NESCOT CORPORATION

Report and Financial Statements for the Year Ended 31 July 2020


NESCOT
RECEPTION
SKILLS PARK

Contents

1 Reference and Administrative Details

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. These persons are the most senior members of the College and are represented by the following in the year ended 31 July 2020:

Frances Rutter
Chief Executive and Principal

Cliff Shaw
Deputy Principal
(Curriculum & Quality)

Maria Vetrone
Deputy Principal
(Finance & Resources)

Board of Governors

A full list of Governors of the Corporation is given on pages 35 of these financial statements.

Professional Advisers

External Auditors	Internal Auditors	Funding Auditors	Bankers
MHA MacIntyre Hudson 2 London Wall Place London EC2Y 5AU	RSM 6th Floor 25 Farringdon Street London EC4A 4AB	KPMG 1 Forest Gate Brighton Road Crawley W Sussex RH11 9PT	HSBC UK Bank plc West London Corporate 2nd Floor, Space One 1 Beadon Road Hammersmith London W6 0EA

Principal and Registered Office

North East Surrey College of Technology (NESCOT)
North East Surrey College of Technology (NESCOT) Reigate Road Ewell Epsom Surrey KT17 3DS

2 Strategic Report of the Members of the Corporation

Nature, Objectives and Strategies

The Members of the Corporation present their annual report together with the financial statements and auditor's report for the North East Surrey College of Technology (NESCOT) for the year ended 31 July 2020.

Legal Status

The Corporation was established under 'The Further and Higher Education Act 1992' for the purpose of conducting the business of NESCOT. The College is an exempt charity for the purposes Part 3 of the Charities Act 2011. The College Group also encompasses NESCOT Enterprises Ltd, which is 100% owned by NESCOT and operates within separate governance arrangements including oversight by its own Board of Directors.

Public Benefit

The College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The Members of the Corporation, who are trustees of the charity and Governors of the College, are disclosed on page 35.

The Corporation is aware of its responsibilities in relation to charitable purposes in making decisions on the College's educational and vocational character and mission and in relation to the effective and efficient use of resources. In setting and reviewing the College's key strategic priorities, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its key strategic priorities, the College provides identifiable public benefits through the advancement of education to nearly 8,000 students, including 124 students with high needs. As an exempt charity, the College uses all of its income to advance technical and higher education by providing high quality teaching, learning and assessment tailored to the needs of students, business and society. The College provides courses without charge to young people, to those who are unemployed, and adults taking English and maths courses. The College adjusts its courses to meet the needs of local employers and provides training to over 800 apprentices. The College is committed to providing information, advice and guidance to prospective and enrolled students, and to finding suitable courses for as many students as possible regardless of their educational background.

To deliver its key strategic priorities, NESCOT has developed as a comprehensive college, with a wide range of subjects taught at all levels and across a diverse student body on campus, at satellite centres, and through distance learning. The College is proud of its long history as a technical and professional education institution, from which enduring commitments to widening participation and technical and professional preparation are derived. It remains ambitious for its future as a college, with a strong brand and reputation for excellence across the UK and with some international presence.

Vision Statement

The Members reviewed and changed the Corporation's vision in 2017-18, led by the College's Chief Executive and Principal. The next review and update will take place in January 2021. The current vision of the College as approved by the Members is:

"To be the college of choice for students, employers and staff."

Implementation of the Strategic Plan NESCOT 2023

The Corporation and management have re-considered the educational character and size of the College to ensure that it best serves the needs of its students and has a strong curriculum and financial base for the future. In order to make a sustainable contribution to national, regional and local priorities, the College aims to continue to consolidate existing provision against a robust curriculum quality and financial framework.

The Corporation has adopted a corporate Strategic Plan for the period 2018-2023, 'NESCOT 2023'. The Strategic Plan includes developments in curriculum; quality; partnerships; human resources and organisational development; the estate; and financial plans. The Corporation monitors the performance of the College against these plans, which are regularly reviewed and updated.

The College continues to provide a wide ranging technical and professional curriculum offer to Level 3 and beyond. Higher Education and High Needs provision has grown significantly in recent years, as well as the introduction of some provision for 14-16 year olds. The College has established a new formal 14-16 curriculum offer with Blenheim High School, where pupils from the school attend NESCOT for two days each week to study vocational qualifications in Travel and Tourism: Media Makeup; Construction: and Motor Vehicle. Other local schools have also now started to infill into this provision.

The College is well placed to respond to the curriculum changes required by the government's Post-16 Skills Plan.

Key Strategic Priorities

The College has six key strategic priorities which underpin the delivery of the vision:

1. Outstanding teaching, learning and assessment in an inspirational and safe environment.
2. Stability and growth.
3. Helping our students to develop the skills, attitudes and qualifications they need to succeed at work.
4. Engaged with employers and other organisations to offer courses that are innovative, relevant, and in demand.
5. Developing strong relationships with schools and community groups to give clear information, advice and guidance.
6. Employer of choice.

The achievement of these key strategic priorities will deliver high quality, student centred and business focused education and training that responds to the cultural diversity of the community, enriches lives and contributes to economic prosperity. The overall College offer is regularly reviewed and realigned to meet national, regional and local needs. Growth is achieved within a streamlined and cost-efficient curriculum model that aims to maximise income and reduce cost through more effective design of the curriculum and more efficient utilisation of teaching hours.

Each of the College's six key strategic priorities (KSPs) is further underpinned by a number of annual and longer term objectives. These are summarised as follows:

KSP1: Outstanding teaching, learning and assessment in an inspirational and safe environment	
1	Delivering outstanding teaching, learning and assessment that challenges and inspires our students to help them reach their goals.
2	Providing holistic support to keep our students safe.
3	Developing the use of technology to improve the way students learn and to prepare them for their future careers.
4	Continuing to invest in the College estate to support the achievement of key priorities.

KSP2: Stability and growth	
1	Achieving sustainable growth and economies of scale in core business from increased student numbers.
2	Achieving sustainable growth from joint venture partnerships and commercial activity.
3	Maintaining a sound contribution to overhead from teaching departments.
4	Encouraging innovation across the College.

KSP3: Helping our students to develop the skills, attitudes and qualifications they need to succeed at work	
1	Developing the tutorial and enrichment programme to support our students' broader learning.
2	Delivering a strong careers education programme, with emphasis on employability skills.
3	Delivering a curriculum that successfully attracts and engages with a diverse student population.



KSP4: Engaged with employers and other organisations to offer courses that are innovative, relevant, and in demand	
1	Developing a forward thinking and cost effective curriculum that meets LEP priorities and skills gaps, and reflects students and employers.
2	Developing links with employers to source high quality and meaningful work experience placements that benefit our industry needs.
3	Working with employers of all sizes and types to increase the availability and quality of apprenticeships.
4	Working with local authorities to deliver a comprehensive High Needs provision.

KSP5: Developing strong relationships with schools and community groups to give clear information, advice and guidance	
1	Delivering an effective school liaison offer through strong relationships with schools, aligning curriculum resource to support this activity.
2	Creating opportunities to work directly with young people to ensure they are receiving impartial information, advice and guidance.
3	Providing a wider college experience for young people.

KSP6: Employer of choice	
1	Providing professional and personal development opportunities for all staff to improve their knowledge, skills and practice.
2	Striving for a collaborative and inclusive workplace, where good practice is shared and staff are motivated and supported.
3	Providing staff with the tools they need to do their jobs well.
4	Delivering a clear and well understood means of recognising and rewarding effort and achievement.

Inevitably, this report is dominated by COVID-19 and the impact that it has had since the Spring 2020 onwards. The College has taken steps to address short-term financial pressures, which means that NESCOT has ended the financial year in a far better position than was anticipated in March 2020. The pandemic has created enormous challenges for many of our students, not least having to adapt to online teaching and learning at very short notice and facing months of uncertainty in relation to assessment. The College has been able to move seamlessly between face to face, blended or fully online provision. COVID-19 has led to significant changes at NESCOT since the first lockdown in March 2020. The College has continued to deliver against its key strategic priorities and to innovate, whilst reviewing lessons learned to best effect for curriculum delivery. Virus control measures have been put in place across campus and satellite centres to ensure health and safety. There has been significant investment in IT networks, hardware and software, and particularly in the security and integrity of IT systems so that effective delivery online can take place as necessary. Whilst having had devastating effects on individuals, business and the economy, COVID-19 has presented significant opportunities for the re-skilling and up-skilling of individuals and for business development to support the economy and our communities going forward.

The achievement of objectives and associated targets is regularly monitored by College management and reviewed by the Corporation through the Annual Operating Plan and Key Performance Indicators (KPIs) using a variety of dashboards.

Corporate Performance

Performance Indicators

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website, which looks at measures such as success rates. The College adopts a wide range of measures and indicators to review the achievement of financial, academic and curriculum objectives and targets, which are regularly reported to the Corporation.

League Tables

Due to the COVID-19 situation, the Education and Skills Funding Agency (ESFA) cancelled the FE Choices employer and learner surveys for 2019-20.

Funding Targets and Student Numbers

The College received government funding in 2019-20 from the ESFA; the Greater London Authority (GLA); and the Office for Students (OfS). Performance in relation to key funding targets and student numbers is as follows:

1. Funding Targets

ESFA 16-18 funding	The College achieved 116% of its ESFA 16-18 lagged funding target of £7.65m of grant income, which excludes bursary funds. The College will be paid 100% of the allocation.
ESFA 19+ funding	The College achieved 87% of its ESFA Adult Education Budget (AEB) funding target of £1.85m of grant income, excluding discretionary support funds. There is a 3% tolerance for over delivery. The College will be paid 100% of the allocation.
ESFA 19+ funding (procured)	The College has an additional procured allocation of £195k. The College achieved 100% of the target.
GLA 19+ funding	The College achieved 84% of its GLA AEB funding target of £1.5m. The College will be paid 100% of the allocation.
ESFA Apprenticeship funding	The College achieved 96% of its ESFA non-levy apprenticeship funding target of £1.79m.
Office for Students (OfS) funding	The College achieved 77% of its OfS Higher Education income target of £7.93m.

2. Student Numbers (head count)

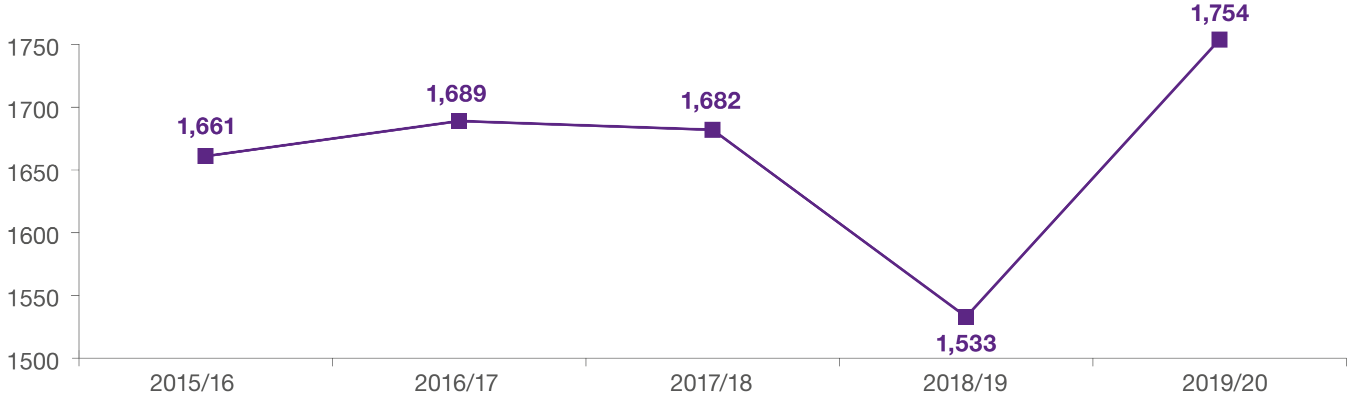
ESFA funded 16-18 student numbers
increased by 221
to 1,754

ESFA and GLA funded students aged 19+
decreased by 1,369
to 2,502

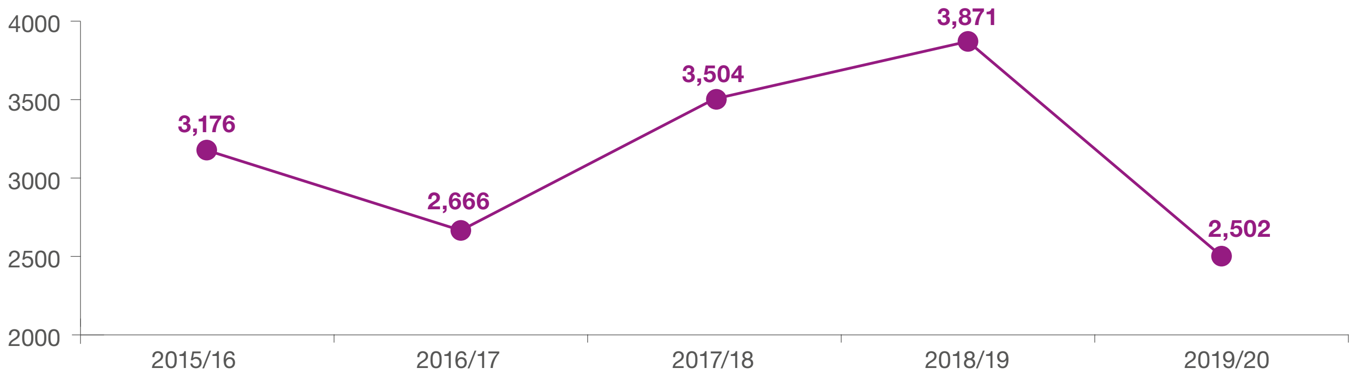
OfS Higher Education (HE) students
increased by 219
to 1,062

The following graphs depict movement in the College's FE and HE student numbers since 2015-16.

ESFA 16-18 Student Numbers

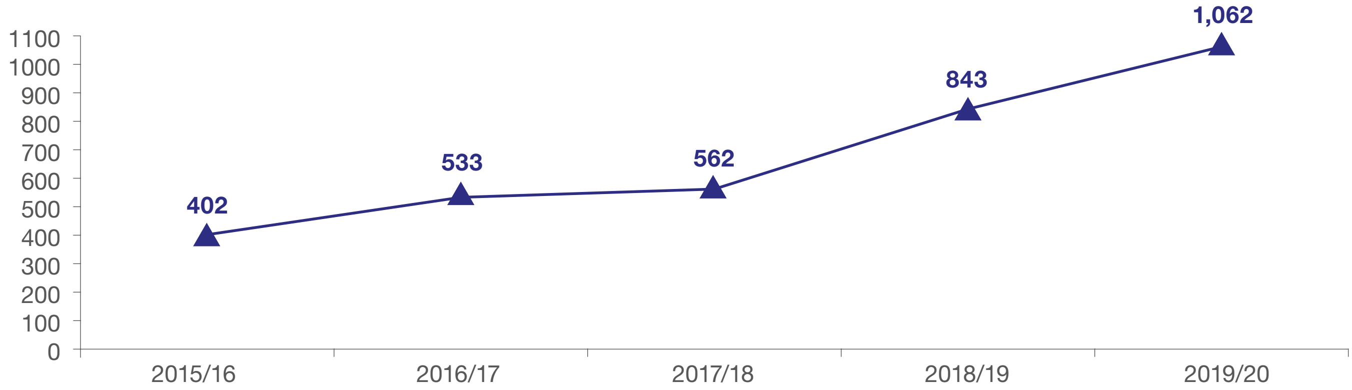


ESFA and GLA 19+ Student Numbers



To note that recruitment for FE 19+ students had been significantly reduced due to lockdown.
Also to note that AEB devolution further impacted these student numbers.

OfS HE Student Numbers



For the year ended 31 July 2020, the College delivered activity that has produced £16.20m in funding body grants (2018-19 – £18.45m).

The College had a total of 7,981 students in 2019-20, 6,650 of which were funded and 1,331 non-funded, as analysed below:

	Headcount
ESFA funded 16-18 students	1,754
ESFA and GLA funded 19+ classroom students	2,502
ESFA funded apprentices	838
ESFA advanced loan funded 19+ classroom students	494
OfS funded students	1,062
Total funded students	**6,650**
Total non-funded students	**1,331**
Total students	**7,981**

Financial Performance

Financial performance in the sector is benchmarked against a number of ESFA established measures and targets. The following table confirms the College Group's actual results for the year ended 31 July 2020 against high-level ESFA key measures and targets:

ESFA Key Performance Indicator	National benchmark	College Group target 2019-20	College Group actual 2019-20	College Group performance assessment
EBITDA as % of income (education specific)	4.7%	9.52%	10.67%	✓
Staff costs as % of income (excluding subcontracted income)	62.4%	58.17%	61.94%	
Cash days in hand	65	97	91	
Adjusted current ratio	1.00	3.43	3.79	✓
Borrowing as % of income	22.7%	0.3%	0.3%	✓
Financial Health Score	Requires Improvement	Outstanding	Outstanding	✓

The College Group achieved all of the ESFA measures and targets except for staff costs and cash days in hand. These shortfalls were caused by additional staffing requirements and costs in a year where 16-18 student numbers increased and funding is lagged, whilst COVID-19 impacted adversely on the College Group's ability to maximise cash generation and achieve income targets. The College Group's performance in these areas was still ahead of national benchmarks and well within Finance Strategy parameters.

2 Strategic Report of the Members of the Corporation continued...

The College's Finance Strategy 2023 incorporates a range of KPIs and targets to support the achievement of Key Strategic Priority 2 for stability and growth. It is updated periodically and was used to inform the College Group's detailed financial plans for 2019-20 and 2020-21. High level Finance Strategy KPIs include the following, with an indication of College Group performance against each for 2019-20 final outturn:

High level KPIs for Key Strategic Priority 2 – Stability and Growth		
1	Maintain 'outstanding' financial status from the ESFA	✓
2	Achieve 3% surplus of total income or more per annum	✗
3	Invest 3% of total income per annum as capital investment	✓
4	Maintain operating cash in the range of 60 to 120 days	✓

The College met three of four Finance Strategy high level KPIs during the year, falling short of achieving target operating surpluses of 3% of total income. This would have required surpluses of around £800k to have been achieved. The College Group posted a deficit of £201k for the year ended 31 July 2020 against a balanced budget. The COVID-19 pandemic struck in mid-March 2020, about two thirds of the way through the College's financial year, negatively affecting a number of income streams and dropping overall financial performance below budget.

Academic and Curriculum Performance

The College's progress in achieving its key academic and curriculum targets is as follows:

Further Education

The College's headline Further Education achievement rate (including English and maths) held up well despite lockdown caused by COVID-19. The final overall achievement rate for 2019-20 is 86%, down 1% on the previous year. There remain some students who, due to assessment delays caused by lockdown, are yet to achieve primarily in Accounting subjects. The headline vocational only achievement rate also held up well at 84%, down 1% on the previous year. This is particularly pleasing as a high proportion of the College's provision is in vocational subjects where students were required, due to the health and safety requirements in areas such as Electrical Installation; Plumbing; Hairdressing; Beauty; and Media Makeup, to still undertake delayed and adapted practical assessments on site and in practical workshops. COVID-19 secure arrangements were made over the summer period to bring students into the College to undertake these assessments and tests. This was not a common practice amongst colleges. A small number of students, primarily adults who had caring commitments during lockdown, were unable or unwilling to come into College for these assessments and, as a result, were unable to achieve their qualification on time.

Higher Education

In Higher Education, once postgraduate examinations boards are finalised for 2019-20, the achievement rate will be 79%, an increase of 9% on the previous year. The National Student Survey (NSS) 2019-20 showed an increase in overall satisfaction of 8% to 86% which is an increase of 6% above the sector average.

English and maths

In English and maths, GCSE high grades improved significantly again for 16-18 years olds and adult age groups, and are well above national averages. Overall GCSE achievement increased to 13% above national average. Overall GCSE high grades increased to 17% above national average. Overall functional skills achievement (all ages) was 1% above national average. Achievement for adults who studied functional skills English and maths declined by 3%. This was due to COVID-19 related pressures on adults who have studied as part of their work and which were affected by lockdown, in addition to having family and caring commitments during lockdown. However, achievement for adults who studied functional skills was 4% above national average.

Achievement of 16-18 year olds who studied functional skills English and maths increased by 3% to 67% but was 3% below national average. The grade progress made by students was also positive. Progress made by students who studied GCSE maths from grade 3/D is above national average at +0.21 (national average +0.19). Progress made by students who studied GCSE maths from grade 2/E is above national average at +1.0 (national average of +0.47). Progress made by students who studied GCSE English from grade 2/E is above national average at +1.6 (national average +0.68). However, the progress made by students in GCSE English from grade 3/D was marginally below national average at +0.21 (national average +0.28).

Internal progression

The progression of full-time Further Education students at levels below Level 3 improved by 2% from 66% to 68%. There are no national averages for this progression data. Destinations and progression of Level 3 leavers will be available in November 2020.

High grades

The high grades achieved by Further Education students improved at both Levels 2 and 3. At Level 2 by 1% to 45% and at Level 3 by 4% to 47%.

Apprenticeships

Apprenticeships delivered by the College's subcontractors continue to deliver high achievement outturn. The exception is in Hairdressing, where there was a negative impact on achievement caused by one provider. The College will no longer be offering this provision.

With Hairdressing excluded, the overall achievement rate was 80% with further apprentices still being worked with where progress and end-point-assessments were delayed due to COVID-19. The vast majority of these continuing students are expected to achieve their learning aims and qualifications.

The College's direct apprenticeship provision has performed less well due to a combination of COVID-19 and lockdown impact on opportunities for workplace assessment. Overall achievement was 54%, however there are 35 continuers, 25 of whom are due to complete during the first term of 2020. There has been much improved outcomes in Computing / IT; Motor Vehicle; Animal Care; Business; Infrastructure and Digital Marketer with 100% overall achievement in some and positive profiles of high grades where end-point-assessments have been entered for the first time. The stronger areas have largely been where volumes are lower. The College's larger apprenticeship areas of Electrotechnical and Plumbing did not perform well enough, subject to further continuing apprentices who are still to achieve. The final outturn was 60% and 72% respectively. Nearly all of these apprentices were furloughed. Apprenticeships in Hospitality and Catering have been significantly affected by COVID-19 and the impact on this industry although the College continues to work with these apprentices.

The College had ceased delivery of Hairdressing apprenticeships due to the cessation of trading of one subcontractor and the loss of apprentices to another provider, resulting in low achievement rates. Plastering has also been ceased due to poor performance and the unreliability of smaller employers in this occupational area.

Student destinations

The most recent capture of students' destinations in November 2019 shows a positive impact of studying at NESCOT. The actual longitudinal destinations of young people showed:

- 94% positive destinations full time 2019 leavers FE (94% 2017-18)
- 43% vocationally related (38% 2017-18)
- 90% positive part-time leavers (84% 2017-18)
- continued 3-year trend of positive destinations

Adults who studied on site:

- 90% (84% in 2018) of known destinations are positive

*In January 2016, the College received a short inspection by Ofsted, the government inspectors of schools and colleges. Ofsted's independent assessment of the College was that it continues to be **good** and that safeguarding is **effective**.*

Student Achievements

Many of the College's students are involved in competitions or take part in events showcasing their particular talents. For example, students in Foundation Learning develop their enterprise and independence skills by producing work for resale or providing catering for external events. The College has a highly effective student industry internship programme for a number of these students, which has resulted in employment for them.

Students from NESCOT competed at a prestigious national skills competition in Birmingham during the year. The group made it through the regional heats to represent the College at WorldSkills UK. This year the students did not win any medals, but CEO and Principal Frances Rutter praised them for their hard work in getting to the finals. "The WorldSkills UK competition is extremely demanding, so to make it all the way to the national finals is a huge achievement," she said.

This year's regional and national competitions were cancelled due to COVID-19. Next year's cycle will be starting in January 2021. NESCOT is hoping to involve 21 Computing students for training and competitions.

Students had their hard work recognised at a College ceremony in November 2019 aimed at celebrating a diverse range of achievements. Tutors nominated one person from each full-time course as their department's Student of the Term, and Directors of Faculty each chose one award-winner to win Faculty Student of the Term. All the nominees were invited to a reception with the Executive Leadership Team, where they were presented with a certificate.

NESCOT's Hair and Beauty department's 2019 Christmas appeal was a success, with dozens of items donated to Sutton Night Watch. Tutor Lisa Charles launched the appeal in November, asking for donations of winter clothes to help people sleeping rough to stay warm. People gave items ranging from warm coats, hats, gloves and scarves to duvets and sleeping bags, which Sutton Night Watch collected from NESCOT before the College closed for Christmas. "Our students, staff and visitors have been very generous, and we've collected a wide range of donations". In addition, Level 3 students visited East Surrey Hospital, where they offered free haircuts to hospital patients. The Hair and Beauty department has organised a Christmas appeal for the past five years, alternating between homeless people and families experiencing hardship.

A Hairdressing student secured a job with Toni & Guy as a junior stylist as a result of the College's partnership with the global company. Three Performing Arts students also successfully gained places at the National Youth Theatre Summer School.

Computing students have raised more than £800 for charity with their annual Christmas card sale and raffle. They also developed their business skills through his project. Media students made videos for The Children's Trust.

Financial Review

Financial Results for the Year Ended 31 July 2020

The financial statements comprise the results of the activities of the NESCOT Group.

The College Group has four subsidiary companies. Only one of these was active during the year ended 31 July 2020, NESCOT Enterprises Ltd (NEL), which is 100% owned by the College and included in the College Group financial statements. NEL's main activities in the year encompassed some non-primary purpose trading; and the supply of a small number of administrative staff to the College. Any surpluses generated by NEL are gift-aided to the College.

The financial results for the year ended 31 July 2020 are summarised in the following table with prior year comparators:

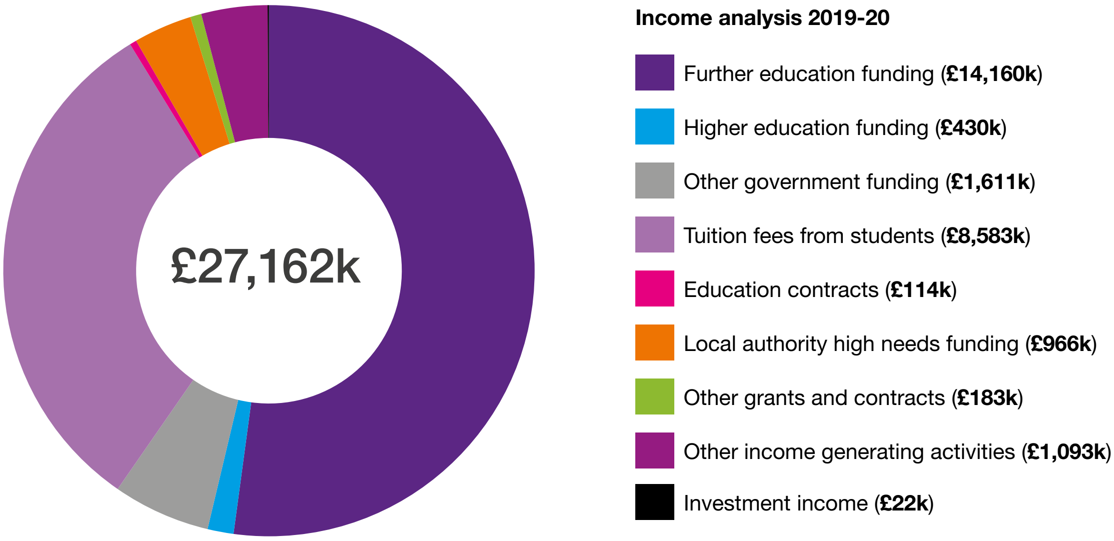
	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Total income	27,162	27,107	28,194	28,050
Total expenditure	(27,254)	(27,207)	(27,961)	(27,775)
Surplus/(deficit) before other gains and losses	**(92)**	**(100)**	**232**	**275**
Gain/(loss) on disposal of assets	(62)	(62)	12	12
Gain/(loss) on investments	(48)	(48)	39	39
Share of operating deficit in joint venture	0	0	(15)	(15)
Surplus/(deficit) before tax	**(201)**	**(210)**	**269**	**312**
Taxation	0	0	0	0
Surplus/(deficit) for the year	**(201)**	**(210)**	**269**	**312**

The College Group seeks to generate a surplus to produce sufficient cash to support the delivery of key strategic priorities including stability and long term sustainability, targeting an annual operating surplus as a proportion of total income of at least 3%. The College Group delivered an operating deficit of £201k against a balanced budget for the year, the final outturn representing a loss of 0.7% of total income.

Total income for the College Group was £27.16m (£28.19m 2018-19), a decrease of £1.03m (3.7%) from the previous year. Total expenditure was £27.25m (£27.96m 2018-19), decreased by £0.71m (2.5%) from the previous year. The College Group generated a deficit before other gains and losses of £92k (£232k surplus 2018-19). After losses on disposal of assets of £62k from the write-off of the Sports Pavilion; and losses on long term investments held in a medium-risk investment portfolio of £48k, the NESCOT Group generated a deficit for the year of £201k (£269k surplus 2018-19).

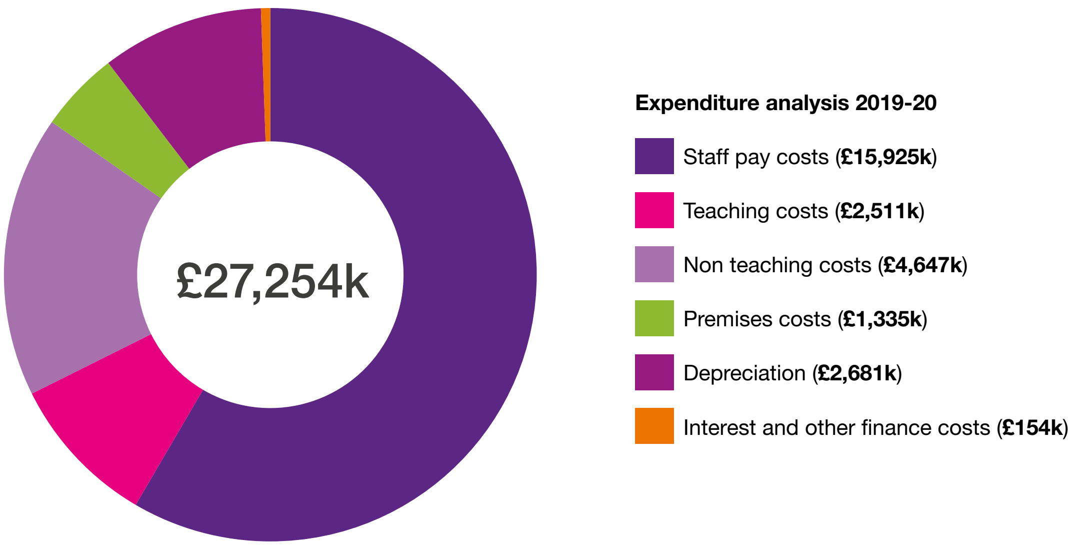
Total Comprehensive Income for the College Group was a loss of £4.49m (£1.92m loss 2018-19) caused by an actuarial loss of £4.49m in respect of pension schemes.

Key analysis of total income for the College Group for the year ended 31 July 2020 is as follows:



The decline in total income of £1.03m from the previous year was caused mainly by a large reduction in FE ESFA funding. Reductions in income related to the College's AEB funding for adults of £1.81m and the loss of associated tuition fees from students of £0.73m; lagged ESFA funding from under-enrolment of 16-18 year-old students of £0.78m; and other income generating activities of £0.39m caused by the impact of COVID-19. Some ground was made up from additional tuition fee income of around £1.66m from HE loan supported courses; Teacher Pension Scheme (TPS) contribution grant of £0.36m to cover some of the additional TPS pensions costs; other funding grants of £0.34m; and additional High Needs funding from local authorities of £0.28m for increased numbers of students. The College continues to place significant reliance on the education sector funding bodies for its principal funding sources, largely from the ESFA and some funding from the GLA AEB and from OfS for HE provision. In 2019-20, these funding bodies provided 59.5% of the College's total income.

Key analysis of total expenditure for the College Group for the year ended 31 July 2020 is as follows:



Staff pay costs increased by £1.03m (6.9%) to £15.93m, representing 58.6% of total income (including subcontracted income) and predominantly reflecting uncontrollable increases in pension costs. Teaching costs fell by £1.8m (41.1%) to £2.51m, reflecting the College's strategy to reduce these costs and ensure cost effectiveness in curriculum delivery, which was accelerated by the impact of COVID-19 during the year with four months of online delivery. Non-teaching costs fell by £191k (3.9%) to £4.65m, similarly reflecting the College's downward pressure on the cost base and cost savings achieved from lockdown.

The College generated a deficit before other gains and losses of 92k (£232k surplus 2018-19). After gains and losses, the College generated a deficit for the year of £201k (£269k surplus 2018-19). This represents (0.7%) of total income, which is slightly behind the break-even annual target set for 2019-20 but significantly behind the College's Finance Strategy parameter of at least 3% surplus. The College's financial forecasting during the year was accurate.

At 31 July 2020, the College Group held non-current investments with a market value of £992k (£1,039k in 2018-19), with a loss on investment of £48k as a direct adverse impact of COVID-19 on financial markets and returns. The Members, through the Senior Management Team, delegate the discretionary powers of management of the College's non-current investments to investment manager Smith & Williamson. The College's investment objective is to maximise long term return measured against an agreed target. There is no specific direction given to the investment manager regarding social, environmental and ethical considerations although Smith & Williamson take a holistic approach to investment analysis, where these factors are identified and assessed to form an investment decision. The College Group's bank balances are held in cash funds managed by HSBC and totalled £6.68m at 31 July 2020 (£5.69m 31 July 2019).

The College operates two defined benefit pension schemes: The Teachers' Pension Scheme (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Surrey County Council. The latest formal actuarial valuation of the TPS was effective from 1 April 2019 and of the LGPS also from 1 April 2019. The balance sheet at 31 July 2020 shows the defined benefit obligations relating to the LGPS of £11.33m, increased by £5.18m from last year's valuation. Pension costs paid to TPS in the year amounted to £1.43m (£1.12m 2018-19). NEL operates a separate defined contribution workplace pension scheme: The National Employment Savings Trust (NEST).

The College Group added £1.43m to tangible fixed asset values during the year. Major refurbishments to the value of £0.8m were completed to the College's old reception area; the FE Common Room; and the College's Wellbeing Centre on the North ground floor of the main building. The lift in the Learning Resources Centre was also replaced and various other building infrastructure enhancements were also completed including continued improvements to limited mobility access across campus. Specific works in curriculum areas were carried out including Foundation Learning and Learning Support; Hairdressing; and Catering. A substantial programme of IT infrastructure upgrade was also continued during the year, including a refresh of the IT network and replacement of IT devices across the College in accordance with College replacement policy. These improvements totalled approximately £0.6m.

The College has spent a total of approximately £56.5m in the redevelopment of its estate in Epsom over the last six years, which has transformed the College into a modern and up to date learning and teaching environment, as well as becoming a commercial hub for the local area. A further £2.4m is planned in capital expenditure in 2020-21. The re-development of the College estate and infrastructure has been managed without any borrowing. The College's Estates Strategy was updated in 2018-19 for the next 10 years, which includes further ambitious developments of the estate. The College's ability to continue to redevelop the estate and invest in infrastructure without the need for borrowing; robust management of working capital including cash and cash generation; increasing provision delivered by Foundation Learning and Learning Support for high needs students and school links; and the management of our key direct delivery partnerships and associated financial returns are the main reasons for the College's ability to maintain good financial health in a challenging operating environment.

The College Group maintains an Asset Management Plan. This is a tactical plan for managing the College's infrastructure and other assets to deliver an agreed standard of service and optimise asset value. The College's Asset Management Plan takes a five-year rolling view and covers all campus buildings and floors costed for planned maintenance purposes.

The College Group has accumulated reserves of £47.76m after FRS102 pension adjustments.

With many income lines protected as part of the government strategy to preserve the economy, the lockdown and closure of the campus between March and July 2020 led to significant cost savings and resulted in an improved financial performance for the College against earlier forecasts. Actual key performance ratios on the whole remain relatively strong because of the College's underlying financial health. The final outturn EBITDA was very strong and ahead of financial plans because the College retained most of the 'at risk' income streams during lockdown. In the last two months of the year, the College demonstrated much more healthy operating levels, reflecting cash generation that was closer to plan by maintaining as much activity as possible and bearing down on costs.

The final outturn staff costs ratio was adverse against financial plan, reflecting the challenge of implementing pay cost savings/ efficiency targets at a time when ESFA 16-18 student numbers increased and lagged funding takes effect in 2020-21 whilst the costs of delivery were borne in 2019-20; and the significant reduction in total income against plan.

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, adopting the key recommendations of CIPFA's 'Treasury Management in the Public Services: Code of Practice' (the Code), as described in Section 4 of that Code. The College delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance and General Purposes (F&GP) Committee. For the execution and administration of treasury management decisions, responsibility is delegated to the Deputy Principal (Finance & Resources), who acts in accordance with the College's policy, and if they are a CIPFA member, in accordance with CIPFA's 'Standard of Professional Practice on Treasury Management'.

The College regards its investment priorities to be security and liquidity, as defined in its Treasury Management Policy. It balances risk and return within these priorities to achieve optimum income on its investments. The College also adopts an ethical investment policy based on the premise that the College's choice of where to make equity investments should reflect the ethical values it espouses in public life. The College will not knowingly invest in companies whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the College.

The College's Treasury Management Policy states that the College's performance of cash reserves will be measured against the Bank of England base rate as follows:

Value of cash reserves	Benchmark target for return on cash reserves
£ under £0.5m	Base rate + 0.25%
£ over £0.5m	Base rate + 0.50%

The College's treasury performance of its bank cash balances at 31 July 2020, using the Bank of England base rate of 0.1% at this date, is as follows:

	Benchmark target %	College funds average balances £	Benchmark target return £	Actual return £
£ under £0.5m	0.35%	NIL	NIL	NIL
£ over £0.5m	0.60%	£6,054,666	£36,328	£22,000

The College continues to underperform against treasury management targets for cash reserves and is significantly behind the benchmark target. This performance continues to be reviewed although options are highly limited in the current financial operating environment with low interest rates and poorly performing financial markets impacted by COVID-19. Surplus cash is being invested with external cash managers in medium risk investment funds to achieve higher returns in the long term.

The College does not adopt a policy of short term borrowing for temporary revenue purposes. The College has no borrowing and has no plans to borrow funds in the foreseeable future.



Cash Flows and Liquidity

At £2.16m, net cash flow from operating activities was strong. The net cash flow resulted from a good cash generation performance from the College, with expenditures such as the interest cost on the LGPS and depreciation being non-cash items. Also giving a boost to the cash balance at year-end was a higher than budgeted creditors figure, due to the timing of invoices received.

Reserves Policy

The College aims to maintain a level of reserves that enables it to fulfil its future commitment to existing alumni and students, notwithstanding unforeseen adverse events.

The College's Treasury Management Policy requires that the College ensures that adequate cash resources are available to fund daily activities from the College's cash balances or from any designated borrowing facilities. This policy is operated to ensure compliance with the minimum liquidity levels as defined in the College's Finance Strategy and in the Treasury Management Policy.

The College maintains a cash flow forecast updated on a rolling monthly basis to the end of the current academic year and into the following two academic years to ensure that future cash requirements are identified and that investments and any borrowings that may be required are managed accordingly. The College invests surplus funds in a mix of financial instruments to include readily available funds and term deposits whilst ensuring optimum returns. The College monitors and forecasts cash flows and reports routinely to the F&GP Committee and to the Corporation highlighting any significant variances.

The College's policy is to maintain cash facilities of at least two months of average operating expenses to allow for unforeseen liquidity requirements, and up to five months of average operating expenses as a maximum to allow a parameter for the investment of surplus funds. At 31 July 2020, these parameters required cash reserves of between £4.1m and £10.2m to be maintained.

The College Group maintained average cash balances of £6.05m, well within the College's Treasury Management Policy parameters.

At the Balance Sheet date, the College Group has accumulated reserves of £47.76m and has a further £1m in a medium risk investment fund. The College Group wishes to continue to accumulate reserves and cash balances in order to meet future commitments and to create contingencies for future capital expenditure requirements.

The College's current 'house' bankers are HSBC plc, with whom the College deposits cash in a current account and overnight money markets. The College also appointed Smith and Williamson to manage a separate investment fund.

At 31 July 2020, the College held a total of £6.683m in cash reserves analysed as follows:

Account	Balance	Interest Rate	Comment
HSBC Current	£10k	0%	Sweep facility
HSBC Money Market	£6,673k	0.4%	Instant access

On 11 March 2020, the Bank of England decreased the Base Rate of Interest by 0.5%. This meant the Base Rate changed to 0.25%. On 19 March 2020, the Bank of England then decreased the Base Rate of Interest by a further 0.15%. The Base Rate is now 0.1%. The College earned a total of £22k in interest from bank cash balances in the year ended 31 July 2020.

Annual Capital Expenditure and Planned Maintenance Programme

In recent years, the College has received SFA and EFA grant funding of £11.7m to update and improve its campus. The SFA and EFA funding was matched by £30m of College funding. The impact of these works significantly reduced the College's backlog maintenance. The College now has an annual programme of capital expenditure for further refurbishment of the estate and to maintain asset values, and approximately £200k per annum in planned maintenance.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The College is partially exempt in respect of Value Added Tax (VAT), so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature. The College's subsidiary companies are subject to corporation taxes and VAT in the same way as any commercial organisation.

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2019 to 31 July 2020, the College paid 82% of its invoices within 30 days, up from 74% in the previous year. The College incurred no interest charges in respect of late payment for this period but is endeavoring to further improve this statistic.

Events After the End of the Reporting Period

There were no further events that affected the balance sheet.

Going Concern

After making appropriate enquiries, the Corporation considers that the College Group 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.

The Corporation has considered the principal risks and likely impact of COVID-19 on the business for the next 12 months. The situation is rapidly changing, making forecasting difficult but the Corporation has considered how it may respond to the variety of challenges. For 2020-21, student recruitment has exceeded expectations. The College Group has the ability to deliver its courses using a blend of face-to-face and online teaching or entirely online if required as a result of government interventions. The Corporation sees no reason why there would be a decline in student recruitment for the next academic year starting in 2021-22.

The last update of the College Group financial plans for 2020-21 and 2021-22 indicate that the College Group has met the majority of its high level and operational financial KPIs for 2019-20. A very small operating surplus is planned to be delivered in 2020-21, returning to more significant surpluses in 2021-22 if the Curriculum Growth Strategy is delivered.

The risks associated with the financial plans for 2020-21 are significant given that it is a near-balanced budget with no contingencies, relying heavily on the performance of the College Group's direct delivery partnerships against defined business plans and in a COVID-19 operating environment. There is also a risk that a contingent liability may materialise in 2020-21, which may significantly impact the College Group's cash reserves. The Corporation has carried out an assessment of the key strategic risks facing the College Group, which includes solvency and liquidity risks. There are strategic and operational risk registers in place with mitigating action plans that are regularly monitored by management and which are particularly focused on sustainability, whilst maintaining curriculum quality.

The financial plans indicate that the College Group is capable of increasing its income, with total income expected to reach £33.15m in 2021-22. However, the cost base is also expected to reach £32.20m to support growth in the business, realising a forecast operating surplus of £953k after interest, tax, depreciation and amortisation (ITDA). These forecasts are behind the Finance Strategy targets set in April 2018 but are based on up to date cautious and realistic underlying assumptions.

The College Group's financial health remains 'outstanding' throughout the period of these financial plans, with positive ESFA key performance indicators and net current assets. The College Group's financial position is being maintained due to strong cash generation and cash reserves, healthy working capital, and no borrowing requirements. Cash days remain within defined parameters and well ahead of sector benchmarks. In addition to cash reserves of around £7m, the College Group also has an investment fund of around £2m which can be drawn down at relatively short notice if required. The College Group's Balance Sheet demonstrates strength through liquidity and solvency, supported by a high level of net assets in the business. Where KPIs are adverse, management action is taken to address the underlying underperformance.

In the context of continuing to operate independently without restructure or merger, and in a challenging operating environment, the Corporation has been setting and delivering against balanced budgets over the last couple of years, despite a small unplanned deficit for the year ended 31 July 2020, and will continue to do so in the short to medium term. Delivery of the financial plans for 2020-21 and 2021-22 continue to rely heavily on the College achieving its strategies for growth in student recruitment and increased cost effectiveness of curriculum delivery, particularly from blended learning. The COVID-19 crisis has accelerated the College's implementation of more remote and blended learning.

Attention continues to focus on managing the risks inherent in the College Group's financial and development strategies. Growing dependence on non-government funding, particularly in relation to levy funded apprenticeships, full cost courses and online programmes, with emphasis on further increasing take up of FE and HE loans, commercial income, and overseas fee income is still a challenge within a fiercely competitive market in FE. Further, there is also increased uncertainty and risk whilst the College Group continues to be exposed to cost pressures – salaries, pensions, other employer pay costs, capital depreciation charges, and the costs associated with COVID-19 – over which the College Group has limited control.

Management will continue to review the financial performance of the College Group on a monthly basis, including an evaluation of actual results and forecasts compared to financial plans as well as detailed cash flow forecasting, reporting regularly to the Corporation.

Developments and Future Prospects

Curriculum Developments

There is a strong match between the College's curriculum at all levels and national priorities and local needs. This is a result of a clear strategic direction laid out by the Members and senior managers, a five-year curriculum growth strategy to 2023 and beyond, and effective arrangements with partners, including the Local Enterprise Partnership (LEP), businesses, and universities. Courses have been re-designed to align with local and regional economies and to ensure that students are able to move securely into employment.

The College uses strategic networks to inform curriculum planning and developments. For example, the Coast-to-Capital (C2C) LEP directly contributes to curriculum planning conversations in the College. Managers cross-reference the technical and occupational skills and behaviours developed through their curriculum against local and national skills priorities. College managers are represented on the C2C LEP Board; C2C 360 Skills Board; C2C Investment Committee; Surrey Employment Skills Board; Surrey Chambers; Thriving Workforces; Women in Business Steering Groups; and the One Surrey Growth Board. In addition, the College recently became the regional C2C LEP Careers Hub and is part of an Institute of Technology (IOT) project along with other partners.

The College now delivers a Saturday Academy for 13-16-year olds from the local area across nine vocational subjects. It has also enabled its blended and eLearning strategy, investing heavily in eLearning using Google Classroom.

The College has a growing High Needs programme which is highly regarded by local authorities and other agencies. There has been 20% year on year growth in High Needs learner enrolments with local authorities. There has also been growth in programmes which tackle social disadvantage and disrupted schooling to get these young people into vocational programmes and work. The College's Achieve programme gives these learners the opportunity to develop their personal, English, maths and vocational skills so that they can progress onto higher levels of full-time education and training within the College.

Alongside a strong Surrey-based provision, the College works innovatively with direct delivery partners to provide access for learners, employers and communities to high quality education and training in their local area. This ambitious and successful programme of establishing direct delivery centres meets needs in Central London, Hounslow, Barking and Dagenham and Docklands. The partnerships include both Further and Higher Education provision to offer progression opportunities alongside qualifications and skills for work. The College also delivers successful Further Education business qualifications in the Greater Manchester area, Hounslow and Central London which enable progression onto the College's Higher National Diploma programme also delivered at these locations. This provision provides aspirational and valuable access to training and qualifications for disadvantaged communities and helps to enrich businesses and the economy in these areas.

In Higher Education, the College gained institutional and centre approval from the Open University (OU) which has resulted in the validation of new programmes through BSc Top-Ups in Computing, BA Top-Ups in Counselling Studies, Psychodynamic Counselling and Business Entrepreneurship.

Future Prospects, Challenges and Opportunities

The College continues to work in an increasingly challenging and dynamic operating environment generally in the FE sector. The UK was in lockdown for several weeks from March 2020. During this time, stock markets experienced the biggest crash in share price since 1987 and there have been emergency interest rate cuts from 0.75% to 0.1% in a bid to support the economy during the coronavirus outbreak across the world. The government's budget in March 2020 had the following implications for FE:

1 Capital funding	2 Institutes of Technology	3 Facilities and equipment to support T Levels	4 National Skills Fund
5 Apprenticeship Levy	6 Apprenticeships	7 Freezing the maximum fee cap	8 Operating in a Covid-19 environment

1. Capital funding

The government will provide £1.5bn over five years to bring the facilities of colleges in England up to a 'good' level, and to support improvements for raising the quality and efficiency of vocational education provision. The first tranche of capital allocation was distributed to the sector in September 2020. **The College has received nearly £0.9m in additional condition improvement funding, which is being used to upgrade and expand accommodation for increasing numbers of High Needs students. The programme of expansion is being taken forward at the College in partnership with Surrey County Council and local authorities.**

2. Institutes of Technology

The government will provide £120m to bring FE and HE providers in England together with employers to open up eight new Institutes of Technology. These institutes will be used to deliver high-quality higher level technical education and to help close skills gaps in their local areas. **The College is currently working with partners to bid for the establishment of a local Institute of Technology to enhance the curriculum offer particularly around digital skills.**

3. Facilities and equipment to support T levels

The government will provide £95m for providers in England to invest in high quality facilities and industry-standard equipment to support the rollout of T levels. Funding will support T level routes being delivered from autumn 2021, including construction, digital, and health and science. **The College is planning for the rollout of T levels.**

4. National Skills Fund

The government will consult widely in Spring 2021 on how to use the new National Skills Fund.

5. Apprenticeship Levy

The government will review the working of the Apprenticeship Levy, to better support employers in meeting the long-term skills needs of the economy. **The College is targeting resources to ensure that it can engage more effectively with employers and to be able to offer high quality tailored apprenticeship solutions cost effectively.**

6. Apprenticeships

The government will make sufficient funding available in 2020-21 to support an increase in the number of new high-quality apprenticeships in SMEs. **The College has a large number of SMEs who will need support to navigate the new funding arrangements through the Digital Apprenticeship Service portal.**

7. Freezing the maximum fee cap

As announced in July 2019, the government has frozen the maximum fee cap in England for the 2020-21 academic year at £9,250 for regular full-time undergraduate courses and at £11,100 for accelerated degree courses. The College is taking advantage of the fee cap freeze as well as the lifting of the Student Number Controls. **The College works in partnership with a number of organisations for the delivery of new and innovative HE courses, including plans for the delivery of a new BA degree in Entrepreneurship which will be delivered at weekends on site at the Ewell campus.**

8. Operating in a COVID-19 environment

The Chancellor delivered the Summer Economic Statement on 8 July 2020. It included a substantial package of measures listing a number of tax and spending initiatives to boost employment in the current COVID-19 environment, along with a range of employment incentives. The Treasury is also allocating £1bn to the Department for Work and Pensions (DWP) to double the number of work coaches; to double the Work and Health programme budget (from £100m to £200m); and to increase the 'intensive support' offered to jobseekers. Even though the measures for 16 to 24-year-olds are small overall, there is some significant additional funding coming into the FE system in 2020-21. **In response, the College has developed a new range of provision through the College's new REBUILD brand, aimed at adults who need to re-train or up-skill.**

The College will continue to develop a diverse range of programmes that will enable further increase in revenue. We will develop programmes that will be diverse in their delivery, mode of study and location. We will invest in initiatives jointly with our direct delivery partners, including the development of the 'weekend College'. Though most of our programmes are delivered face to face, we will continue to focus on enhancing our digital capacity to deliver, teach and support students through virtual learning platforms. We will invest in the tools, training and technology to develop an e-learning environment to enable us to be flexible to adapt to a rapidly changing environment. We are looking to respond to the changes in the employment market by offering new content such as digital technology within the curriculum. Through our strong networks and connections, we will continue to work with employers in developing apprenticeships and other content so that our students have the knowledge, skills and competencies to be successful in their careers.

Financial Outlook and Future Plans

The College shut down its campus and satellite centres in March 2020, maintaining in-person courses for vulnerable students and shifting to remote learning for the rest. The government made quick decisions on funding but protection has been limited. Although some of the College Group's income was protected in 2019-20, there will be only moderate protection of funding in 2020-21, regardless of activity, with adjustments deferred to 2021.

The Corporation approved a financial plan in July 2020 for the year ending 31 July 2021, which sets objectives for the year. The College has prepared a number of financial planning scenarios. Each scenario is underpinned by a different set of working assumptions and financial implications, including for the impact of COVID-19 on the College Group's business.

Total income in 2020-21 is set to increase by £1,073k (3.7%) mainly from increased 16-19 ESFA lagged funding of £1,681k due to higher student numbers in 2019-20. Other factors include: (1) increased full cost income of £822k, mainly from the College's Rapid Business Development initiative to launch 'Rebuild your future with NESCOT', and from more school links programmes; (2) increased HE tuition fees of £420k from additional take up of HE programmes delivered by the College's partners; and (3) increased ESFA High Needs funding of £293k from increased numbers of High Needs students in 2019-20. There is a reduction in some funding and fee income from other areas, including non-devolved adult education and 19+ non levy apprenticeships.

Total budgeted pay expenditure in 2020-21 is set to increase by £1,991k (12.6%) and includes additional teaching capacity to support planned growth in student numbers, funding for which is lagged into 2021-22; the full year of teachers' pension employer contributions at a much higher rate of 23.68%; and (3) a consolidated cost of living increase of 1%.

Total budgeted non-pay expenditure in 2020-21 is set to increase by £561k (4.8%) mainly from increased subcontracting of HE provision with a new subcontractor, which is being developed with a view to conversion to a direct delivery partnership.

The College Group's budget for 2020-21 includes some further redevelopment of the estate. The associated capital expenditure is planned to be funded using the College Group's existing cash reserves with no borrowing. The total cost of the capital programme in 2020-21 is £2.4m, which includes further upgrade of the College's IT infrastructure, enhanced IT security, and additional provision of laptops for both students and staff to continue to work remotely as part of the College's response to COVID-19.

The College Group's financial health score remains 'outstanding' throughout the period of the financial plan. A small operating surplus is planned to be delivered in 2020-21. There are net current assets throughout the financial plan and no borrowings are required. Cash days remain within the College Group's defined parameters and well ahead of sector benchmarks.
The College Group's balance sheet demonstrates strength through liquidity and solvency, supported by a high level of net assets in the business.

The whole college sector was in a difficult position before the COVID-19 crisis started:

1 Funding levels	2 Deficits	3 Financial vulnerability	4 Rising costs	5 Funding reform

1. Funding levels
Colleges obtain 80% of their income from the UK government from a number of different budgets. In 2019, the Institute of Fiscal Studies said that FE had had the largest cut of any part of the education sector in recent years. The DfE has not increased the funding rates that it pays colleges to take account of inflation for seven years.

2. Deficits
The FE sector had a deficit of £70m (1% of income) in the last full year.

3. Financial vulnerability
The ESFA judges that 69 colleges (28%) had finances that were inadequate or that require improvement.

4. Rising costs
Colleges have been under pressure to increase pay to ensure they can recruit and retain teaching staff, to cover higher pension contributions, and to keep up with the rising minimum wage. This pressure has pushed the average spending on staff costs to 69% – above the 65 percent benchmark set by DfE.

5. Funding reform
Recent government policy has also had a financial impact. Colleges have faced increasing and fierce competition for public funding from new entrants to the apprenticeship training market and from universities. At the same time, the devolution of the adult education budgets in some areas to mayors has further restricted funding for colleges.

This forms the backdrop for the College's academic and financial planning for 2020-21 and beyond. The College is taking positive and active steps to ensure that it can continue to operate successfully in the evolving FE landscape and in a COVID-19 environment.

Resources

The College Group has various resources that it can deploy in pursuit of its key strategic priorities as defined in NESCOT 2023.

Financial

Total income for the College Group was £27.16m in 2019-20. The College Group has £47.76m of net assets, including £11.33m pension liability, and no debt. Tangible resources include the main College site at Ewell Epsom.

People

The College Group employs 659 people (expressed as average headcount including sessional and casual staff), of whom 147 are teaching staff.

Reputation

The College Group works hard to maintain a good reputation with the local community, and has an excellent reputation regionally and nationally. Maintaining a quality brand is essential for the College Group's success in attracting students and external relationships.

Principal Risks and Uncertainties

The College has undertaken work during the year to further develop and embed the system of internal control, including risk management, which is designed to protect the College Group's assets and reputation. The College has strategic and operational risk registers in place with mitigating action plans that are regularly monitored by management to manage defined risks, and which are particularly focused on financial sustainability and maintaining curriculum quality. The College's most significant strategic risks relate to:

1	Further waves of the COVID-19 pandemic affecting the delivery of provision and financial performance.
2	Achievement of funding body and apprenticeship recruitment targets.
3	Management and control of subcontractors.
4	Business planning of international partnerships, particularly those in the European Union (EU) and the uncertainty surrounding 'no deal' being reached with the EU into 2021.
5	Management of the College's commercial activities.
6	Management of apprenticeship provision.

A strategic risk register is maintained at the College level, which is updated regularly by management and reviewed at each meeting of the Audit Committee. The risk register identifies key risks; the likelihood of those risks occurring and preventing the College's key strategic priorities from being achieved; their potential impact on the College; and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The College also maintains an operational risk register at departmental level. The College has a Risk Management Action Group, which undertakes a comprehensive review of operational risks to which the College is exposed. The Group meets termly and identifies systems, procedures, controls and specific actions to prevent identified risks materialising and adversely impacting on the College.

During the year, the College also developed a more detailed risk register to capture risks associated with COVID-19, which informed the College's approach to control strategies and mitigating actions. The most significant COVID-19 risks relate to:

1	Cyber fraud from the rise in online communication, heightening vulnerability to cyber attack, data security (including GDPR) and privacy threats.
2	Management capacity during the coronavirus crisis.
3	Lack of engagement with current and prospective employers because of furloughing of staff by employers.

Stakeholder Relationships

In line with other colleges and with universities, NESCOT has many stakeholders. These include:

- Current, future and past students
- Staff
- Education sector funding bodies
- FE Commissioner
- Staff and trade unions
- Employers
- Local authorities
- Local Enterprise Partnerships (LEPs)
- The local community
- Other FE and HE institutions
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College internet and intranet sites and through meetings and events.

The College considers good communication with its staff to be important. 2019-20 has been an unusual year in that the COVID-19 pandemic resulted in significant changes to the way in which we work. Some plans have been put on hold due to social distancing and lockdown measures outside our control, and new working practices were introduced in a short period of time. To this end, the College circulates weekly electronic newsletters from the Chief Executive and Principal, keeping all staff informed of activity in their area or any essential updates, particularly around the impact of COVID-19. The College encourages staff and student involvement through membership of formal committees and informal groups. There is a Staff Consultative Committee (SCC) with representatives meeting with the Chief Executive and Principal twice a term. The 'Student Voice' has regular meetings at which staff and management are present. Two student representatives attend Corporation meetings.

Equality

The College is committed to ensuring equality of opportunity for all who learn and work at NESCOT. We respect and value positively differences in race: gender; sexual orientation; disability; religion or belief and age. All forms of prejudice and discrimination are unacceptable and will not be tolerated at the College. This is monitored by the Equality and Diversity Group where progress against Equality and Diversity Impact Measures (EDIMs) is monitored on a planned basis. The College's Equality and Diversity Policy is published on the College's website and staff intranet. The College ensures that its curriculum faculties and departments scrutinise and put in place actions in their own areas in response to any EDIM achievement gaps. This ensures that interventions are relevant, local and focused.

The College seeks to ensure that it meets its public sector equality duty to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity, and foster good relations between people who share a protected characteristic and those who do not. In particular:

a) Equality and diversity are central to all that we do, and fundamental to our mission and values. The College has prepared appropriate polices and action plans, which are monitored by the Equality and Diversity Group. The Equality and Diversity Policy has been developed and is reviewed to ensure that it meets the requirements of the Equalities Act 2010.

b) The College will ensure that all staff receive training in equality and diversity and are update trained as necessary. All teaching and assessment materials are regularly monitored to ensure that they promote equality and diversity and that all students receive training at induction. Opportunities to celebrate diversity are promoted throughout the year.

c) It is a legal requirement under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for all organisations to publish every year the gender pay gap between male and female employees, based on the difference between their average earnings. This is a key step in addressing the gender pay gap and ensuring that the workplace works for everyone. It is a legal requirement to publish this data by 31 March each year, on their own website and on a government website, which the College has adhered to. The benefits of being committed to reducing the gender pay gap includes developing a reputation for being a fair and progressive employer, attracting a wider pool of potential recruits for vacancies, and the enhanced productivity that can come from a workforce that feels valued and engaged in a culture committed to tackling inequality.

d) The College is a 'Disability Confident Employer' and has committed to the principles and objectives of the Disability Confident scheme. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to support the employee and ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. This was previously known as the 'Two Ticks' symbol ('Positive about Disabled People'), which the College has participated in since October 2004 and which has now transferred to the new Disability Confident scheme. This is in recognition of the support that is provided for disabled job applicants, and for staff with disabilities, and is regularly reassessed against this standard and was last assessed in July 2019. This is assessed every three years and will be reviewed again in 2021. As part of this commitment, the College has agreed the following:

   i) Actively looking to attract and recruit disabled people.

   ii) Providing a fully inclusive and accessible recruitment process.

   iii) Offering an interview to disabled people who meet the minimum criteria for the job.

   iv) Flexibility when assessing people so disabled job applicants have the best opportunity to demonstrate that they can do the job.

   v) Proactively offering and making reasonable adjustments as required.

   vi) Encouraging our suppliers and partner firms to be Disability Confident.

The College's Equality and Diversity Group ensures that effective systems to monitor and evaluate equality and diversity practice are in place by:

i) Setting and monitoring equality and diversity performance indicators.

ii) Monitoring and analysing data on student applications, enrolment, retention and achievement in terms of age, ethnicity, gender and disability with a view to comparing trends and highlighting and improving or narrowing the gap of any imbalances identified.

iii) Monitoring and analysing student progression and destinations in terms of age, ethnicity, gender and disability, including progression within the College, progression into other educational institutions and, where possible, progression to employment.

iv) Monitoring and analysing staff recruitment, grievance and disciplinary, staff progression and gender pay gap in terms of age, gender, and disability.

v) Monitoring and analysing the take-up of staff training and development opportunities.

vi) Ensuring College policies in relation to equality and diversity are regularly monitored, reviewed and updated, in line with legal requirements.

vii) Producing an Annual Equality and Diversity Report for approval by the Board of Governors and publication on the College website.

Support for students with learning difficulties and/or disabilities

The College welcomes students with learning difficulties and/or disabilities. The Children and Families Act 2014 sets out the requirement for schools and colleges to make available the local SEND offer to prospective and existing students and their families.

The College provides on-going tailored support to make sure that students are successful in their learning. Students with learning difficulties or disabilities have a choice of pathways:

i) Mainstream courses with learning support.

ii) Courses for students who have mild to moderate learning difficulties and/or disabilities and those who have no formal qualifications or are not in education.

iii) Foundations students with moderate learning difficulties in a supported learning environment in Seasons Learning Hub 1.

iv) Seasons Learning Hub 2 for students with more complex difficulties focussing on independent living and life skills.

v) Supported Employment and Further Education Pathways are also available if appropriate for the young person.

To meet individual needs, some or all of the following may be provided to our students:

i) Small group support for language, literacy and numeracy outside of normal class.

ii) Specialist software or adapted handouts and course notes.

iii) Mentoring.

iv) Learning support assistant for in class support or 1:1 support.

v) Sign Supported English communicator accessed from external agencies.

vi) Access arrangements for exams such as a reader, scribe or extra time.

vii) If students have a medical condition or physical disability, a care plan will be drawn up to share with the staff that work with them.

viii) Access to the College Nurse and Counsellors.

ix) Financial support and/or bursaries may be available.

Disability Statement

The College seeks to achieve the general and specific duties set down in the Equality Act 2010, and in particular makes the following commitments:

a) Following assessment, students may have access to assistive software such as Dragon, Read and Write Gold and Inspiration. CPens and laptops can also be made available. There is adjustable height furniture and other aids which can be used by students with learning difficulties/disabilities.

b) The admissions policy for all students is advertised on the College website and is clearly displayed in our Advice and Guidance area. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.

c) There are a number of learning support assistants who provide in-class support. Specialist Support Tutors are also employed who support learners with specific difficulties, particularly those accessing Level 2 and Level 3 programmes of study. This may be on a 1:1 or small group basis in addition to class times.

d) There is a programme of staff development to ensure that staff are aware of appropriate support for students who have learning difficulties and/or disabilities.

e) Courses and their entry requirements are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.

f) Counselling and welfare services are described in the College Prospectus.

Prevent Duty

In July 2015, a legal duty was placed on colleges, amongst others, to show “due regard to the need to prevent people from being drawn into terrorism.” The College has put in place certain safeguards in recognition of this and has included the matter on its risk register so that it can be monitored regularly by the Corporation.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College.

Facility time is paid time taken by a relevant union official for trade union duties when acting as a representative of the union, for example, accompanying a worker to a hearing, attending union training courses etc. The government’s explanation outlined that these requirements were designed to promote transparency and public scrutiny of facility time and to encourage public sector employers to moderate the amount of money spent on facility time in light of that scrutiny.

Throughout the year that the data is required, the College had one trade union representative for UNISON and none for UCU. Therefore, as the calculation could lead to an individual employee’s wages being identifiable, the Regulations state that a notional hourly cost must be used instead. A notional hourly cost has been used in the calculations for NESCOT.

Below is the data that was submitted for the College:

Trade union facility time data – 1 April 2019 to 31 March 2020
Your organisation North East Surrey College of Technology (NESCOT)
Employees in your organisation 50 to 1,500 employees
Trade union representatives and full-time equivalents Trade union representatives: 1 FTE trade union representatives: 1
Percentage of working hours spent on facility time 0% of working hours: 0 representatives 1 to 50% of working hours: 1 representatives 51 to 99% of working hours: 0 representatives 100% of working hours: 0 representatives
Total pay bill and facility time costs Total pay bill: £13,865,000 Total cost of facility time: £1,350* Percentage of pay spent on facility time: 0.009%
Paid trade union activities Hours spent on paid facility time: 50 Hours spent on paid trade union activities: 0 Percentage of total paid facility time hours spent on paid TU activities: 0.00%

*nominal amount used as only one representative

Disclosure of Information to Auditors

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

Approved by order of the Members of the Corporation on 10 December 2020 signed on its behalf by:

Signed: ....

Professor Sam Luke
Chair of NESCOT Corporation

3 Statement of Corporate Governance and Internal Control

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The ESFA requires colleges to comply with either the AoC's college governance code, the UK corporate code or the charity governance code.

The College endeavours to conduct its business:

a) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and

b) in full accordance with the guidance to colleges from the Association of Colleges in 'The Code of Good Governance for English Colleges' ('the Code').

In the opinion of the Members, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. 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, which it formally adopted on 10 July 2015.

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

The Corporation

The Members who served on the Corporation during the year and up to the date of signature of this report were as follows:

FE CORPORATION 2019-20

Name	Eligibility	Committees Served	Elected	Re-Elected	Term Of Office Expires / Resigned	Attendance Record*
Professor S Luke	External	Corporation (Chair); F&GP, Search & Governance (Chair), SSPRC; Growth Sub-committee (Chair)	01/09/2013		2021	18/19
Ms L Reddick	External	Corporation (Vice-Chair), Audit, Curriculum & Quality SSPRC, Search & Governance, Growth sub-committee	01/08/2016	2018	2022	18/21
Mr S Enoch	External	Audit (Chair), SSPRC	16/11/2018		2020	12/13
Ms M Kilminster	External	Curriculum & Quality	01/08/2016	2018	2022	11/13
Ms L Lawrence	External	Curriculum & Quality Performance Review Committee	12/12/2018		Resigned 17/01/2020	2/3
Ms M Martin		F&GP	06/10/2017		2021	10/11
Mr C Muller	External	Curriculum & Quality; SSPRC	05/04/2011	2013; 2016; 2020	2021	9/13
Mr V Romagnuolo	External	F&GP; Search & Governance	22/03/2019		2021	15/15
Mr P Stamps	External	F&GP (15/09/2014 – 08/12/2017 & 01/04/2018 onwards – Chair), Search & Governance; Growth sub-committee, SSPRC	06/12/2013	2016; 2020	2021	19/20
Mr N Vaughan-Barratt	External	Curriculum & Quality	19/06/2020		2022	1/1
Mr J Willis	External	Finance & General Purposes	19/06/2020		2022	1/2
Ms L Widdows	External	Curriculum & Quality	12/12/2019		Resigned 27/03/2020	0/1
Mr J Roberts	Teaching staff Governor	Curriculum & Quality	01/09/2017		2021	9/11
Mr G Hodge	Non-teaching staff Governor	Audit (Observer)	16/01/2017		2021	11/11
Mr Daksin Chandrasekera	Student Governor (FE)	Curriculum & Quality	05/10/2018		2020	3/8
Mr Ben Always	Student Governor (HE)	Curriculum & Quality	15/11/2019		2020	1/6

*Actual number of attendances against possible attendances

Mrs Josephine Carr was Clerk to the Corporation from 1 August 2019 to 15 May 2020
Ms Sandra Dessent was Clerk to the Corporation from 18 May 2020 to 31 July 2020

The governance framework

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 six times per academic year.

The Corporation conducts its business through a number of committees. Each committee has documented terms of reference, which have been approved by the full Corporation. These committees are: Finance and General Purposes; Curriculum and Quality; Senior Staff Performance and Remuneration; Search and Governance; and Audit.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website NESCOT.ac.uk or from the Clerk to the Corporation at the College's registered address:

North East Surrey College of Technology (NESCOT)
Reigate Road
Ewell
Epsom
Surrey
KT17 3DS

The Clerk to the Corporation maintains a register of financial and personal interests of the Members. The register is available for inspection at the above address.

All Members 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 Corporation 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 Members in a timely manner, prior to Corporation Board meetings. Briefings are 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 is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee comprised: the Chair; the Vice-Chair; one member of the Corporation; the Chief Executive and Principal; and one member of senior management. The Committee 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 terms of office not exceeding a maximum of two terms of four years, in accordance with the Code.

Corporation Performance

It is good governance practice that the Corporation reviews its own performance on a regular basis. It is also a recommendation in the Code. Following review at the Search and Governance Committee, the Corporation approved the implementation of a Governor appraisal system as part of the Corporation Board effectiveness strategy and in compliance with the Code. The Corporation also reviews its own performance at the end of meetings and captures this feedback in the minutes. Other components of the strategy are:

a) a self-assessment questionnaire to be completed by Members; and

b) periodic independent review of Corporation Board performance.

The Governor appraisal system was launched on 16 February 2016 including copies of the templates for collating feedback. The online Board self-evaluation questionnaire was issued at the end of January 2016 and has been used since. All external Members and Staff Governors complete the questionnaire annually.

Senior Staff Performance and Remuneration Committee

Throughout the year ended 31 July 2020, the College's Remuneration Committee comprised: The Chair of the Corporation; the Vice Chair of the Corporation; and Chairs of the Finance and General Purposes, Curriculum and Quality, and Audit Committees. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Chief Executive and Principal, and other senior post holders.

The College complies with the AoC Senior Staff Remuneration Code for Colleges except for performance assessment of the Deputy Principal (Finance & Resources). A detailed report was made to Corporation in December 2020. Full compliance will be achieved by 31 July 2021.

Details of remuneration for the year ended 31 July 2020 are set out in Note 7 to the financial statements.

Audit Committee

The Audit Committee comprises up to five members of the Corporation (excluding the Accounting Officer and the Chair). The Committee has authority to appoint additional external co-opted members as necessary. The Committee operates in accordance with documented terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal auditors, reporting accountants 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 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 is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of the internal auditors, the reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

Internal Control

Scope of Responsibility

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive and Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he or she is personally responsible, in accordance with the responsibilities assigned to them in the Conditions of Funding Agreement between the College and the funding bodies. They are 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 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 at the College for the year ended 31 July 2020 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 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

The system of internal 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:

a) comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body;

b) regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts;

c) setting targets to measure financial and other performance;

d) clearly defined capital investment control guidelines; and

e) the adoption of formal project management disciplines, where appropriate.

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

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. As a minimum annually, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity at the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Risks faced by the Corporation

The College adopts an enterprise risk management approach to ensure that strategic priorities are achieved. A number of risk registers are maintained and regularly reviewed to determine additional management interventions. The College's strategic risk register currently has 26 risks. The most significant strategic risks with the highest net risk analysis relate to:

1) Achievement of funding body and apprenticeship recruitment targets
2) Management and control of subcontractors
3) Business planning of international partnerships, particularly those in the European Union
4) Management of the College's commercial activities
5) Management of apprenticeship provision

Control weaknesses identified

The College's internal auditors did not identify any significant control weaknesses or failures during the year.

Responsibilities under funding agreements

The Corporation is made aware of its contractual responsibilities under all funding agreements at the time of budget setting each year and any changes to these responsibilities from the prior year. There are processes in place to ensure that any failure to meet these contractual responsibilities are raised at the earliest opportunity and addressed. There were no reported instances during the year of failure to meet any contractual responsibilities under funding agreements and contracts.

Statement from the Audit Committee

The Audit Committee has advised the Corporation that it has an effective framework for governance and risk management in place. The Audit Committee believes that the Corporation has effective internal controls in place. The specific areas of work undertaken by the Audit Committee in 2019-20 and up to the date of the approval of the financial statements include internal and external audit reports; financial statements; risk management; and health and safety. COVID-19 had minimal impact on delivery of audit services for the College and the work of the Audit Committee.

Review of Effectiveness

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

a) the work of the internal auditors;
b) the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
c) comments made by the College's external/ financial statements auditors, the reporting accountant for regularity assurance, and the appointed funding auditors in their management letters and other reports.



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

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its December 2020 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Management Team and internal audit, and taking account of events since 31 July 2020.

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

Approved by order of the Members of the Corporation on 10 December 2020 and signed on its behalf by:

Signed: Sam Luke ....

Professor Sam Luke

Chair of NESCOT Corporation

Signed: Frances A. Rutter ....

Frances Rutter

Chief Executive and Principal

4 Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the Corporation's grant funding agreement and contracts with the ESFA. As part of our consideration, we have had due regard to the requirements of grant funding agreements and contracts with the 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 the ESFA, or any other public funder.

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

Signed: ....

10 December 2020

Professor Sam Luke

Chair of NESCOT Corporation

Signed: ....

10 December 2020

Frances Rutter

Chief Executive and Principal

5 Statement of Responsibilities of the Members of the Corporation

The Members of the Corporation, as charity trustees, 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 the Education and Skills Funding Agency (ESFA), the Office for Students (OfS), and the Greater London Authority (GLA), 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', the ESFA's 'College Accounts Direction, and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the Corporation and the deficit of income over expenditure for that period.

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

a) select suitable accounting policies and apply them consistently;

b) make judgements and estimates that are reasonable and prudent;

c) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d) assess whether the Corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate; and

e) 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, which describes what it is trying to do and how it is going about it, including 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 websites; 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 the ESFA, or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, Members of the Corporation are responsible for securing economical, efficient and effective management of the Corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the Members of the Corporation on 10 December 2020 and signed on its behalf by:

Signed: Sam Luke ……………………………………………………………

Professor Sam Luke

Chair of NESCOT Corporation

6 Independent Auditor's Report to the Corporation of North East Surrey College of Technology (NESCOT) on the Financial Statements

Opinion

We have audited the financial statements of NESCOT (the 'parent College') and its subsidiaries (the 'Group') for the year ended 31 July 2020 which comprise the Group statement of comprehensive income, the Group and parent College statement of changes in reserves and balance sheets, the Group statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent College's affairs as at 31 July 2020 and of the Group's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for Opinion

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

Conclusions Relating to Going Concern

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

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

Other Information

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

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

We have nothing to report in this regard.

Matters On Which We are Required to Report by Exception

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

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

Responsibilities of Corporation

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Use of Our Report

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

MHA MacIntyre Hudson
Chartered Accountants
6th Floor
2 London Wall Place
London
EC2Y 5AU

Dated: 17 December 2020

7 Independent Reporting Accountant's Assurance Report on Regularity

to the Corporation of North East Surrey College of Technology (NESCOT) and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter and further to the requirements of the Conditions of Funding Agreement in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects, the expenditure disbursed and income received by North East Surrey College of Technology during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ('the Code') issued by the 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 (ILR) data returns, for which the ESFA or devolved authority has other assurance arrangements in place.

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

Respective Responsibilities of North East Surrey College of Technology and the Reporting Accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewing the Minutes of the meetings of the governing body and other evidence made available to us.
- Review of the objectives and activities of the College Group, with reference to the income streams and other information available to us as auditors of the College.
- Testing of a sample of payroll payments to staff.
- Testing of a sample of payments to suppliers and other third parties.
- Testing of a sample of grants received and other income streams.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Signed: .... **Date:** 17 December 2020

MHA MacIntyre Hudson
Chartered Accountants
6th Floor
2 London Wall Place
London
EC2Y 5AU

8 Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	16,201	16,201	18,445	18,445
Tuition fees and education contracts	3	8,697	8,697	7,451	7,451
Other grants and contracts	4	1,149	1,144	790	790
Other income	5	1,093	1,043	1,482	1,338
Investment income	6	22	22	25	25
Total Income		**27,162**	**27,107**	**28,194**	**28,050**
EXPENDITURE					
Staff costs	7	15,925	15,939	14,898	14,835
Other operating expenses	8	8,493	8,434	10,342	10,218
Depreciation	11	2,681	2,680	2,612	2,612
Interest and other finance costs	9	154	154	109	109
Total expenditure		**27,254**	**27,207**	**27,961**	**27,775**
(Deficit)/surplus before other gains and losses		**(92)**	**(100)**	**232**	**275**
Gain/(loss) on disposal of assets		(62)	(62)	12	12
Gain/(loss) on investments		(48)	(48)	39	39
Share of operating deficit in joint venture		0	0	(15)	(15)
(Deficit)/surplus before tax		**(201)**	**(210)**	**269**	**312**
Taxation	10	0	0	0	0
(Deficit)/surplus for the year		**(201)**	**(210)**	**269**	**312**
Transfer from revaluation reserve		202	202	202	202
Actuarial loss in respect of pensions schemes	23	(4,493)	(4,493)	(2,394)	(2,394)
Total Comprehensive Income for the year		**(4,492)**	**(4,500)**	**(1,923)**	**(1,880)**
Represented by:					
Restricted comprehensive income		0	0	0	0
Unrestricted comprehensive income		(4,492)	(4,500)	(1,923)	(1,880)
		(4,492)	**(4,500)**	**(1,923)**	**(1,880)**
Surplus for the year attributable to:					
Non controlling interest		0	0	0	0
Group		(201)	(210)	269	312
Total Comprehensive Income for the year attributable to:					
Non controlling interest		0	0	0	0
Group		(4,492)	(4,500)	(1,923)	(1,880)

All items of income and expenditure relate to continuing activities.
The table contains some rounding error.

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9 Consolidated and College Statement of Changes in Reserves

	Income and Expenditure Account	Revaluation Reserve	Restricted Reserves	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 1st August 2018	**40,981**	**13,595**	**0**	**54,576**
Surplus/(deficit) from the income and expenditure account	269	0	0	269
Other comprehensive income	(2,394)	0	0	(2,394)
Transfers between revaluation and income and expenditure reserves	202	(202)	0	0
	(1,923)	**(202)**	**(0)**	**(2,125)**
Balance at 31st July 2019	**39,059**	**13,393**	**0**	**52,452**
Surplus/(deficit) from the income and expenditure account	(201)	0	0	(201)
Other comprehensive income	(4,493)	0	0	(4,493)
Transfers between revaluation and income and expenditure reserves	202	(202)	0	0
Total comprehensive income	**(4,492)**	**(202)**	**0**	**(4,694)**
Balance at 31st July 2020	**34,567**	**13,191**	**0**	**47,757**
College				
Balance at 1st August 2018	**40,923**	**13,595**	**0**	**54,519**
Surplus/(deficit) from the income and expenditure account	312	0	0	312
Other comprehensive income	(2,394)	0	0	(2,394)
Transfers between revaluation and income and expenditure reserves	202	(202)	0	0
	(1,880)	**(202)**	**0**	**(2,082)**
Balance at 31st July 2019	**39,043**	**13,393**	**-**	**52,436**
Surplus/(deficit) from the income and expenditure account	(210)	0	0	(210)
Other comprehensive income	(4,493)	0	0	(4,493)
Transfers between revaluation and income and expenditure reserves	202	(202)	0	0
Total comprehensive income	**(4,500)**	**(202)**	**0**	**(4,703)**
Balance at 31st July 2020	**34,543**	**13,191**	**0**	**47,734**

10 Consolidated Statement of Financial Position as at 31 July 2020

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Non current assets					
Tangible fixed assets	11	63,952	63,952	65,515	65,508
Non-current investments	12	992	992	1,039	1,039
Pensions Asset	23	0	0	0	0
		64,944	**64,944**	**66,554**	**66,547**
Current assets					
Stocks		18	18	13	13
Trade and other receivables	13	2,162	2,196	2,085	2,105
Cash and cash equivalents	18	6,683	6,674	5,690	5,636
		8,863	**8,888**	**7,787**	**7,755**
Creditors – amounts falling due within one year	**14**	**(2,973)**	**(2,963)**	**(3,496)**	**(3,414)**
Net current assets		**5,890**	**5,925**	**4,292**	**4,341**
Total assets less current liabilities		**70,834**	**70,869**	**70,846**	**70,889**
Creditors – amounts falling due after more than one year	15	(11,570)	(11,628)	(11,914)	(11,972)
Provisions					
Defined benefit obligations	17	(11,326)	(11,326)	(6,145)	(6,145)
Other provisions	17	(180)	(180)	(335)	(335)
Total net assets		**47,757**	**47,734**	**52,452**	**52,436**
Restricted reserves		0	0	0	0
Unrestricted reserves					
Income and expenditure account		34,567	34,543	39,059	39,043
Revaluation reserve		13,191	13,191	13,393	13,393
Total unrestricted reserves		**47,757**	**47,734**	**52,452**	**52,436**
Total reserves		**47,757**	**47,734**	**52,452**	**52,436**

The financial statements on pages 48 to 78 were approved and authorised for issue by the Corporation on 10 December 2020 and were signed on its behalf on that date by:

Signed:

Sam Luke

Professor Sam Luke
Chair

Signed:

Frances A. Rutter

Frances Rutter
Accounting Officer

11 Consolidated Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(201)	269
Adjustment for non-cash items			
Depreciation		2,681	2,612
(Increase)/decrease in stocks		(5)	2
(Increase)/decrease in debtors		(69)	(1)
Increase/(decrease) in creditors due within one year		(523)	(942)
Increase/(decrease in creditors due after one year		(344)	(190)
Increase/(decrease) in provisions		(155)	44
Pensions costs less contributions payable		533	259
Interest on LGPS		150	107
Adjustment for investing or financing activities			
Investment income		(22)	(25)
Loss/(Gain), non-current investment		48	(39)
Interest payable		4	2
Loss/(Gain) on sale of fixed assets		62	(12)
Net cash flow from operating activities		**2,159**	**2,087**
Cash flows from investing activities			
Proceeds from sale of fixed assets		0	12
Investment income		22	25
New deposits		0	(1,000)
Payments made to acquire fixed assets		(1,163)	(2,106)
		(1,141)	**(3,069)**
Cash flows from financing activities			
Interest element of finance lease rental payments		(4)	(2)
Capital element of finance lease rental payments		(21)	(18)
		(25)	**(20)**
Increase / (decrease) in cash and cash equivalents in the year	18	**993**	**(1,002)**
Cash and cash equivalents at beginning of the year	18	5,690	6,692
Cash and cash equivalents at end of the year	18	6,683	5,690

12 Notes to the Financial Statements for the Period from 1 August 2019 to 31 July 2020

1 Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these 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 SORP); the College Accounts Direction for 2019 to 2020; and the Financial Reporting Standard 102 (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The preparation of financial statements in compliance with FRS102 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.

Basis of Consolidation

The consolidated financial statements include the College and its subsidiary NESCOT Enterprises Limited, controlled by the Group, for the financial year to 31 July 2020. Control is achieved where the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation. Associated companies and joint ventures are accounted for using the equity method. All financial statements are made up to 31 July 2020.

Going Concern

The financial statements are prepared on a going concern basis. The College Group is reliant on the continuing support of the external funding bodies and its banks in order to continue to operate on this basis.

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

The College Group currently has around £6.7m of cash balances; £1m in investment funds; and around £48m of reserves. The College Group's forecasts and financial projections indicate that it will be able to operate for the foreseeable future. Accordingly, the College Group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

Income Recognition

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102. Recurrent grants from the ESFA are recognised in line with the latest estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget (AEB) is adjusted for and reflected in the level of recurrent grant recognised in the Statement of Comprehensive Income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of the funding audits. 16-18 funding is not subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the ESFA or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

The recurrent grant from the Office for Students (OfS) represents the funding allocations attributable to the current financial year and is recognised within the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised within the Statement of Comprehensive Income in the period in which it is received. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Income from the sale of goods or services is recognised within the Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

All income from short-term deposits is recognised in the Statement of Comprehensive Income in the period in which it is earned.

Investment income is recognised within the Statement of Comprehensive Income on a receivable basis.

Donations and Endowments

Donations with restrictions are recorded within the Statement of Comprehensive Income under donations and endowments on entitlement to the income. The restricted income received is held in the temporarily restricted reserve until such time that expenditure is incurred in accordance with the restrictions.

Donations with no restrictions are recorded within the Statement of Comprehensive Income under donations on entitlement to the income.

Where a donor establishes an endowment, there will be no performance-related conditions. Any conditions required by the donor are restrictions on the use of these funds. Therefore, new endowments will be recorded within the Statement of Comprehensive Income, under donations and endowments, on entitlement to the income. The restricted income received is held in the temporarily (expendable) or permanently restricted reserve until such time that expenditure is incurred in accordance with the restrictions.

The gain or loss on the value of any investments held by the endowment fund is recorded within the Statement of Comprehensive Income under the gain or loss on investments. The gain or loss should normally be retained in the capital element of the fund to which it relates.

Investment income received from the endowment fund's investments is recorded within investment income and held within the temporarily or permanently restricted reserve to the extent that it has not been spent in line with the restrictions of the donation.

Where endowment funds are invested for the longer term in order to generate an income and maintain or grow the capital value of the fund, investment gains and losses will be credited/ charged to the endowment based on periodic valuations. These will generally be attributable to the capital segment of the fund, as the accumulated income segment is, by definition, held for spending in the short term.

Capital Grant Funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Other, non-governmental, capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

The SORP identifies three types of government grant as being capital grants for land, other capital grants and revenue grants. It also allows a choice of accounting policy for these grants, namely the accrual model or the performance model, although it specifies that grants for land must be accounted for under the performance model.

Under the accrual method, income and other capital grants are recognised in income on a systematic basis over the period in which the related costs are recognised (income) or over the expected useful life of the asset (capital). Under the performance method, income and capital grants are recognised in income when performance-related conditions are met.

The College has adopted the accrual method of accounting for capital grants.

Pension Schemes

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Second Pension.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. As stated in Note 23, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme 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 closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The amounts charged to the income statement 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 is also recognised in the income statements and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs. Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Notes to the Financial Statements for the Period from 1 August 2019 to 31 July 2020 continued...

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's Statement of Comprehensive Income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the Balance Sheet using the enhanced pension spreadsheet provided by the funding bodies.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.

Finance Leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated over the period of the lease in proportion to the capital element outstanding.

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the income statement. Any lease premiums or incentives are spread over the minimum lease term.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

Inventories

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


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Non Current Assets – Tangible Fixed Assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses.

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

Land and Buildings

Land and buildings inherited from the Local Education Authority (LEA) and buildings acquired since incorporation are stated in the Balance Sheet at valuation on the basis of depreciated replacement cost, as the open market value for existing use is not readily obtainable. Land and buildings acquired, and building improvements made, since incorporation are included in the Balance Sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the College of between 5 and 60 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

The College land was revalued as at 1st August 2014 in preparation for FRS102, which has been taken as 'deemed cost' and frozen. This now removes the need for any future revaluations.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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 2020. They are not depreciated until they are brought into use.

Equipment

Non-computer equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. Computer equipment costing less than £500 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the Local Education Authority (LEA) is included in the balance sheet at valuation. The period of depreciation for computer equipment has been increased from 3 years to 5 years to reflect the longer economic benefit that the College is experiencing from these assets. Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- Computer equipment 5 years.
- Other equipment 5 years.
- Furniture and fittings 10 to 15 years.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet. Where equipment is acquired with the aid of grants designated for capital purposes, it is capitalised and depreciated in accordance with the above policy, with the related grant being treated as a liability in the Balance Sheet and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Maintenance of Premises

The costs of routine corrective maintenance are recognised in the Statement of Comprehensive Income in the period that it is incurred.

Investment Properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value where these can be publicly traded or their value can otherwise be reliably measured, with movements recognised in the Statement of Comprehensive Income. If this is not possible, investment properties will be measured at cost less impairment.

Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

Investments

Listed investments held as non-current assets and current asset investments are stated at fair value, with movements recognised in the income statement. Investment comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment in the College's accounts.

Stock

Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock.

Cash and Cash Equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of three months or less from the date of acquisition.

Cash flows comprise increases or decreases in cash.

Financial Liabilities and Equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. All loans, investments and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the Balance Sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Provisions and Contingent Liabilities

Provisions are recognised in the financial statements when:

a) the College has a present obligation (legal or constructive) as a result of a past event;

b) it is probable that a transfer of economic benefits will be required to settle the obligation; and

c) a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the Notes.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 6.6% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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

Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

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

- **Local Government Pension Scheme**
  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in Note 23, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding Body Grants

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency – adult education budget	2,041	2,041	5,371	5,371
Education and Skills Funding Agency – 16-18	8,265	8,265	9,049	9,049
Education and Skills Funding Agency – apprenticeships	2,358	2,358	2,809	2,809
Greater London Authority – adult education budget	1,496	1,496	0	0
Office for Students (OfS)	430	430	358	358
Specific grants				
Teacher Pension Scheme contribution grant	355	355	0	0
Releases of government capital grants	398	398	338	338
Other funding grants	858	858	520	520
Total	**16,201**	**16,201**	**18,445**	**18,445**

HE Income – Group and College		
Grant income from OfS	430	358
Releases of government capital grants	5,692	4,072
Total	**6,122**	**4,430**

3 Tuition Fees and Education Contracts

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	180	180	909	909
Apprenticeship contracts	74	74	83	83
Fees for FE loan supported courses	1,397	1,397	1,157	1,157
Fees for HE loan supported courses	5,578	5,578	3,922	3,922
Full cost recovery fees	1,354	1,354	1,231	1,231
Total tuition fees	**8,583**	**8,583**	**7,301**	**7,301**
Education contracts	114	114	150	150
Total	**8,697**	**8,697**	**7,451**	**7,451**

4 Other Grants and Contracts

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Local authority high needs	966	966	690	690
Other grant income	38	38	100	100
Coronavirus Job Retension Scheme grant	145	140	0	0
Total	**1,149**	**1,144**	**790**	**790**

The Corporation furloughed staff in the nursery, hair salon, sports hall and grounds, osteopathy and gas departments under the government's Coronavirus Job Retention Scheme. The funding received of £145k relates to staff costs, which are included within the staff costs note below as appropriate.

5 Other Income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	292	292	411	411
Other income generating activities	696	646	931	787
Miscellaneous income	105	105	140	140
Total	**1,093**	**1,043**	**1,482**	**1,338**

6 Investment Income

	Notes	Year ended 31 July		Year ended 31 July	
		2020	2020	2019	2019
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Bank interest		22	22	25	25
Other interest receivable		0	0	0	0
Total		**22**	**22**	**25**	**25**
Net return on pension scheme		0	0	0	0
Total		**22**	**22**	**25**	**25**

7 Staff Costs – Group and College

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

	2020	2019
	No.	No.
Teaching staff	147	118
Non-teaching staff	512	496
Total	**659**	**614**

	2020	2019
	£'000	£'000
Staff costs for the above persons		
Wages and salaries	12,212	11,766
Social security costs	871	861
Other pension costs	2,743	2,116
Employer Levy	39	37
Payroll sub total	**15,865**	**14,780**
Contracted out staffing services	45	72
	15,910	**14,852**
Restructuring costs – contractual	15	46
Restructuring costs – non contractual	0	0
Total Staff Costs	**15,925**	**14,898**

Payments to compensate for loss of office totalled £18,000 for the year, covering seven staff.

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 the Accounting Officer, the Deputy Principal (Curriculum and Quality), and the Deputy Principal (Finance and Resources).

	2020	2019
	No.	No.
Emoluments of key management personnel, Accounting Officer and other higher paid staff:		
The number of key management personnel including the Accounting Officer was:	3	3

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

	Key management personnel		Other staff	
	2020	2019	2020	2019
	No.	No.	No.	No.
£60,001 to £65,000 p.a.	0	0	3	3
£70,001 to £75,000 p.a.	0	0	1	1
£90,001 to £95,000 p.a	0	1	0	0
£100,001 to £105,000 p.a.	1	0	0	0
£105,001 to £110,000 p.a.	1	1	0	0
£150,001 to £155,000 p.a.	1	1	0	0
Total	**3**	**3**	**4**	**4**

Key management personnel compensation is made up as follows:

	2020	2019
	£'000	£'000
Basic salary	363	342
Performance related pay and bonus	0	0
Benefits in kind	1	8
Pension contributions	50	50
Total key management personnel compensation	**414**	**400**

The above compensation includes amounts paid to the Chief Executive and Principal who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2020	2019
	£'000	£'000
Basic salary	153	151
Performance related pay and bonus	0	0
Other including benefits in kind	1	1
Pension contributions	29	29
	183	**181**

12 *Notes to the Financial Statements for the Period from 1 August 2019 to 31 July 2020 continued...*

The Governing Body has adopted the AoC's Senior Staff Remuneration Code and assesses pay in line with its principals.

The remuneration package of the Chief Executive and Principal is subject to annual review by the Remuneration Committee of the Governing Body who use benchmarking information to provide objective guidance. The Remuneration Committee assesses the Corporation's performance against KPIs and the attainment of students in the year, as well as the progress against the College's long term strategic objectives when reviewing the remuneration package of the Chief Executive and Principal.

The level of pay is benchmarked against the pay of similar colleges in the prior financial year, taken from their financial statements, and the general trend within the sector is also considered.

In 2020, the Corporation achieved most of its Key Performance Indicator targets for staff satisfaction, student numbers and student achievement. The College Group made a deficit in the year and the benchmarking tool showed a levelling off of principal pay in the sector as a whole, and therefore only a 1% increase was awarded.

	2020	2019
	£'000	£'000
Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple		
CEO and Principal's basic salary as a multiple of the median of all staff	5.9	5.7
CEO and Principal's total remuneration as a multiple of the median of all staff	6.2	6.2

The Members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

8 Other Operating Expenses

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	2,511	2,511	4,265	4,265
Non-teaching costs	4,647	4,589	4,838	4,720
Premises costs	1,335	1,333	1,239	1,234
Total	**8,493**	**8,434**	**10,342**	**10,218**

Other operating expenses include:

	2020 £'000	2019 £'000
Auditors' remuneration:		
• Financial statements audit	33	41
• Other services provided by the financial statements auditor	0	0
• Internal audit fees	32	31
• Other services provided by the internal auditors	8	44
Losses on disposal of non-current assets	62	0
Depreciation	2,681	2,612
Hire of assets under operating leases	83	83
Total	**2,899**	**2,811**

8a Access and Participation Spending

	2020 £'000
Access investment	122
Financial support to students	1
Disability support	19
Research and Evaluation	222
Total	**364**

9 Interest and Other Finance Costs – Group and College

	2020 £'000	2019 £'000
On finance leases	4	2
Net interest on enhanced pension liability	2	2
Net interest on defined pension liability (Note 23)	148	105
Total	**154**	**109**

10 Taxation – Group Only

The Members do not believe that the College was liable for any corporation tax arising out of its activities during either year.

11 Tangible Fixed Assets (Group)

	Land and Buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	77,605	0	10,616	251	88,472
Additions	567	0	593	270	1,430
Disposals	(170)	0	(32)	(251)	(453)
At 31 July 2020	**78,001**	**0**	**11,177**	**270**	**89,449**
Depreciation					
At 1 August 2019	15,363	0	7,594	0	22,957
Charge for the year	1,575	0	1,104	0	2,681
Disposals	(110)	0	(30)	0	(140)
At 31 July 2020	**16,829**	**0**	**8,668**	**0**	**25,497**
Net book value at 31 July 2020	**61,172**	**0**	**2,510**	**270**	**63,952**
Net book value at 31 July 2019	62,241	0	3,022	251	65,515

11 Tangible Fixed Assets (College Only)

	Land and Buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2019	77,605	0	10,610	251	88,465
Additions	567	0	599	270	1,436
Disposals	(170)	0	(32)	(251)	(453)
At 31 July 2020	**78,001**	**0**	**11,177**	**270**	**89,449**
Depreciation					
At 1 August 2019	15,363	0	7,594	0	22,957
Charge for the year	1,575	0	1,104	0	2,680
Elimination in respect of disposals	(110)	0	(30)	0	(140)
At 31 July 2020	**16,829**	**0**	**8,668**	**0**	**25,497**
Net book value at 31 July 2020	**61,172**	**0**	**2,510**	**270**	**63,952**
Net book value at 31 July 2019	62,241	0	3,016	251	65,508

The net book value of equipment includes an amount of £83,918 (2019: £106,296) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £22,378 (2019: £5,595).

12 Non-Current Investments

	College 2020 £'000	College 2019 £'000
Other non-current asset investments	992	1,039
Total	**992**	**1,039**

In February 2019, the College invested £1m in a fund managed by Smith and Williamson LLP. The fund is invested in a mixture of equities, bonds and currencies over a period of between one to five years with a view to achieving a balance between income and growth. The College has accepted a medium degree of risk in order to seek to increase the value of the portfolio over the longer term, which assumes that a higher proportion of investments will be made in equities and alternative investments than in cash and bonds. The level of investment is set such that the day to day operations of the College will not be affected by any volatility in its value.

13 Trade and Other Receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	1,241	1,229	983	950
Other receivables	3	3	24	24
Amounts owed by Group undertakings:				
Subsidiary undertakings	0	46	0	80
Associate undertakings	0	0	0	0
Prepayments and accrued income	680	680	577	551
Amounts owed by the ESFA	239	239	501	501
Total	**2,162**	**2,196**	**2,085**	**2,105**

14 Creditors: Amounts Falling Due Within One Year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	0	0	0	0
Obligations under finance leases	22	22	21	21
Trade payables	340	340	875	828
Amounts owed by group undertakings:				
Subsidiary undertakings	0	0	0	0
Corporation tax	0	0	0	0
Other taxation and social security	436	434	423	415
Accruals and deferred income	1,494	1,486	1,525	1,498
Deferred income – government capital grants	400	400	415	415
Deferred income – government revenue grants	12	12	13	13
Amounts owed to ESFA	269	269	224	224
Total	**2,973**	**2,963**	**3,496**	**3,414**

15 Creditors: Amounts Falling Due After One Year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Loans from subsidiares or associates	0	58	0	58
Obligations under finance leases	60	60	82	82
Deferred income – government capital grants	11,510	11,510	11,832	11,832
Total	**11,570**	**11,628**	**11,914**	**11,972**

16 Maturity of Debt

Finance Leases

The net finance lease obligations to which the institution is committed are:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	22	22	25	25
Between two and five years	60	60	89	89
In five years or more	0	0	0	0
Total	**82**	**82**	**114**	**114**

17 Provisions – Group and College

	Defined Benefit Obligations £'000	Restructuring £'000	Enhanced Pensions £'000	Other £'000	Total £'000
At 1 August 2019	6,145	10	168	157	6,480
Expenditure in the period	681	(10)	0	(149)	521
Additions in period	4,500	0	5	0	4,505
At 31 July 2020	**11,326**	**0**	**173**	**8**	**11,506**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 23.

The enhanced pension provision relates to the cost of staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the Balance Sheet date.

The principal assumptions for this calculation are:

	2020	2019
Price inflation	2.2%	2.2%
Discount rate	1.3%	2.0%

18 Cash and Cash Equivalents

	At 1 August 2019	Cash flows	Other changes	At 31 July 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	5,690	993	0	6,683
Overdrafts	0	0	0	0
Total	**5,690**	**993**	**0**	**6,683**

19 Capital and Other Commitments

	Group and College	
	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	916	321

20 Lease Obligations

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

Future Minimum Lease Payments Due	Group and College	
	2020	2019
	£'000	£'000
Land and buildings		
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	0	0
	0	**0**
Other		
Not later than one year	82	83
Later than one year and not later than five years	169	220
Later than five years	0	0
	251	**302**
Total lease payments due	**251**	**302**

21 Contingencies

The College is currently assisting in an investigation being conducted by the Education and Skills Funding Agency (ESFA) into a subcontractor. The investigation is still in progress at the Balance Sheet signature date and in view of the uncertainty, no financial provision has been made in these accounts in relation to this matter. It is not considered practical to meaningfully estimate the potential liability at this stage.

22 Events After the Reporting Period

There are no events after the reporting period.

23 Defined Benefit Obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was effective from 1 April 2019 and of the LGPS 1 April 2019.

		2020		2019
		£'000		£'000
Total pension cost for the year				
Teachers Pension Scheme: contributions		1,041		726
Local Government Pension Scheme:				
Contributions paid	1,165		1,130	
FRS 102 (28) charge	533		355	
Charge to the Statement of Comprehensive Income		1,698		1,485
Enhanced pension charge to Statement of Comprehensive Income		9		11
Total Pension Cost for Year		**2,748**		**2,222**

Employer and employee contributions amounting to £120,000 (2019: £91,000) payable to the TPS and £95,000 (2019: £97,000) payable to the LGPS 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.

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

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

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

The latest actuarial valuation report of the TPS was published by the Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £20 billion.

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

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 £1,425,000 (2019: £1,109,000)

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 contributions made for the year ended 31 July 2020 were £1,450,000, of which employer’s contributions totalled £1,165,000 and employees’ contributions totalled £285,000. The agreed contribution rates for future years are 21.0% for the College and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

23 Defined benefit obligations (continued)

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2020 by a qualified independent actuary.

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.0%	2.0%
Future pensions increases	2.1%	2.1%
Discount rate for scheme liabilities	2.3%	2.3%
Inflation assumption (CPI)	2.1%	2.1%
Commutation of pensions to lump sums (pre-April 2008 service)	25%	25%
Commutation of pensions to lump sums (post – April 2008 service)	63%	63%

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

	At 31 July 2020	At 31 July 2019
	Years	Years
Retiring today		
Males	22.1	21.6
Females	24.3	23.6
Retiring in 20 years		
Males	22.9	22.5
Females	25.7	25.0

	At 31 July 2020	At 31 July 2019
Sensitivity Analysis		
Discount rate -0.5%	4,125	3,978
CPI rate +0.5%	3,870	3,654

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

	2020	2019
Sensitivity Analysis		
Fair value of plan assets	32,893	33,498
Present value of plan assets	(44,113)	(39,534)
Present value of unfunded liabilities	(106)	(109)
Net pensions (liability)/asset (note 17)	**(11,326)**	**(6,145)**

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

	2020	2019
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,698	1,386
Past service cost	0	0
Total	**1,698**	**1,386**
Amounts included in interest and other finance costs		
Net interest costs	148	105
	148	**105**
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(1,584)	778
Experience losses arising on defined benefit obligations	(1,825)	(8)
Changes in assumptions underlying the present value of plan liabilities	(1,091)	(3,159)
Amount recognised in Other Comprehensive Income	**(4,500)**	**(2,389)**

	2020	2019
	£'000	£'000
Movement in net defined benefit (liability)/asset during the year		
Net defined benefit (liability)/asset in scheme at 1 August	(6,145)	(3,401)
Movement in year:		
Current service cost	(1,698)	(1,386)
Employer contributions	1,165	1,136
Past service cost	0	0
Net interest on the defined (liability)/asset	(148)	(105)
Actuarial gain or loss	(4,500)	(2,389)
Net defined benefit (liability)/asset at 31 July	**(11,326)**	**(6,145)**

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	39,643	34,780
Current service cost	1,698	1,386
Interest cost	922	1,052
Contributions by Scheme participants	285	279
Experience gains and losses on defined benefit obligations	1,825	8
Changes in demographic assumptions	1,090	(1,999)
Changes in financial assumptions	1	5,158
Estimated benefits paid	(1,245)	(1,021)
Past Service cost	0	0
Curtailments and settlements	0	0
Defined benefit obligations at end of period	**44,219**	**39,643**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	33,498	31,379
Interest on plan assets	774	947
Return on plan assets	(1,584)	778
Employer contributions	1,155	1,136
Contributions by Scheme participants	285	279
Estimated benefits paid	(1,235)	(1,021)
Fair value of plan assets at end of period	**32,893**	**33,498**

24 Related Party Transactions

Due to the nature of the College's operations and the composition of the Corporation 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 Corporation may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

In 2020, Governors received reimbursement of £43 for travel expenses relating to College business (2019: £196). No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2019: None). The CEO and Principal received reimbursement of £582 for travel and subsistence expenses relating to College business (2019: £671) and incurred expenditure of £971 using the College's credit card for College business (2019: £3,987). The Deputy Principal, Curriculum and Quality received reimbursement of £458 for travel and subsistence expenses relating to College business (2019: £6,430).

The College has a £46,000 debtor (2019:£Nil) in respect of a loan to Nescot Enterprises Ltd. The debtor is eliminated on consolidation.


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