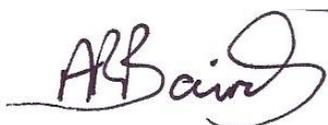
Disclosure of Information to Auditor

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 auditor is 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 auditor is aware of that information.

Approved by order of the Members of the Corporation on 9 December 2021 and signed on its behalf by:

Andrew Baird
Chair



STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure.

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”) and
- iii. Having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance.

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

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

Public Benefit Statement

The College seeks to add value to the social, economic and physical well-being of the community it serves. It does this through a defined educational character, vision and mission, which inform the strategic aims, reviewed annually and through its overarching values. The wider community is defined as all partners who have an interest in promoting educational advancement of individuals to benefit business, the local economy and the community as a whole.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

MEMBERS OF THE CORPORATION

The Corporation

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

| Name | Date appointed/ reappointed | Term of office | Date resigned/end of term of office | Status of appointment | Committees served | Attendance |
|-----------------|--|------------------------------------|--|---|--|--------------|
| Andrew Baird | 19 March 2008 19 March 2012 1 January 2016 13 December 2018 1 September 2020 | 4 years 2 years | | Independent Member | Corporation Board: Chair Finance and Resources Search and Governance: Chair Strategy: Chair | 14 out of 14 |
| Simon Bland | 14 December 2017 | 4 years | | Independent Member | Finance and Resources Search and Governance Senior Post Holders Employment Strategy | 14 out of 15 |
| Jayne Dickinson | 1 January 2012 | Ex Officio | | Chief Executive and Principal ESC | Finance and Resources Learning and Quality Search and Governance Strategy | 19 out of 19 |
| Carmen Dowling | 8 October 2020 | 1 year | 31 July 2021 | Student Member (JRC) | Learning and Quality | 6 out of 8 |
| Leo Fox | 8 October 2020 | 1 year | 31 July 2021 | Student Member (ESC) | Learning and Quality | 7 out of 8 |
| Lily Franklin | 1 August 2019 | 4 years | | Staff Member (ESC) | Learning and Quality | 8 out of 9 |
| Rosemary French | 25 March 2009 25 March 2013 01 January 2017 | 4 years | 31 December 2020 | Independent Member | Audit Senior Post Holders Employment: Chair Search and Governance Strategy | 4 out of 5 |
| Derek Galloway | 1 February 2019 | 4 years | | Independent Member | Finance and Resources Strategy | 9 out of 11 |
| Alex Hayman | 12 July 2018 | 4 years | | Independent Member | Audit: Chair Strategy Senior Post Holders Employment | 11 out of 13 |
| Phillip Kerle | 06 July 2017 1 August 2021 | 4 years 4 years | | Independent Member | Finance and Resources: Chair Strategy Senior Post Holders Employment | 14 out of 14 |
| Ganesh Kumar | 12 July 2018 | 4 years | | Independent Member | Audit Strategy | 5 out of 10 |
| Grace Marriott | 1 February 2019 | 4 years | | Independent Member | Learning and Quality Strategy | 12 out of 12 |

| Name | Date appointed/ reappointed | Term of office | Date resigned/end of term of office | Status of appointment | Committees served | Attendance |
|---|---|------------------------|--|---|--|--------------|
| James Marshall | 26 March 2020 | 4 years | | External Co-opted member of the Audit Committee | Audit Strategy | 10 out of 10 |
| Colin Monk | 8 December 2016 10 December 2020 1 January 2021 | 4 years 4 years | | Independent Member | Strategy Learning and Quality Senior Post Holders Employment: Chair Search and Governance | 18 out of 18 |
| Peter Papanastasiou | 1 February 2019 | 4 years | | Independent Member | Audit Strategy | 4 out of 10 |
| Robert Pickles | 06 July 2017 1 August 2021 | 4 years 4 years | | Independent Member | Learning and Quality Strategy | 12 out of 12 |
| Simon Potten | 12 July 2018 | 4 years | | Independent Member | Learning and Quality Strategy | 3 out of 12 |
| Elizabeth Rushton | 11 December 2014 1 January 2019 | 4 years 4 years | | Independent Member | Corporation Board: Vice Chair Learning and Quality: Chair Search and Governance Senior Postholders Employment Strategy | 18 out of 18 |
| Anne Smith | 1 February 2019 | 4 years | | Independent Member | Learning and Quality Strategy | 10 out of 12 |
| Natalie Watkins- Khan | 1 September 2019 | 4 years | | Staff Member (JRC) | Learning and Quality | 9 out of 9 |
| Sue Glover acts as Clerk to the Corporation | | | | | | |

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

In addition to the committee meetings listed above, members also supported the College at a range of strategic planning events.

It is the Corporation's responsibility to bring independent judgement 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.

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 and Resources, Learning and Quality, Senior Postholders' Employment, Search and Governance, Audit and Strategy. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at www.esc.ac.uk or from the Clerk to the Corporation at:

East Surrey College
Gatton Point
London Road
Redhill
Surrey
RH1 2JX

The Clerk to the Corporation 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 Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk 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 on an ad-hoc basis.

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 are independent of management and free from any business or other relationship, which would materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Principal of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, consisting of five 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.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Corporation performance

Governance at the College is strong. The Corporation plays a key role in challenging the senior management to ensure that the College aims are achieved. Through a committee structure, the Governors are particularly focused on a holistic approach to Governance and timely and accurate reporting ensures that Governors are able to challenge effectively. Through this model, the Board has been able to take considerable assurance that governance was robust and appropriately structured to support delivery of the strategic plan and continued improvements to the College.

The Board reviewed its performance for 2020/21 in June as part of the annual self-assessment review taking into consideration its self-assessment. The Board also considers its individual performance through 1 to 1 meetings with the Chair. Further assurance is gained from both external parties (Ofsted and FE Commissioner visits) and the College Key Performance Indicators, which are reported at committee and board meetings. These indicators cover all aspects of the College's operations including teaching and learning, student outcomes, satisfaction and leadership and management. The KPIs form a sound basis from which managers and Governors can judge performance and progress. The targets in the strategic plan are based on the most accurate comparative data from within and outside the sector (where appropriate) and targets are set to be both challenging and achievable.

Senior Post Holders Employment Committee

Throughout the year ending 31 July 2021, the College's Senior Post Holder Employment Committee comprised 5 members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

The College endeavours to conduct its business in full accordance with the guidance to colleges from the Association of Colleges Senior Post Holders Remuneration Code, which was adopted in March 2019. The annual statement relating to the remuneration of Senior Post Holders can be found on the College website.

Details of the Senior Post Holders' (Key Management Personnel) remuneration for the year ended 31 July 2021 are set out in note 9 to the financial statements.

Audit Committee

The Audit Committee comprises 5 members of the Corporation (excluding the Principal and Chair). 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 College 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 management and the Audit Committee.

Management are responsible for the implementation of agreed audit recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statement auditors and their remuneration for both 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 2021. The members of the committee and their attendance records are shown below:

| Committee member | Meetings attended |
|--|--------------------------|
| Alex Hayman (Chair) | 3 |
| Ganesh Kumar | 3 |
| Peter Papanastasiou | 2 |
| James Marshall | 3 |
| Rosemary French (retired 31 December 2020) | 0 |

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, 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum/Financial Agreement between East Surrey College and the Education and Skills Funding Agency. She 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 East Surrey College for the year ended 31 July 2021 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 ended 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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 Corporation;
- regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

The internal audit plan is based on an analysis of the risks to which the College is exposed, and noted on its risk register, compliance with any regulatory requirements and discussions at Audit Committee. The internal audit plans are endorsed by the Corporation, on the recommendation of the Audit Committee.

The internal auditors undertook four audit reviews in relation to 2020/21:

- Subcontracting;
- Key Financial Controls;
- Risk Management and Governance
- Learner Number Systems – Classroom based (Funding Assurance)

No significant internal control weaknesses were identified in the internal audit reviews listed above.

Review of effectiveness

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

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

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

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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

At its 9 December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2021.

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 its assets".

Approved by order of the Members of the Corporation on and signed on its behalf by:

Signed



Andrew Baird
Chair
9 December 2021

Signed



Jayne Dickinson
Chief Executive (College Group)
9 December 2021

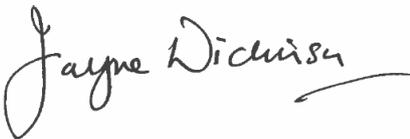
CORPORATION'S STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE WITH THE FUNDING BODY TERMS AND CONDITIONS OF FUNDING

The Corporation has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Corporation's grant funding agreements and contracts with ESFA. As part of our consideration we have had due regard to the requirements of grant funding agreements and contracts with ESFA.

We confirm on behalf of the Corporation that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the 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.

We 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.

Signed



Jayne Dickinson
Accounting Officer
9 December 2021

Signed



Andrew Baird
Chair
9 December 2021

STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the Corporation's grant funding agreements and contracts with ESFA, the Corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice, and which gives a true and fair view of the state of affairs of the Corporation and surplus/deficit of income over expenditure for that period.

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; and
- 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 Members' Report 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; 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 by Parliament 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.

**STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION
(continued)**

Approved by order of the members of the Corporation on 9 December 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A Baird', with a horizontal line above the signature.

Andrew Baird
Chair of governors

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EAST SURREY COLLEGE

Opinion

We have audited the financial statements of East Surrey College ('the College') for the year ended 31 July 2021 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021 and of its deficit of income under expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- in all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, 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 College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EAST SURREY COLLEGE (continued)

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of the Corporation

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

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

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EAST SURREY COLLEGE (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF EAST SURREY COLLEGE (continued)

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

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

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

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

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

Use of our report

This report is made solely to the 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 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
Statutory Auditor
130 Wood Street
London
EC2V 6DL

17 December 2021

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

To: The Corporation of East Surrey College 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 6 June 2021 and further to the requirements of 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 that in all material respects the expenditure disbursed and income received by East Surrey College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the ESFA or devolved authority has other assurance arrangements in place.

This report is made solely to the Corporation of East Surrey College 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 East Surrey College 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 East Surrey College and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of East Surrey College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued 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.

REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY (continued)

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

The work undertaken to draw our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities.
- Further testing and review of self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

17 December 2021

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2021

| | Note | 2021 £'000 | 2020 £'000 |
|--|------|---------------|----------------|
| Income | | | |
| Funding body grants | 2 | 21,794 | 20,995 |
| Tuition fees and education contracts | 3 | 1,891 | 1,811 |
| Other grants and contracts | 5 | 1,733 | 1,329 |
| Other income | 6 | 57 | 126 |
| Investment income | 7 | 5 | 44 |
| Total income | | 25,480 | 24,305 |
| Expenditure | | | |
| Staff costs | 8 | 16,412 | 15,287 |
| Other operating expenses | 10 | 7,073 | 6,329 |
| Depreciation | 13 | 2,445 | 2,718 |
| Interest and other finance costs | 11 | 437 | 438 |
| Total expenditure | | 26,367 | 24,772 |
| Deficit before other gains and losses | | (887) | (467) |
| Deficit before tax | | (887) | (467) |
| Deficit for the year | | (887) | (467) |
| Actuarial gain/(loss) in respect of pensions schemes | 20 | 1,376 | (5,752) |
| Total Comprehensive Income/(Expenditure) for the year | | 489 | (6,219) |

STATEMENT OF CHANGES IN RESERVES
for the year ended 31 July 2021

| | Income and expenditure account £'000 | Revaluation reserve £'000 | Restricted Reserve £'000 | Total £'000 |
|---|---|---------------------------------|--------------------------------|----------------|
| Balance as at 1 August 2019 | 24,200 | 2,111 | 23 | 26,334 |
| Deficit from the income and expenditure account | (467) | - | - | (467) |
| Other comprehensive expenditure: | | | | |
| Actuarial loss in respect of pension scheme | (5,752) | - | - | (5,752) |
| Transfers between revaluation and income and expenditure reserves | 76 | (76) | - | - |
| Total comprehensive expenditure for the year | <u>(6,143)</u> | <u>(76)</u> | <u>-</u> | <u>(6,219)</u> |
| Balance as at 31 July 2020 | <u>18,057</u> | <u>2,035</u> | <u>23</u> | <u>20,115</u> |

| | Income and expenditure account £'000 | Revaluation reserve £'000 | Restricted Reserve £'000 | Total £'000 |
|---|---|---------------------------------|--------------------------------|----------------|
| Balance as at 1 August 2020 | 18,057 | 2,035 | 23 | 20,115 |
| Deficit from the income and expenditure account | (887) | - | - | (887) |
| Other comprehensive income: | | | | |
| Actuarial gain in respect of pension scheme | 1,376 | - | - | 1,376 |
| Transfers between revaluation and income and expenditure reserves | 76 | (76) | - | - |
| Total comprehensive income for the year | <u>565</u> | <u>(76)</u> | <u>-</u> | <u>489</u> |
| Balance as at 31 July 2021 | <u>18,622</u> | <u>1,959</u> | <u>23</u> | <u>20,604</u> |

BALANCE SHEET as at 31 July 2021

| | Notes | 2021 £'000 | 2020 £'000 |
|--|-------|-----------------|-----------------|
| Tangible fixed assets | 13 | <u>74,749</u> | <u>74,161</u> |
| Current assets | | | |
| Trade and other receivables | 14 | 1,242 | 1,261 |
| Cash and cash equivalents | 19 | <u>8,914</u> | <u>9,868</u> |
| | | 10,156 | 11,129 |
| Less: creditors – amounts falling due within one year | 15 | (5,017) | (5,145) |
| Net current assets | | <u>5,139</u> | <u>5,984</u> |
| Total assets less current liabilities | | 79,888 | 80,145 |
| Less: creditors – amounts falling due after more than one year | 16 | (41,857) | (42,349) |
| Provisions | | | |
| Defined benefit obligations | 18 | (17,240) | (17,494) |
| Other provisions | 18 | <u>(187)</u> | <u>(187)</u> |
| | | <u>(17,427)</u> | <u>(17,681)</u> |
| Total net assets | | <u>20,604</u> | <u>20,115</u> |
| Restricted reserves | | <u>23</u> | <u>23</u> |
| Unrestricted reserves | | | |
| Income and expenditure account | | 18,622 | 18,057 |
| Revaluation reserve | | <u>1,959</u> | <u>2,035</u> |
| | | 20,581 | 20,092 |
| Total reserves | | <u>20,604</u> | <u>20,115</u> |

The financial statements on pages 34 to 58 were approved and authorised for issue by the Corporation on 9 December 2021 and were signed on its behalf on that date by:



Andrew Baird
Chair



Jayne Dickinson
Accounting Officer

STATEMENT OF CASH FLOWS
for the year ended 31 July 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|------|----------------|---------------|
| Cash flow from operating activities | | | |
| Deficit for the year | | (887) | (467) |
| Adjustment for non-cash items | | | |
| Depreciation | 13 | 2,445 | 2,718 |
| Deferred capital grants released to income | 2 | (1,343) | (1,440) |
| Decrease/(increase) in debtors | 14 | 19 | (253) |
| Decrease in creditors due within one year | 15 | (475) | (448) |
| Pensions costs less contributions payable | | 871 | 801 |
| Pension finance cost | 11 | 251 | 234 |
| Adjustment for investing or financing activities | | | |
| Interest payable | 11 | 186 | 204 |
| Investment Income | 7 | (5) | (44) |
| Net cash flow from operating activities | | 1,062 | 1,305 |
| Cash flows from investing activities | | | |
| Investment income | 7 | 5 | 44 |
| Deferred capital grants received | | 1,464 | 265 |
| Payments made to acquire fixed assets | 13 | (2,999) | (944) |
| | | (1,530) | (635) |
| Cash flows from financing activities | | | |
| Interest paid | 11 | (186) | (204) |
| Repayments of amounts borrowed | 17 | (300) | (300) |
| | | (486) | (504) |
| (Decrease)/Increase in cash and cash equivalents in the year | | (954) | 166 |
| Cash and cash equivalents at 1 August 2020 | 19 | <u>9,868</u> | <u>9,702</u> |
| Cash and cash equivalents at 31 July 2021 | 19 | <u>8,914</u> | <u>9,868</u> |

| Analysis of changes in net debt/funds | At 1 August 2020 £'000 | Cash flows £'000 | At 31 July 2021 £'000 |
|---------------------------------------|------------------------------|---------------------|--------------------------|
| Cash and cash equivalents | 9,868 | (954) | 8,914 |
| Loan | (3,300) | 300 | (3,000) |
| Total | 6,568 | (654) | 5,914 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

1. Statement of Accounting Policies

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020 to 2021 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Report of the Corporation. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements and accompanying Notes.

The College recognises the significant impact of the pandemic on its operations and is in the process of ensuring measures, like continued robust financial management are in place to ensure the long term sustainability of the College.

The Government's furlough scheme for its non funded activities and non reconciliation of the adult education budget has supported the College's financial health.

As at 31 July 2021 the College has a £3.0m fixed rate long term loan repayable over the remaining life of 10 years extendable to 20 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, the College 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

Government revenue grants including funding body recurrent grants and other grants are accounted for under the accrual model as permitted by FRS102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any over or under achievement of the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

end, and the result of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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 FRS102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is recognised in the period in which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

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

Post-Retirement Benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) which are externally funded defined benefit plans. The College also continued contributing to The People's Pension which is a defined contribution scheme.

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 payrolls.

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.

The LGPS is a funded scheme. The assets of the LGPS are measured using fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

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.

Tangible fixed assets

Land and buildings

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and impairment losses. Land and buildings inherited from the Local Education Authority (LEA) that had been valued to fair value prior to the date of transition to the 2015 FE HE SORP are measured on the basis of deemed cost. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis.

Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life which varies between 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred 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.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were valued in 1992, 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 2021. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless, it increases 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 written off to the income and expenditure account in the year of acquisition. Equipment costing more than £1,000 is capitalised at cost. Equipment is depreciated on a straight line method over its useful economic life as follows:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

| | |
|---------------------------------------|--------------|
| Mobile plant, furniture and equipment | - 5 years; |
| Fixed plant | - 7 years; |
| Motor vehicles | - 3 years; |
| Computer equipment | - 3-7 years. |

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

Taxation

The College is considered to pass the tests set out in paragraph 1 of schedule 6 to the 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 tax in respect of income and capital gains received in 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.

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

Cash and cash equivalents

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

Provisions

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 as a finance cost in the statement of comprehensive income in the period it arises.

Agency arrangements

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

Judgement in applying accounting policies and key sources of estimation uncertainty

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

1. The present value of the Local Government Pension Scheme defined liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 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 2021. Any differences between the figure derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. Funding Body Grants

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Recurrent Grants | | |
| Education and Skills Funding Agency – Adult Education Budget | 904 | 1,115 |
| Education and Skills Funding Agency – 16-18 | 14,701 | 14,166 |
| Education and Skills Funding Agency – Apprenticeships | 2,196 | 2,075 |
| Greater London Authority – Adult Education Budget | 892 | 754 |
| Office for Students | 125 | 113 |
| Specific Grants | | |
| Education and Skills Funding Agency – Community Learning | 697 | 697 |
| Greater London Authority – Community Learning | 57 | 57 |
| Education and Skills Funding Agency - Teacher Pension Scheme Contribution Grant | 422 | 379 |
| Education and Skills Funding Agency - Strategic College Improvement Fund | - | 199 |
| Education and Skills Funding Agency – AP Transition Fund | 18 | - |
| Education and Skills Funding Agency – 16-19 Tuition Fund | 371 | - |
| Education and Skills Funding Agency – COVID-19 Testing | 35 | - |
| Education and Skills Funding Agency – COVID-19 Skills Offer | 33 | - |
| Release of government capital grants | 1,343 | 1,440 |
| Total | 21,794 | 20,995 |

3. Tuition Fees and Education Contracts

| | 2021 £'000 | 2020 £'000 |
|------------------------------------|---------------|---------------|
| Adult education fees | 42 | 70 |
| Apprenticeship fees and contracts | 12 | 27 |
| Fees for FE loan supported courses | 854 | 817 |
| Fees for HE loan supported courses | 777 | 606 |
| Total tuition fees | 1,685 | 1,520 |
| Education contracts | 206 | 291 |
| Total | 1,891 | 1,811 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

4. Grant and Fee Income – Level 4 and above (Office for Students requirement)

| | 2021 | 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Grant income from the OfS | 125 | 113 |
| Grant income from other bodies | 635 | 550 |
| Fee income for taught awards (exclusive of VAT) | 860 | 717 |
| Total grant and fee income for Level 4 and above | 1,620 | 1,380 |

5. Other grants and contracts

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Other grants and contracts | 1,700 | 1,234 |
| Coronavirus Job Retention Scheme grant | 33 | 95 |
| Total | 1,733 | 1,329 |

The Corporation furloughed some staff in Administration, Estates and Student facing roles under the government's Coronavirus Job Retention Scheme. The funding received of £33k (2020: £95k) relates to staff costs which are included within the staff costs note below as appropriate.

Included within Other grants and contracts is £111k of income recognised in respect of donated laptops from the Department of Education. The corresponding cost of these laptops has been recognised in Other operating expenses.

6. Other income

| | 2021 | 2020 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Other income generating activities | 19 | 71 |
| Miscellaneous income | 38 | 55 |
| Total | 57 | 126 |

7. Investment Income

| | 2021 | 2020 |
|---------------------------|--------------|--------------|
| | £'000 | £'000 |
| Other interest receivable | 5 | 44 |
| Total | 5 | 44 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

8. Staff Costs

The average number of persons (including key management personnel) employed during the year, expressed on an average headcount basis, was:

| | 2021 No. | 2020 No. |
|---------------------------|---------------------|---------------------|
| Teaching staff | 210 | 203 |
| Teaching support services | 117 | 116 |
| Non-teaching staff | 157 | 151 |
| | 484 | 470 |

Staff costs for the above persons

| | 2021 £'000 | 2020 £'000 |
|---|-----------------------|-----------------------|
| Wages and salaries | 11,723 | 10,903 |
| Social security costs | 1,126 | 1,032 |
| Other pension costs | 3,288 | 2,892 |
| | 16,137 | 14,827 |
| Contracted out staffing services | 252 | 460 |
| | 16,389 | 15,287 |
| Fundamental restructuring costs – contractual | 23 | - |
| | 16,412 | 15,287 |

9. Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises of the Chief Executive Officer (College Group) & Principal (ESC); Principal (JRC); Chief Operating Officer (College Group); and Executive Director HR & Professional Development (College Group).

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

| | 2021 No. | 2020 No. |
|--|---------------------|---------------------|
| The number of key management personnel including the Accounting Officer was: | <u>4</u> | <u>4</u> |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

9. Key Management Personnel (continued)

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

| | 2021 | | 2020 | |
|---------------------------|--------------------------|-------------|--------------------------|-------------|
| | Key Management Personnel | Other Staff | Key Management Personnel | Other Staff |
| | No. | No. | No. | No. |
| £60,001 to £65,000 p.a. | - | 3 | - | 1 |
| £70,001 to £75,000 p.a. | - | 2 | - | 2 |
| £80,001 to £85,000 p.a. | - | - | 1 | - |
| £90,001 to £95,000 p.a. | 1 | - | - | - |
| £100,001 to £105,000 p.a. | - | - | 1 | - |
| £110,001 to £115,000 p.a. | - | - | 1 | - |
| £115,001 to £120,000 p.a. | 1 | - | - | - |
| £120,001 to £125,000 p.a. | 1 | - | - | - |
| £150,001 to £155,000 p.a. | - | - | 1 | - |
| £165,001 to £170,000 p.a. | 1 | - | - | - |
| | 4 | 5 | 4 | 3 |

Including part time staff grossed up to full time equivalent, one additional member of Other Staff was paid in the £65,001 to £70,000 banding in 2021 (2020: 1 staff member in £65,001 to £70,000 band).

Key management personnel emoluments are made up as follows:

| | 2021 | 2020 |
|--|------------|------------|
| | £'000 | £'000 |
| Basic salary | 490 | 435 |
| Benefits in kind | 13 | 12 |
| Employer's National Insurance contributions | 63 | 55 |
| Pension contributions | 107 | 94 |
| Total key management personnel compensation | 673 | 596 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

9. Key Management Personnel (continued)

The above emoluments include amounts payable to the Chief Executive Officer (College Group) & Principal (ESC), who is also the highest paid staff member, as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Basic salary | 164 | 148 |
| Benefits in kind | 4 | 4 |
| Employer's National Insurance contributions | 21 | 19 |
| Pension contributions | 36 | 34 |
| Total compensation | 225 | 205 |

Throughout the year ending 31 July 2021, the College's Senior Post Holder Employment Committee comprised 5 members of the Corporation. The committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders.

The College endeavours to conduct its business in full accordance with the guidance to colleges in the Association of Colleges Senior Post Holders Remuneration Code, which was adopted in March 2019. The annual statement relating to the remuneration of Senior Post Holders can be found on the College website.

The remuneration package of key management staff, including the Chief Executive Officer (College Group) & Principal (ESC), is subject to annual review by the Senior Post Holders' Employment Committee who make recommendations to the Corporation. The committee justifies the remuneration through referencing the AoC Harmonised Pay Scales report and Senior Pay Survey results for the South East region, and the outcomes of annual appraisals and performance reviews.

Relationship of Chief Executive Officer (College Group) pay and remuneration expressed as a multiple

| | 2021 | 2020 |
|---|------|------|
| CEO's basic salary as a multiple of the median of all staff | 5.7 | 5.5 |
| CEO's total remuneration as a multiple of the median of all staff | 7.1 | 6.6 |

The Members of the Corporation other than the Chief Executive Officer (College Group) and the Staff Members did not receive any payment other than the reimbursement of travel and subsistence expenses incurred in the course of their official duties. No staff governors were paid in respect of their duties as governors of the College.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

10. Other Operating Expenses

| | 2021 | 2020 |
|--------------------|--------------|--------------|
| | £'000 | £'000 |
| Teaching costs | 3,627 | 3,203 |
| Non-teaching costs | 1,766 | 1,584 |
| Premises costs | 1,680 | 1,542 |
| Total | 7,073 | 6,329 |

Other operating expenses include:

| | 2021 | 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Auditor's remuneration: | | |
| Financial statements audit | 31 | 22 |
| Internal audit | 9 | 13 |
| Other services provided by the financial statements auditor | 2 | 13 |
| Hire of assets under operating leases | 49 | 44 |

11. Interest and other finance costs:

| | 2021 | 2020 |
|--|--------------|--------------|
| | £'000 | £'000 |
| On bank loans, overdrafts and other loans: | 186 | 204 |
| Pension finance costs (note 20) | 251 | 234 |
| Total | 437 | 438 |

12. Taxation

The College was not liable for corporation tax arising from its activities during the year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

13. Tangible Fixed Assets

| | Freehold Land and Buildings | Equipment | Assets in the Course of Construction | Total |
|---------------------------------------|--------------------------------|--------------|--|----------------|
| Cost or valuation | £'000 | £'000 | £'000 | £'000 |
| At 1 August 2020 | 93,222 | 7,546 | 448 | 101,216 |
| Additions | 2,461 | 467 | 105 | 3,033 |
| Reclassification | 273 | - | (273) | - |
| Disposals | - | (141) | - | (141) |
| At 31 July 2021 | 95,956 | 7,872 | 280 | 104,108 |
| Depreciation | | | | |
| At 1 August 2020 | 20,752 | 6,303 | - | 27,055 |
| Charge for the year | 1,986 | 459 | - | 2,445 |
| Elimination in respect of disposals | - | (141) | - | (141) |
| At 31 July 2021 | 22,738 | 6,621 | - | 29,359 |
| Net book value at 31 July 2021 | 73,218 | 1,251 | 280 | 74,749 |
| Net book value at 31 July 2020 | 72,470 | 1,243 | 448 | 74,161 |

The College does not have any assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

14. Trade & Other Receivables

| | 2021 £'000 | 2020 £'000 |
|--------------------------------------|-----------------------------|-----------------------------|
| Amounts falling due within one year: | | |
| Trade receivables | 231 | 450 |
| Prepayments and accrued income | 831 | 655 |
| Amounts owed by the ESFA | 180 | 156 |
| Total | 1,242 | 1,261 |

15. Creditors: Amounts Falling Due Within One Year

| | 2021 £'000 | 2020 £'000 |
|---|-----------------------------|-----------------------------|
| Bank loan and overdrafts (note 17) | 300 | 300 |
| Trade payables | 276 | 365 |
| Other taxation and social security | 526 | 499 |
| Accruals and deferred income | 2,396 | 2,806 |
| Amounts owed to the ESFA | 30 | - |
| Deferred income – government capital grants | 1,489 | 1,175 |
| Total | 5,017 | 5,145 |

16. Creditors: Amounts Falling Due After More Than One Year

| | 2021 £'000 | 2020 £'000 |
|---|-----------------------------|-----------------------------|
| Bank Loan (note 17) | 2,700 | 3,000 |
| Deferred income – government capital grants | 39,157 | 39,349 |
| Total | 41,857 | 42,349 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

17. Maturity of debt

Bank loans and overdraft

Bank loans and overdraft are payable as follows:

| | 2021 | 2020 |
|----------------------------|--------------|--------------|
| | £'000 | £'000 |
| In one year or less | 300 | 300 |
| Between one and two years | 300 | 300 |
| Between two and five years | 900 | 900 |
| In five years or more | 1,500 | 1,800 |
| Total | 3,000 | 3,300 |

The College has a £3.0m fixed rate long term loan with Barclays Bank repayable by instalments to 2031 at a fixed interest rate of 5.6674%.

18. Provisions

| | Defined benefit obligations £'000 | Other provisions £'000 | Total £'000 |
|---------------------------|--|---------------------------------------|------------------------|
| At 1 August 2020 | (17,494) | (187) | (17,681) |
| Expenditure in the period | 1,112 | - | 1,112 |
| Other movements | (858) | - | (858) |
| At 31 July 2021 | (17,240) | (187) | (17,427) |

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

Other provisions comprise works ongoing within the College that could result in additional expenditure being incurred in the coming year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

19. Cash and cash equivalents

| | At 1 August 2020 £'000 | Cash flows £'000 | At 31 July 2021 £'000 |
|---------------------------|------------------------------|---------------------|-----------------------------|
| Cash and cash equivalents | 9,868 | (954) | 8,914 |
| Total | 9,868 | (954) | 8,914 |

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 Surrey Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Surrey County Council. Both are multi-employer defined-benefit plans. The College has also paid into the People's Pension Scheme.

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Total pension cost for the year | | |
| Teachers' Pension Scheme: contributions paid | 1,273 | 1,123 |
| Local Government Pension scheme | | |
| Contributions paid | 1,112 | 948 |
| FRS 102 charge | <u>871</u> | <u>801</u> |
| Charge to the Statement of Comprehensive Income | 1,983 | 1,749 |
| The People's Pension | 32 | 22 |
| Total Pension Cost for Year | 3,288 | 2,894 |

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

Contributions amounting to £259,000 (2020: £241,000) were payable at year end to the pension schemes and are included in creditors.

Teachers' Pension Scheme

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

20. Defined benefit obligations (continued)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out 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.

Valuation of the Teachers' Pension Scheme

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 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 2020 onwards (compared to 16.48% prior to that). DfE paid a teacher pension employer contribution grant to cover the additional costs during the 2020/21 academic year and has committed to continue this grant up to 31 March 2023. 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 £1,273,000 (2020: £1,123,000).

Contributions of £128,000 (2020: £131,000) were payable to the scheme at the year end and are included in creditors.

FRS 102

Under the definitions set out in FRS102 (28.11), the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

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

The People's Pension

The People's Pension is a multi-employer, defined contribution occupational pension scheme that has master trust status. It is operated by B&CE, a not-for-profit organisation.

The pension costs paid to The People's Pension in the year amounted to £32,000 (2020: £22,000).

Contributions of £22,000 (2020: £12,000) were payable to the scheme at the year end and are included in creditors.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

20. Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Surrey County Council. The total contribution made for the year ended 31 July 2021 was £1,387,000 (2020: £1,197,000), of which employer's contributions totalled £1,112,000 (2020: £948,000) and employees' contributions totalled £275,000 (2020: £271,000). The agreed contribution rates for future years are 24.3% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Contributions amounting to £109,000 (2020: £98,000) were payable to the scheme at the year end and are included in creditors.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary

| | At 31 July 2021 | At 31 July 2020 |
|---|----------------------------|----------------------------|
| Rate of increase in salaries | 3.75% | 3.10% |
| Future pensions increases | 2.85% | 2.20% |
| Discount rate for scheme liabilities | 1.60% | 1.40% |
| Inflation assumption (CPI) | 2.85% | 2.20% |
| Commutation of pension to lump sums – pre-April 2008 service | 25.00% | 25.00% |
| Commutation of pension to lump sums – post-April 2008 service | 63.00% | 63.00% |

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

| | At 31 July 2021 | At 31 July 2020 |
|-----------------------------|----------------------------|----------------------------|
| | Years | Years |
| <i>Retiring today</i> | | |
| Males | 22.30 | 22.10 |
| Females | 24.70 | 24.30 |
| <i>Retiring in 20 years</i> | | |
| Males | 23.40 | 22.90 |
| Females | 26.40 | 25.70 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

20. Defined benefit obligations (continued)

The College's share of the assets in the scheme were:

| | Long-term rate of return expected at 31 July 2021 | Fair Value at 31 July 2021 £'000 | Long-term rate of return expected at 31 July 2020 | Fair Value at 31 July 2020 £'000 |
|------------------------------|--|--|---|--|
| Equities | 1.6% | 23,905 | 1.4% | 18,156 |
| Bonds | 1.6% | 5,492 | 1.4% | 4,603 |
| Property | 1.6% | 2,261 | 1.4% | 2,046 |
| Cash | 1.6% | 646 | 1.4% | 767 |
| Total market value of assets | | <u>32,304</u> | | <u>25,572</u> |
| Actual return on plan assets | | <u>5,628</u> | | <u>(1,570)</u> |

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

| | 2021 £'000 | 2020 £'000 |
|---------------------------------------|-----------------|-----------------|
| Fair value of plan assets | 32,304 | 25,572 |
| Present value of plan liabilities | (49,540) | (43,062) |
| Present value of unfunded liabilities | (4) | (4) |
| Total pension liability | <u>(17,240)</u> | <u>(17,494)</u> |

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

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Amounts included in staff costs | | |
| Current service cost | 1,983 | 1,729 |
| Total operating charge | <u>1,983</u> | <u>1,729</u> |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

20. Defined benefit obligations (continued)

| Amounts included in interest payable | 2021 | 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Net interest cost | (251) | (182) |
| Total net interest | (251) | (182) |

Amounts recognised in Other Comprehensive Income

| | 2021 | 2020 |
|---|--------------|----------------|
| | £'000 | £'000 |
| Expected return on pension plan assets | 5,628 | (1,570) |
| Experience gains and losses on defined benefit obligations | (616) | 1,212 |
| Changes in demographic assumptions | 648 | (4,374) |
| Changes in assumptions underlying the present value of plan liabilities | (4,284) | (1,020) |
| Amount recognised in Other Comprehensive Income | 1,376 | (5,752) |

Movement in net defined benefit liability during the year

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Deficit in scheme at 1 August | (17,494) | (10,707) |
| Movement in year: | | |
| Current service cost | (1,983) | (1,729) |
| Employer Contributions | 1,112 | 928 |
| Net interest on the defined liability | (251) | (234) |
| Actuarial gain/(loss) | 1,376 | (5,752) |
| Net defined benefit liability at 31 July | (17,240) | (17,494) |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

20. Defined benefit obligations (continued)

Asset and Liability Reconciliation

| Changes in the present value of defined benefit obligations | 2021 £'000 | 2020 £'000 |
|--|-----------------------|-----------------------|
| Defined benefit obligations at start of period | 43,066 | 36,802 |
| Current Service cost | 1,983 | 1,729 |
| Interest cost | 614 | 788 |
| Contributions by scheme participants | 275 | 271 |
| Experience gains and losses on defined benefit obligations | (648) | (1,212) |
| Changes in financial assumptions | 4,284 | 1,020 |
| Changes in demographic assumptions | 616 | 4,374 |
| Estimated benefits paid | (646) | (706) |
| | <hr/> | <hr/> |
| Liabilities at end of period | 49,544 | 43,066 |
| | <hr/> | <hr/> |

Reconciliation of Assets

| | 2021 £'000 | 2020 £'000 |
|---|-----------------------|-----------------------|
| Fair Value of Plan Assets at start of period | 25,572 | 26,095 |
| Interest on plan assets | 363 | 554 |
| Return on assets | 5,628 | (1,570) |
| Employer contributions | 1,112 | 928 |
| Contributions by scheme participants | 275 | 271 |
| Estimated benefits paid | (646) | (706) |
| | <hr/> | <hr/> |
| Assets at end of period | 32,304 | 25,572 |
| | <hr/> | <hr/> |

21. Post Balance Sheet Events

There are no post balance sheet events that require disclosure.

22. Capital Commitments

| | 2021 £'000 | 2020 £'000 |
|---------------------------------------|-----------------------|-----------------------|
| Commitments contracted for at 31 July | 251 | 2,166 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

23. Financial Commitments

Under FRS 102, total minimum lease payments due over the lease term are shown.

At 31 July 2021 the total of the College's future minimum lease payments under non-cancellable operating leases is:

| | 2021 | 2020 |
|---|--------------|--------------|
| | £'000 | £'000 |
| In respect of land and machinery leases | | |
| Expiring with one year | 36 | 36 |
| Expiring within two to five years | 109 | 146 |
| | <hr/> | <hr/> |
| Total lease payments due | 145 | 182 |
| | <hr/> | <hr/> |

24. Contingent Liability

No material contingent liabilities exist at the balance sheet date.

25. Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest.

The total expenses paid to or on behalf of the Governors during the year was £2,926; 7 governors (2020: £2,229; 6 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 or its subsidiaries during the year.

All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under FRS102.

26. Investments

The College has one subsidiary company, Surrey Skills Limited. The College invested £1 in the Company in 2016/17. The Company is expected to undertake Education, Training and related services. Any surpluses generated by the subsidiary are transferred to the College under a deed of covenant. However, for 2020/21, Surrey Skills Limited was dormant.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2021

27. Amounts disbursed as agent

Learner support funds

| | 2021 £'000 | 2020 £'000 |
|--|-----------------------------|-----------------------------|
| Brought forward | 242 | 58 |
| Funding body grants – bursary support | 214 | 385 |
| Other Funding body grants | 122 | 77 |
| | <hr/> | <hr/> |
| | 578 | 520 |
| Disbursed to students | (266) | (261) |
| Administration costs | (12) | (17) |
| | <hr/> | <hr/> |
| Balance unspent as at 31 July, included in creditors | <u>300</u> | <u>242</u> |

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

28. HE Access and Participation Plan Expenditure

| | 2021 £'000 | 2020 £'000 |
|--|-----------------------------|-----------------------------|
| Access investment | 8 | 13 |
| Financial support provided to students | - | 1 |
| | <hr/> | <hr/> |
| | <u>8</u> | <u>14</u> |

Included within the Access investment costs above are £2k of staff costs which are included in the overall staff costs as per note 8 (2020: £2k).

The College has unspent committed financial support funds of £12k that will be available as financial support for students in future years.

Further details on the Corporation's Higher Education Access and Participation plan can be found here:

www.esc.ac.uk/HE-Access-and-Participation