North East Surrey College of Technology (Nescot)

Annual Report and Financial Statements
Year ended 31 July 2023

North East Surrey College of Technology (Nescot)

Contents

North East Surrey College of Technology (Nescot)

Reference and Administrative Details

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

Board of Governors

The list of Governors is set out at page 32.

Clerk/Company Secretary

The Clerk to the corporation was vacant from 1 September to 2 October 2022. Susanne Wicks was Clerk to the corporation from 3 October 2022 to 31 July 2023.

Senior management team

Frances Rutter	Principal and Chief Executive from 1 August 2021 to 31 October 2022
Julie Kapsalis	Acting Principal and Chief Executive from 3 October 2022 to 31 March 2023 Principal and Chief Executive from 1 April 2023 to 31 July 2023
Phil Briscoe	Deputy Principal (Curriculum & Quality) 28 March 2022 to 31 July 2022
Andy Cowan	Deputy Principal (Curriculum and Quality) from 28 November 2022 to 31 July 2023
George Jenkins	Chief Financial Officer from 1 August 2022 to 31 July 2023
Donna Patterson	Assistant Principal, HR and Organisation Development from 1 August 2022 to 31 July 2023

Principal and Registered Office

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

Professional advisors

External Auditors	MHA, 2 London Wall Place, London EC2Y 5AU
Internal Auditors	RSM, 6th Floor, 25 Farringdon Street, London EC4A 4AB
Bankers	HSBC UK Bank plc, West London Corporate 2nd Floor, Space one, 1 Beadon Road, Hammersmith, London W6 0EA

North East Surrey College of Technology (Nescot)

Strategic Report

Members of the Corporation present their annual report together with the financial statements and auditor's report for North East Surrey College of Technology (Nescot) for the year ended 31 July 2023.

Legal status

The corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of North East Surrey College of Technology. The college is an exempt charity for the purposes of Part 3 of the Charities Act 2011. The Nescot Group also encompasses Nescot Enterprises Ltd (NEL) which is 100% owned by Nescot and operates within separate governance arrangements including oversight by its own Board of Directors.

Vision, Strategy and Objectives

The vision of the College for the year 2022-23 was 'To be the College of choice for students, employer and staff' with six strategic priorities underpinning 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) To be an employer of choice.

Following the appointment of Julie Kapsalis as Principal and Chief Executive a review and update of the vision and strategic priorities was undertaken by the Executive Leadership Team and Governors and published in July 2023. The revised Strategic Priorities will drive the remainder of the Strategic Plan to 2026. A copy of the Strategic Plan can be found on the website here: **Nescot Strategic Plan**

Resources

In 2022-23 the college employed 676 people, of whom 243 are teaching staff.

During 2022-23 the college leadership team initiated an Institutional Review (IR). The purpose of this review was to:

- Achieve savings and efficiencies to the business
- Offset the loss of income from partnership and subcontracting and low HE numbers
- Drive improvements in quality and learnings from the Ofsted inspection
- Ensure the college was fit for the future and moving towards a balanced budget.

Key funding targets

ESFA 16-18 funding	The College received a core allocation of £11.1m for 1,934 students and retained 1,974 students at the census point. The funding is lagged and so the college will retain 100% of the allocation.
ESFA 19+ funding	The college achieved 58% of its ESFA Adult Education Budget (AEB) funding target of £1.51m and so will retain £0.88m of the allocation.
GLA 19+ funding	The college achieved 58% of its GLA AEB funding target of £1.36m and so will retain £0.79m of the allocation.

Student numbers

	Headcount
ESFA funded 16-18 students	1988
- Of which high needs students	123
ESFA funded 19+ adult skills	1575
Apprentices (ESFA and Levy)	604
ESFA advanced learner loan funded students	49
OfS funded students	447
Total funded students	**4624**
Total non-funded students	**1176**
Total students	**5800**

Key assets

The college has £58.7m of net, unrestricted assets, including pension liability (2022: asset of £56.8m)

Tangible resources include the wholly owned 60-acre Reigate Road campus comprising a range of facilities and buildings, animal care unit and associated farm, car park and playing fields.

The college has a good reputation locally and nationally. In its most recent **Ofsted Inspection** in January 2023, it was graded 'Good' in all areas with the following key areas of feedback:

- Leaders and Managers have successfully planned a curriculum to meet the needs of learners and to enable their progression
- Staff are knowledgeable and well qualified
- Staff ensure learners make good progress against learning aims
- There are high levels of pride amongst learners and staff
- Careers events are effective and well organised
- Collaboration with employers is effective
- Staff feel supported – notably around wellbeing

Stakeholders

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

- Current, future and past students
- Education sector funding bodies
- FE Commissioner
- Staff and trade unions
- Employers and employer representative bodies
- Local authorities
- Local Enterprise Partnership (LEPs)
- The local community
- Other FE and HE institutions
- Local education establishments – including schools and other colleges
- Professional bodies

The college recognises the importance and value of these relationships and engages in regular communications through internal and external communications and marketing as well as meetings and events, including the establishment of focus and working groups comprising stakeholders to inform college activities. In 2022- 23 FE Surrey was formed as a consortium of the four Further Education colleges in Surrey.

Public benefit

Nescot is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 32. In setting and reviewing the college's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its vision, the college provides identifiable public benefits through the advancement of education to approximately 5800 students, including 123 students with high needs. The college provides courses without charge to young people, to those who are unemployed and adults taking English and maths course. The college adjusts its courses to meet the needs of local employers and provides training to over 600 apprentices.

The college is committed to providing information, advice and guidance to the students it enrols and to finding suitable courses for as many students as possible regardless of their educational background.

DEVELOPMENT AND PERFORMANCE

The table below shows our achievement against Key Strategic Priorities for the year:

Key Priority	Key Objectives	Achievement
1. Outstanding teaching, learning and assessment in an inspirational and safe environment	Delivering outstanding teaching, learning and assessment that challenges and inspires our students to help them reach their goal Providing holistic support to keep our students safe Developing the use of technology to improve the way students learn and to prepare them for their future careers Continuing to invest in the college estate to support key priorities	Ofsted 'Good' Achieved in January 2023 inspection £2m capital budget spent on curriculum and estate projects to enhance learner experience. Commenced Institute of Technology build and refurbishment of South Block (top floor).
2. Stability and Growth	Achieving sustainable growth and economies of scale in core business from increased student numbers Achieving sustainable growth from joint venture partnerships and commercial activity Maintaining a sound contribution to overhead from teaching departments Encouraging innovation across the college	Planned deficit in line with budget and agreed exit from sub-contracted partnerships. Operating cash maintained in agreed range throughout 2022-23 Successful T-Level capital bid to refurb the Yorkon building, housing our gas and electrical department, submitted and awarded. Institutional Review undertaken in Spring 2023.
3. Helping our students to develop the skills, attitudes and qualifications they need to succeed at work	Developing the tutorial and enrichment programme to support our students' broader learning	Establishment of dedicated Careers Hub to support learners. Over 30 of course careers events and activities including Alternative Pathways careers event facilitated by Unloc.

Key Priority	Key Objectives	Achievement
	Delivering a strong careers education programme, with emphasis on employability skills Delivering a curriculum that successfully attracts and engages with a diverse student population	College retained Matrix accreditation. Launch of new LGBTQ+ group
4. Engaged with employers and other organisations to offer courses that are innovative, relevant and in demand	Developing links with employers to source high quality and meaningful work experience placements that benefit our students and employers Developing a forward thinking and cost-effective curriculum that meets LEP priorities and skills gaps, and reflects industry needs Working with employers of all sizes and types to increase the availability and quality of apprenticeships Working with local authorities to deliver a comprehensive high-needs provision	Recalibration of Nescot's customer and engagement strategy published. Hosted first headteacher engagement event comprising 15 heads of local school in May 2023 Successful delivery of Strategic Development Fund focused on electric/hybrid vehicles and submission of bid for circa £880k for LSIF Over 2000 visitor to the Summer Fair celebrating and promoting the college to its immediate and wider community. Alignment with LEP, County Council and Local Skills Improvement Plan (LSIP) priorities in new Strategic Plan published in July 2023.
5. Developing strong relationships with schools and community groups to give clear information, advice and guidance	Delivering an effective school liaison offer through strong relationships with schools, aligning curriculum resource to support this activity Creating opportunities to work directly with young people to ensure they are receiving	Lunch and tour with local school Heads and SMT with 15 external attendees Head of Admissions and School Liaison in post with wider role commencing from August. Virtual Reality demos piloted in school events, proved very

Key Priority	Key Objectives	Achievement
	impartial information, advice and guidance Providing a wider college experience for young people	popular with generating interest at Nescot's stand. Extension of funding for Epsom & Ewell Hub, following a successful bid. NESCOT continues to work in partnership with Epsom & Ewell Council, Department for Work & Pensions and Surrey Lifelong Learning Partnership as part of the Steering Group.
6. To be an employer of choice.	Providing professional and personal development opportunities for all staff to improve their knowledge, skills and practice Striving for a collaborative and inclusive workplace, where good practice is shared and staff are motivated and supported Providing staff with the tools they need to do their jobs well Delivering a clear and well - understood means of recognising and rewarding effort and achievement	Refurbed staff lounge creating a welcoming and warm place for staff to use and relax. Introduced staff wellbeing days in 2022. Continued 'Thank you' bonus scheme for staff to recognise effort and achievement. Launch of Learning Journey site with a wide range of activities and resources available to staff to develop skills and knowledge.

FINANCIAL REVIEW

Financial results for the year ended 31 July 2023

The financial results for the year ended 31 July 2023 are summarised in the following table with prior year comparison.

	Year ended 31 July 2023		**Year ended 31 July 2022**	
	Group1 £,000	**College £,000**	**Group £,000**	**College £,000**
Total Income	25,124	26,013	29,270	29,464
Total Expenditure	26,032	27,236	31,973	32,791
Surplus/(deficit) before other gains and losses	**(908)**	**(1,223)**	**(2,703)**	**(3,327)**
Gain/(loss) on disposal of assets	(5)	(5)	-	-
Gain/(loss) on investments	(75)	(75)	(67)	(67)
Surplus/(deficit) before tax	**(988)**	**(1,303)**	**(2,770)**	**(3,394)**
Taxation	0	0	45	0
Surplus/(deficit) for the year	**(988)**	**(1,303)**	**(2,725)**	**(3,394)**

Total income for the Nescot Group was £25,124m (£29,270m 2021-22), a decrease of £4,146m from the previous year. Income was expected to be lower due to a combination of not issuing subcontracts following the tender process; the considered decision to exit partnership and satellite delivery, along with a lower outturn on Further Education (FE) and part time FE income than originally planned.

Principle funding sources were:

- Further Education Funding
- Higher education Funding
- Other government funding
- Tuition fees form students
- Local authority high needs funding
- Other grants and contracts

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1 'Group' refers to the consolidated accounts included the college and its subsidiary companies.

- Other income generating activities
- Investment income

Expenditure was £26,032m (£31,973 2021-22) and lower than budgeted partly driven by lower costs resulting from reduced learner numbers and income, and partly by planned actions to reduce costs which included the Institutional Review in the spring of 2023.
The Nescot Group generated a deficit of £908k before other gains and losses which was caused by a reduction income due to clawback from lower learner numbers following the planned exist of subcontracted contracts.

The college's capital plans involved commencement of the refurbishment of the top floor of south block to establish an Institute of Technology in partnership with Chichester College Group and the Universities of Sussex and Brighton. Additional DfE T- Level funding was also allocated to contribute to the planned refurbishment of the Yorkon Building which is scheduled to commence in the summer of 2024.

The group has accumulated reserves of £58,670k an increase of £1,837k on the previous year. In line with its revised Strategic Priorities published in July 2023, the college plans to focus on stabilising and moving to a balanced budget by 2026.

On 31 July 2023, the Nescot group held non-current investments with a market value of £4.1m (£4.2m in 2022-23). The Members, through the Executive Leadership Team delegate the discretionary powers of management of the colleges non-current investments to investment manager Evelyn Partners with the objective to maximise long term environmental and ethical considerations. The Nescot groups bank balances are held in cash funds managed by HSBC and totalled £9.8m on 31 July 2023 (£6.8m on 31 July 2022).

The financial statements comprise the results of the activities of the Nescot Group.
The Nescot Group has four subsidiary companies. Only one of these was active during the year ended 31 July 2022. Nescot Enterprise Ltd (NEL), which is 100% owned by the College. NELs activities in the year encompassed the supply of administration staff to the College. Any surpluses generated by NEL are intended to be gift aided to the College.

ACADEMIC AND CURRICULUM PERFORMANCE

The college's progress in achieving its key academic and curriculum targets is set out below:

Overall Quality of Education

Significant change at all levels of curriculum leadership was managed throughout this academic year and the college achieved a very successful ofsted inspection garnering good for all areas across the enhanced education inspection framework as well as a reasonable contribution to the local skills agenda

Further education and skills inspection report

Ofsted
raising standards
improving lives

Inspection of North East Surrey College of Technology

Inspection dates:	24 to 27 January 2023
Overall effectiveness	**Good**
The quality of education	**Good**
Behaviour and attitudes	**Good**
Personal development	**Good**
Leadership and management	**Good**
Education programmes for young people	**Good**
Adult learning programmes	**Good**
Apprenticeships	**Good**
Provision for learners with high needs	**Good**
Overall effectiveness at previous inspection	Good

The college has performed well throughout and since the pandemic with consistently high levels of retention and sustained achievement for 16- to 18-year-olds. This is also true of most adults however adult provision has shown a consistent decline in numbers since that time. National rates of achievement date from pre pandemic levels and are not yet included in performance judgments. The only exception to this is the national rates for apprenticeship provision which continued to be made public both during and throughout the pandemic.

Student recruitment also showed signs of recovery in this academic year and enrolments for young people were slightly up on the previous year this resulted in a slightly larger allocation forecast for the future year adult recruitment was also consistently down with the national picture however throughout this academic year the strategic decision to exit all partnerships and sub-contracting has meant a planned reduction in overall adult enrolments.

Study Programmes

The most significant area of income for the college is the 16 to 18 study programme provision whilst growth in this area was realised last academic year the most significant challenge for students remained retaining on their programme until the end of the academic year significant growth in safeguarding concerns more specifically mental health well-being and anxiety issues meant that learners he typically would remain on course until year end and achieve we're less likely to stay on course by around 5.5% points on the previous year.

This meant that while students passing their courses remain consistently high at around 88%, overall achievement for the college is down by a few percentage points based on the lower retention however students were supported into future learning opportunities and given alternative progression routes to support their journey back into full time learning
Students undertaking GCSE English and maths qualifications on study programmes did not reduce in achievement compared to the previous year and outcomes were consistent for both overall passes and high grades four to nine on both English and maths with the previous year. This goes against the national picture for GCSE outcomes, which did decline. High grades for English are consistent at nearly 30% with high grades in maths slightly lower but in line with national rates at about 24%

Adult Programmes

Adult provision was significantly less impacted to adaptations throughout this last few years and the associated assessment practises since the pandemic have remained much aligned with current practise the general picture was one of decline. This is reasonably consistent with Nescot’s performance however over the last three years the college has remained broadly in line with previous years attainment this is true of the current year and adults outcomes have declined by about 3% points.

Apprenticeships

Apprenticeship provision continued to grow ever so slightly with most of the growth focused in trade areas and practical construction-based subjects the growth of the offer apprenticeships was widened and successful delivery of strategic development fund projects and the Institute of Technology, has meant new life sciences, cyber, digital and degree-level apprenticeships were implemented this year.

Apprenticeships have high levels of achievement in year however some of the longer apprenticeship standards delivered over four years still carry apprentices most heavily impacted by the pandemic.

Provision for Students with High Needs

Provision for learners with high needs remains consistent in line with long trends and those in receipt of high need support or with an EHCP, still continue to achieve at slightly better levels than those not in receipt of support. This retains the colleges strong standing in the community with all of the local stakeholders' providers and local authorities vested in the excellent work that the college does in providing enhanced learning opportunities for students with high needs.

There are no sub-contracted learners in study programmes

All sub-contracted provision was exited and completed this academic year however achievement and retention for all sub contracted partners was lower than previous years this is where the most significant impact of outcomes is for adult provision

FUTURE PROSPECTS

The college continued to work in a challenging environment in the Further Education sector as well as the wider economic climate during 2022-23.

As the financial context became increasingly challenging, including for staff and our learners, Nescot made some difficult decisions to reduce risk and secure financial and structural stability for the college to manage costs, refocus and establish a framework to drive growth and long-term agility to meet skills shortages and employer's needs.

Looking to the future, the Institutional Review in Spring of 2023 followed the Ofsted Inspection (graded 'Good') in January 2023 with the purpose of reducing costs as part of the plan to return to a balanced budget and to restructure to ensure resource was effectively allocated to deliver placing learners at the heart of everything we do.

Future developments

There continues to be a strong match between the college's curriculum at all levels, national priorities and local needs, however where trends are emerging placing greater emphasis of specific skills Nescot continue to be in a strong position to flex to meet these needs.

Building on this and the recent refresh of the college's strategic priorities, future developments cover both curriculum and our asset base with the following areas identified:

- Launch of the Institute of Technology and its programmes to meet skills gaps and employers' needs alongside a Local Skills Improvement Fund partnership bid to establish an immersive meeting and classroom facility.
- Continue to grow our high-quality high needs provision to meet demand.
- Achieve a balanced budget and consolidation of activities following the Institutional Review in 2022-23 and by 2026.
- Recalibrate Nescot's employer and stakeholder engagement strategy to growing apprentice delivery and meeting increase demand in construction
- Establish an estates masterplan for the campus and vision placing Nescot and its facilities at the heart of the local and wider community incorporating ongoing refurbishment of the estate.

Financial plan

The college governors supported the development and approval of a revised set of strategic priorities and financial plan in July 2023 which sets the following objectives for the period to 2026.

Treasury policies and objectives

The college has treasury management arrangements and policy in place to manage cash flows, banking arrangements and the risks associated with those activities. Nescot adopts CIPFAS's 'Treasury Management in the Public Services: Code of Practice' (the Code) and from November 2022 has moved to follow the 'Managing Public Money' guidance in line with the reclassification of colleges as public sector.

The college Treasury Management Policy states that the college 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 Nescot groups financial health score remains 'outstanding'.

Reserves

The college currently has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation and ensures that there are adequate reserves to support the college's core activities.

Our approach is set out in the colleges Treasury Management Policy which requires that the college ensures that adequate cash resources are available to fund daily activities from the colleges cash balances or from designated borrowing facilities. The policy is operated to ensure compliance with minimum liquidity levels defined in the College's Finance Strategy and in the Treasury Management Policy which 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. On 31 July 2023 these parameters required cash reserves of between £3.9m and £9.7m to be maintained.

The college holds no restricted reserves.

As at the balance sheet date the Income and Expenditure reserve stands at £46.0m (2022: £44.0m). It is the corporation’s intention to increase reserves over the life of the strategic plan through reducing the planned deficit and moving towards the generation of annual operating surpluses by 2026.

On 31 July 2023, the college held a total of £9.8m in cash reserves analysed as follows:

Account	**Balance**	**Interest Rate**	**Comment**
HSBC Current	1.274	0.00%	Sweep facility
HSBC Money Market	4.957	0.50%	Instant Access
HSBC Deposit	3.571	4.75%	Instant Access

PRINCIPAL RISKS AND UNCERTAINTIES

The college has well developed strategies for managing risk and strives to embed risk management which is designed to protect the Nescot Group's assets and reputation and financial stability.

The corporation has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.
A strategic risk register is maintained at the college level which is updated regularly and reviewed at each Audit Committee meeting. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the college and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The college also maintains an operational risk register at departmental level which is reviewed termly by the Risk management Action Group to identify systems, procedures, controls and specific actions to prevents identified risks from materialising and adversely impacting on the college.

The main risk factors affecting the college are outlined below along with the action taken to minimise them. Not all the factors are within the college's control. Other factors besides those listed below may also adversely affect the college.

Risk 1	Achievement of funding body and apprenticeship recruitment targets
Risk 2	Recruitment and retention of staff in a highly competitive and inflationary market
Risk 3	Adverse changes in government policy and the external economic environment
Risk 4	Achieving a balanced budget

KEY PERFORMANCE INDICATORS

The colleges key performance indicators, targets and results are set out below.

Key performance indicator	**Measure/ Target**	**Actual for 2022/3**

Student number targets: - ESFA 16-18 - ESFA and GLA 19+ - OfS HE	2199 - 522	1988 2179 447
Overall Student achievement	82%	75.7%
EBITDA as % of income (education specific)	5.55%	6.21%
Staff satisfaction (via survey)	85%	78.7%
Ofsted rating	Outstanding	Good

Student achievements

College performance outcomes remain broadly in line with previous years but have reduced slightly as predicted in 2022-23, correlating with the lower retention of learners over 2022-23 and the significant rise in safeguarding, mental health and wellbeing cases following the pandemic. The reduction in achievement is broken down into three key areas:

- The impact of partnerships and subcontract provision, (ceased in 2021-22 and 2022-23) where learners did not achieve
- The retention of learners across the entire academic year, or more specifically 2-years due to unforeseen circumstances
- The impact of English & Maths and Exams (represented nationally) for learners who had never previously undertaken formal exams.

Whole College			
	2022-23	**2021-22**	**2020-21**
Achievement	75.7%	82.4%	85.1%
Pass rates	88.3%	90.0%	90.7%

Whilst the whole college achievement has reduced as forecast, pass rates remain constant showing that a greater percentage of students are remaining on programme and securing positive outcomes.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, in the absence of agreement to the contrary, requires organisations to make payments within 30 days. During the accounting period 1 August 2022 to 31 July 2023, the college paid 87 per cent of its invoices within 30 days. The college incurred no interest charges in respect of late payment for this period.

Streamlined Energy and Carbon Reporting

The college is committed to reducing its carbon emissions and has taken the following measures in the year to improve energy efficiency:

- Establishing the college's first Sustainability Strategy and action plan
- Improving waste recycling across the campus including the removal of bins form offices and installing recycling points.
- Installation of electric vehicle charging points and a small fleet of electric/hybrid vehicles

The college's greenhouse gas emissions and energy use for the period calculated in line with the 2019 HM Government Environmental Reporting Guidelines, the GHG Reporting Protocol – Corporate Standard and the 2021 UK Government's Conversion Factors for Company Reporting are as follows:

UK Greenhouse gas emissions and energy use data for the period	**2022**	**2023**
Energy consumption used to calculate emissions (kWh)		
Gas	2,141,758	tbc
Electricity	1,988,284	tbc
Scope 1 emissions in metric tonnes CO2e Gas consumption Owned transport Total	394,083kgCO2e	tbc
Scope 2 emissions in metric tonnes CO2e Purchased electricity	NIL	tbc
Scope 3 emissions in metric tonnes CO2e Business travel in employee-owned vehicles	N/A	tbc

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.

Numbers of employees who were relevant period	FTE employee number
1	1

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

Total cost of facility time	£1,220,00
Total pay bill	£17,660,000
Percentage of total bill spent on facility time	£0.00

Time spent on paid trade union activities as a percentage of total paid facility time	0%

EQUALITY AND DIVERSITY and INCLUSION

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:

1) 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.
2) 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.
3) 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.

4) 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 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 2022. This is assessed every three years and will be reviewed again in July 2025.

As part of this commitment, the College has agreed the following:

- Actively looking to attract and recruit disabled people.
- Providing a fully inclusive and accessible recruitment process.
- Offering an interview to disabled people who meet the minimum criteria for the job.
- Flexibility when assessing people so disabled job applicants have the best opportunity to demonstrate that they can do the job.
- Proactively offering and making reasonable adjustments as required.
- 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:
- Setting and monitoring equality and diversity performance indicators.
- 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.

- 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.
- Monitoring and analysing staff recruitment, grievance and disciplinary, staff progression and gender pay gap in terms of age, gender, and disability.
- Monitoring and analysing the take-up of staff training and development opportunities.
- Ensuring College policies in relation to equality and diversity are regularly monitored, reviewed and updated, in line with legal requirements.
- 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 works in consultation with several Local Authorities to provide supported learning for students with mild to complex learning needs with Education Health and Care Plans (EHCPs). The College reports progress through the Annual Review programme, as well as through target setting and parent reports.

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:

- Mainstream courses with learning support.
- Foundation Learning Programmes for students with mild to complex learning difficulties, delivered in a supported environment in the Seasons Learning Hub
- Foundation Learning Programmes for students who have no formal qualifications or are not in education, employment or training (NEET).
- A 14-16 provision, for students with EHCPs for whom the traditional GCSE curriculum does not suit.
- To meet individual needs, some or all the following may be provided to our students:
- Small group support for language, literacy, and numeracy outside of class.
- Specialist software or adapted handouts and course notes.
- Mentoring.
- Learning support assistants for in class support.
- Sign Supported English communicator accessed from external agencies.

- Access arrangements for exams such as a reader, scribe, separate room or extra time.
- 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.
- Access to the College Nurse and Wellbeing Team.
- Financial support and/or bursaries may be available.

Gender pay gap reporting

It is an annual legal requirement under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for the College to publish the gender pay gap between male and female employees, based on the difference between their average earnings. This is a snapshot of the latest available data for 31 March 2022. The year-on-year calculations are as follows:

	2017	2018	2019	2020	2021	2022
Mean gender pay gap	17%	17%	Not reported due to covid	17%	17%	16%
Median gender pay gap	18%	23%		23%	25%	24%

The gender pay gap bonus calculations for 2022 are:

Proportion of Female Staff who received the Bonus	60.42%
Proportion of Male Staff who received the Bonus	60.08%
Mean Bonus Gender Pay Gap Calculations	20%
Median Bonus Gender Pay Gap Calculations	40%

The proportion of males and females in each quartile of the pay distribution are:

		Lower Quartile	Lower middle Quartile	Upper middle Quartile	Upper Quartile
Male	2017	27,74	30.15	44.12	58.09
	2018	30.15	30.37	43.70	54.48
	2019	Not reported due to covid			
	2020	24.32	22.97	40.14	50.34
	2021	29.05	21.23	34.83	50.85

	2022	27.78	25.41	33.33	47.80
Female	2017	72.26	69.93	56.30	45.52
	2018	69.85	69.93	56.30	45.52
	2019	Not reported due to covid			
	2020	75.68	77.03	59.86	49.66
	2021	70.95	78.77	65z.17	49.15
	2022	72.22	74.59	66.67	52.20

The college publishes its annual gender pay gap report on its website.
Both the mean and median gender pay gap figures have decreased by 1% in 2022. The mean has decreased from 17% to 16%, and the median has decreased from 25% to 24%. Both the mean and the median percentages are in line with others in the education sector.

All eligible staff received a £500 bonus in November 2021, pro-rated for part time employees. As evidenced above, the Proportion of staff who received the bonus is equal for both men and women at 60%. The reason for the gap in the bonus calculations is due to there being significantly more females working at the College (66% female, 34% male), many of which are working in the lower paid, part-time support roles, and therefore received a pro-rated bonus.

In the Upper and Upper Middle Quartile, the % of females are 52.20%, and 66.67% respectively, which is an increase on previous years, and is due to the continued strategy of attracting women to apply for senior and managerial roles.
Despite the increase of females being paid in the upper quartiles, the percentage of women compared to men in the lower quartile has also increased slightly from 70.95% to 72.22% in 2022. Whilst this is an increase from last year, it is still lower than previous years and we will continue to strive to improve this % and recruit more men to the lower paid roles. The reason for the high percentage of females in the lower quartile is due to the college having an increasing number of lower paid care giving roles that primarily attract women. These include roles within the nursery and learning support departments which have both grown over the last few years. The college also employs many cleaning staff who would be in the lower quartile for pay, again the majority of which are women. The reason these roles tend to attract more women is due to the flexibility of the roles, the option of term time only, and the hours available. The roles are also traditionally female led and men can be deterred from working in the more stereotypical female roles.

The college is committed to equality of opportunity for all, and the gender pay gap figures are in line with others in the education sector.

It is pleasing to see that the percentage of women in senior and managerial positions is high, and we will continue to work on decreasing the gender pay gap in the lower quartile by continuing to positively encourage more male staff into our care giving roles.
We promote family friendly flexible working opportunities for both male and female staff across the college so they may discuss arrangements to assist them with caring responsibilities without inhibiting their progression.

Equality and diversity is embedded into all study and apprenticeship programmes promoting equal opportunity and dispelling gender stereotypes. The College raises young people's awareness of different career opportunities.

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

- Following assessment, students may have access to assistive software such as Read and Write. 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.
- 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.
- There is a Higher Education Academic Skills Tutor who works to ensure HE students receive their learning support entitlement either through their DSA award or by the delivery of bespoke support delivered on a 1:1 or small group basis. They support students on programme by providing resources and strategies to assist teaching and learning.
- 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.
- Courses and their entry requirements are described in programme information guides, and achievements and destinations are recorded and published in the standard College format.

- Support and Welfare services are described in the College Prospectus and other materials distributed to students at induction, together with the College's Complaints and Disciplinary Procedure.

GOING CONCERN

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

EVENTS AFTER THE REPORTING PERIOD

There were no post balance sheet events.

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 8 December 2023 and signed on its behalf by:

Chris Muller
Chair

North East Surrey College of Technology (Nescot)

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 2022 to 31 July 2023 and up to the date of approval of the annual report and financial statements.

GOVERNANCE CODE

The college endeavours to conduct its business:

1) in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
2) in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code")
3) In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2023. This opinion is based on an internal self-review reported to the Search and Governance Committee in May 2023 and to the Corporation in July 2023. The Board has commissioned a further external review which will be completed by July 2024 and will be conducted by Governance4FE.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in 2015, which it formally adopted on 10 July 2015.

THE CORPORATION

Members of the corporation

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

Name	Eligibility	Committees Served	Elected	Re-Elected	Term Of Office Expires / Resigned	Attendance Record[2]
Chris Muller	External	Corporation (Chair), Search and Governance (Chair), Finance and General Purposes, SSPRC	05/04/2011	2013 2016 2021 2022	2024	17/17
Nick Vaughan-Barratt	External	Corporation (Vice Chair), SSPRC (Chair), Curriculum and Quality, HE Sub-Committee, Search and Governance	19/06/2020	2022	2026	17/19
Sean Ahearne	External	Audit	20/05/2023	-	2025	1/1

[2] Actual number of attendances against possible attendances

Name	Eligibility	Committees Served	Elected	Re-Elected	Term Of Office Expires / Resigned	Attendance Record[2]
Martin Butterfield	External	Finance and General Purposes (Chair), SSPRC	28/05/2021	2023	2027	12/15
Angela Cross-Durrant	External	Curriculum and Quality (Chair), HE Sub Committee (Chair), SSPRC	28/05/2021	2023	2027	18/19
Simon Enoch	External	Audit (Chair), SSPRC	16/11/2018	2021	2024	13/15
Paul Ford	External	Audit	25/03/2022	-	2024	0/10
Nadine Guy	External	Curriculum and Quality	28/01/2022	-	2024	8/12
James Knowles	External	Curriculum and Quality, HE Sub Committee	27/05/2022	-	19/05/2023	7/10
Margaret Martin	External	Finance and General Purposes	06/10/2017	2021	2025	8/10
Asa’ah Nkohkwo	External	Audit	28/05/2021	2023	2027	10/10
Lynn Reddick	External	Curriculum and Quality, HE Sub-Committee,	01/08/2016	2022	2024	11/14

Name	Eligibility	Committees Served	Elected	Re-Elected	Term Of Office Expires / Resigned	Attendance Record[2]
		Search and Governance				
Jeremy Williams	External	Finance and General Purposes	20/05/2023	-	2025	1/1
Julie Kapsalis	CEO/ Principal	Curriculum and Quality, HE Sub-Committee, Search and Governance, Finance and General Purposes	03/10/2023	-	-	15/16
Felicity Fletcher	Teaching staff Governor	Curriculum and Quality	01/08/2021	-	31/07/2023	7/11
Sylvia Ofei-Kwatia	Non-teaching staff Governor	-	01/08/2021	-	31/07/2023	3/6
Charley Johnson	HE Student Governor	Curriculum and Quality; HE Sub Committee.	01/09/2022	2023	2024	4/8
Chelcie Rudkin	FE Student Governor	Curriculum and Quality	01/09/2022	-	31/07/2023	0/7
Cody Downs	FE Student Governor	Curriculum and Quality	01/09/2022	-	31/07/2023	0/7

The Clerk to the corporation post was vacant from 1 September 2022 to 2 October 2022. Susanne Wicks was Head of Governance and clerk to the corporation from 3 October 2022 to 31 July 2023.

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 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 **www.nescot.ac.uk**

The clerk to the corporation maintains a register of financial and personal interests of the members. The register is available for inspection by contacting the Clerk to the corporation at **governance@nescot.ac.uk** .

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.

Formal agendas, papers and reports are supplied to members in a timely manner, prior to 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 member appointments to the corporation are a matter for the consideration of the corporation. The corporation has a search and governance committee, comprising: 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 members 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 of Good Governance for English Colleges

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 has 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 theminutes. Other components of the strategy are:

1) a self-assessment questionnaire to be completed by Members; and
2) 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. The Board most recently conducted a self-evaluation exercise in April 2023 and the results were reported to the Search and Governance Committee and an action plan drafted which is regularly reviewed and updated. Board Members also undertook a skills audit in Autumn 2022, the outcome of which was used to inform recruitment of new External Governors.

In July 2021, the Education and Training Foundation (ETF) in partnership with AoC were asked by college management to undertake an independent review of the board of Nescot. The objective of the review was to gain an understanding of the strengths of the board and the areas that need development. It also aimed at facilitating collaborative effort between the reviewer and Members to co-design pathways to improving the effectiveness of the board. The framework used to undertake the review required analysis of Board Composition, Board Structures and Board Interaction. It also included an examination of the extent to which these key areas have contributed to the board's effectiveness as measured against the AoC Code of Good Governance for English Colleges. The process involved interviews with the chair, governance professional, Principal and other members of the governing body; a survey; examination of a sample of governing documents and papers; and an observation of a board meeting. The outcome of the review was positive with a number of recommendations to further strengthen the college's governance arrangements. The recommendations formed the basis of an action plan which is regularly reviewed and updated.

The Board has commissioned a further external review which will be completed by July 2024 and will be conducted by Governance4FE.

Senior Staff Performance and Remuneration Committee

Throughout the year ending 31 July 2023 the college's Remuneration Committee comprised: the Chair of the corporation, the Vice Chair 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.
Details of remuneration for the year ended 31 July 2023 are set out in note 8 to the financial statements.

Audit Committee

The Audit Committee comprises up to five members of the corporation (excluding the Accounting Officer and 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 ot advice the corporation on the adequate 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 internal auditors, 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 they are personally responsible, in accordance with the responsibilities assigned to them in the Conditions of Funding Agreement. 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 in Nescot for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The corporation has reviewed the key risks to which the college is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the college's significant risks that has been in place for the period ending 31 July 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

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

The analysis of risks and the internal audit plans are endorsed by the corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the college, includes an 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 central risk register is held underpinned by localised risk registers, these are regularly reviewed and maintained to determine additional management interventions. The college's strategic risk register currently has 12 risks. The most significant risks relate to:

1) Achievement of funding body recruitment targets
2) Recruitment and retention of staff in an increasingly competitive environment
3) Management of apprenticeship provision

Control weaknesses identified

The internal auditors did not identify any significant control weaknesses or failures during the year. In their report to the corporation in June 2023 internal auditors' opinion stated that the organisation has an adequate and effective framework for risk management, governance and internal control. Some enhancements were identified and action plans put in pace to address these enhancements.

Responsibilities under funding agreements

The Department for Education (DfE) and Education and Skills Funding Agency (ESFA) introduced new controls for the college on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts.

The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The college has and continues to review its policies, procedures and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required. An interim Managing Public Money (MPM) return was provided in March 2023

Statement from the audit committee

The audit committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The audit committee believes the corporation has effective internal controls in place.

The specific areas of work undertaken by the audit committee in 2022/3 and up to the date of the approval of the financial statements include internal and external audit reports; financial statements; risk management and controls and health and safety.

Review of effectiveness

As Accounting Officer, the 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:

- the work of the internal auditors
- the work of the executive managers within the college who have responsibility for the development and maintenance of the internal control framework
- comments made by the college's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors 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 and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

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

At its December 2023 meeting, the corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2023.

In relation to the Harpur Trust vs Brezel Case – the college has assessed its exposure to the potential claims arising from back dates holiday pay for sessional workers and had deemed the maximum liability to be immaterial to the accounts.

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

Approved by order of the members of the Corporation on 8 December 2023 and signed on its behalf by:

C C Muller	
Chris Muller	Julie Kapsalis
Chair of governors	Accounting Officer

North East Surrey College of Technology (Nescot)

Statement of Regularity, Propriety and Compliance

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

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

I confirm that the following instance of non- compliance has been discovered and will be notified to the ESFA:

- Debt write-off of £354,168 which exceeded the £250k threshold was not notified to the ESFA. See Note 10 for a breakdown of the debt.

Julie Kapsalis
Accounting officer
8 December 2023

Statement of the chair of governors

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

Chris Muller
Chair of governors
8 December 2023

North East Surrey College of Technology (Nescot)

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 ESFA, the corporation – through its Accounting Officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the corporation and its surplus / deficit of income over expenditure for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the college will continue in operation.

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

The corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the college and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly.

In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 8 December 2023 and signed on its behalf by:

CCMuller

Chris Muller
Chair of governors

North East Surrey College of Technology (Nescot)

Independent Auditor’s Report to the Corporation of North East Surrey College of Technology (Nescot)

Opinion

We have audited the financial statements of the Corporation of Nescot (the ‘College’) and its subsidiaries (the ’Group’) for the year ended 31 July 2023 which comprise the Consolidated and College Statements of Comprehensive Income, the Consolidated and College Statements of Changes in Reserves, the Group and College Balance Sheets, the Consolidated 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 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 of the College’s affairs as at 31 July 2023 the Group’s and College’s income over expenditure for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, UK GAAP and the current College Accounts Direction.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Governing Body’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The governors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the 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.

Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)

In our opinion, in all material respects

- funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by the Office for Students and the Education and Skills Funding Agency have been applied in accordance with the relevant terms and conditions;
- The requirements of the Office for Students' accounts direction for the relevant year's financial statements have been met.

Under the Office for Students' Accounts Direction, we are required to report to you, if we have anything to report in respect of the following matters:

- The College's grant and fee income, as disclosed in note number 2 and 3 to the financial statements, has been materially misstated; or
- The College's expenditure on access and participation activities for the financial year, as disclosed in note number 10 to the financial statements, has been materially misstated

We have no matters to report arising from this responsibility.

Responsibilities of the Governing Body

As explained more fully in the Statement of Corporation Responsibilities on page 45, the Members of the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor responsibilities for the audit of the financial statements

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

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

- Obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Group operates in and how the Group is complying with the legal and regulatory frameworks;
- Enquiry of management, those charged with governance and the College's solicitors (or in-house legal team) around actual and potential litigation and claims;
- Enquiry of College staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 Governing Body, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Governing Body 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 Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

MHA

MHA
Chartered Accountants and Registered Auditor
London, United Kingdom

Date: 15/12/2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

North East Surrey College of Technology (Nescot)

Independent Reporting Accountant's Assurance Report on Regularity

To: The corporation of North East Surrey College of Technology (NESCOT) and Secretary of State for Education, acting through Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by North East Surrey College of Technology during the period 1 August 2022 to 31 July 2023 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 ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

This report is made solely to the corporation of North East Surrey College of Technology and 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 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 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, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2022 to 31 July 2023 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 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 and propriety of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, except for the matters listed below nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament, that the financial transactions do not conform to the authorities that govern them.

- **Matter 1: College Requirements Annex 4.10 of Managing Public Money:**

There was no relevant control in place in the year in respect of specific bad debt write off. Debts totalling £354,168 were written off during the year without gaining prior permission from the DfE as required by Managing Public Money.

The debt comprised of one overpayment of £16,672 to a subsequently dissolved company, 25 individual debts of between £5,800 and £7,800 relating to students enrolled and subsequently found to be ineligible for HE loans, totalling £151,500; and 97 individual debts of less than £5,000 totalling £185,996 for students enrolled and subsequently found to be ineligible for Advanced Learning Loans.

The total is above the £250,000 threshold set by the DfE and therefore approval was required before write-off. At the time of the debt write-off there were no controls in place to ensure DfE approval was obtained prior to write off. Controls over bad debt write off are currently under discussion by the Finance Committee.

MHA

MHA

Chartered Accountants

London, United Kingdom

Date: 15/12/2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Nescot Group

Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2023		Year ended 31 July 2022	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	17,627	17,627	19,118	19,118
Tuition fees and education	3	4,058	4,058	7,376	7,376
Other grants and contracts	4	1,318	1,318	1,083	1,083
Other income	5	1,998	2,021	1,692	1,648
Investment income	6	123	989	1	239
Total income		**25,124**	**26,013**	**29,270**	**29,464**
EXPENDITURE					
Staff costs	7	16,920	18,112	17,764	18,606
Other operating expenses	8	6,364	6,376	8,635	8,611
Depreciation	14	2,650	2,650	2,836	2,836
Exceptional Item	9	0	0	2,471	2,471
Interest and other finance costs	12	98	98	267	267
Total expenditure		**26,032**	**27,236**	**31,973**	**32,791**
(Deficit)/surplus before other		**(908)**	**(1,223)**	**(2,703)**	**(3,327)**
Gain/(Loss) on disposal of assets		(5)	(5)	-	-
Gain/(Loss) on investments		(75)	(75)	(67)	(67)
(Deficit)/Surplus before tax		**(988)**	**(1,303)**	**(2,770)**	**(3,394)**
Taxation	12	0	0	45	0
(Deficit)/surplus for the year		**(988)**	**(1,303)**	**(2,725)**	**(3,394)**
Unrealised surplus on revaluation		78	78	202	202
Actuarial gain in respect of pension schemes	24	2,825	2,825	12,910	12,910
Total Comprehensive Income for		**1,915**	**1,600**	**10,387**	**9,718**
Represented by:					
Restricted comprehensive		**-**	**-**	**-**	**-**
Unrestricted comprehensive		**1,915**	**1,600**	**10,387**	**9,718**
		1,915	**1,600**	**10,387**	**9,718**

All items of income and expenditure relate to continuing activities.

Nescot Group

Consolidated and College Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£’000	£’000	£’000
Group			
Balance at 1 August 2021	33,660	12,988	46,648
Surplus/(deficit) from the income and expenditure account	(2,725)	0	(2,725)
Other comprehensive income	12,910	0	12,910
Transfers between revaluation and income and expenditure reserves	202	(202)	0
Balance at 31 July 2022	**44,047**	**12,786**	**56,833**
Surplus/(deficit) from the income and expenditure account	(988)	0	(988)
Other comprehensive income	2,825	0	2,825
Transfers between revaluation and income and expenditure reserves	78	(78)	0
Total comprehensive income	1,915	(78)	(1,837)
Balance at 31 July 2023	**45,962**	**12,708**	**58,670**
College			
Balance at 1 August 2021	33,410	12,988	46,398
Surplus/(deficit) from the income and expenditure account	(3,394)	0	(3,394)
Other comprehensive income	12,910	0	12,910
Transfers between revaluation and income and expenditure reserves	202	(202)	0
Balance at 31 July 2022	**43,128**	**12,786**	**55,914**
Surplus/(deficit) from the income and expenditure account	(1,303)	0	(1,303)
Other comprehensive income	2,825	0	2,825
Transfers between revaluation and income and expenditure reserves	78	(78)	0
Total comprehensive income	1,600	(78)	1,522
Balance at 31 July 2023	**44,728**	**12,708**	**57,436**

Nescot Group

Balance sheets as at 31 July 2023

	Notes	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Non current assets					
Tangible Fixed assets	14	62,568	62,568	62,467	62,467
Investments	15	4,128	4,128	4,203	4,203
		66,696	**66,696**	**66,670**	**66,670**
Current assets					
Stocks		18	18	14	14
Trade and other receivables	16	3,569	3,578	4,271	4,294
Cash and cash equivalents	21	9,802	8,536	6,770	5,814
		13,389	**12,132**	**11,055**	**10,122**
Creditors – amounts falling due within one year	17	(5,462)	(5,381)	(4,021)	(3,949)
Net current assets		**7,927**	**6,751**	**7,034**	**6,173**
Total assets less current liabilities		**74,623**	**73,447**	**73,704**	**72,843**
Creditors – amounts falling due after more than one year	18	(13,315)	(13,373)	(11,576)	(11,634)
Provisions					
Defined benefit obligations	24	0	0	(2,505)	(2,505)
Other provisions	20	(2,638)	(2,638)	(2,790)	(2,790)
Total net assets		**58,670**	**57,436**	**56,833**	**55,914**
Unrestricted Reserves					
Income and expenditure account		45,962	44,728	44,047	43,128
Revaluation reserve		12,708	12,708	12,786	12,786
Total unrestricted reserves		**58,670**	**57,436**	**56,833**	**55,914**
Total reserves		**58,670**	**57,436**	**56,833**	**55,914**

For 2022, Trade and other receivables and Other provisions have both been increased by £2,471,000 on last year's published figures, representing of a disaggregation of the debtor GB Training from the associated provision. The financial statements on pages 54 to 57 were approved and authorised for issue by the corporation on 8 December 2023 and were signed on its behalf on that date by:

Chris Muller
Chair of governors

Julie Kapsalis
Accounting Officer

Nescot Group

Consolidated Statement of Cash Flows

	Notes	2023 £'000	2022 £'000
Cash flow from operating activities			
Surplus/(Deficit) for the year		(988)	(2,725)
Adjustment for non-cash items			
Depreciation		2,650	2,836
(Increase)/decrease in stocks		(4)	1
(Increase)/decrease in debtors		702	337
Increase/(decrease) in creditors due within one year		1,479	298
Increase/(decrease in creditors due after one year		1,739	(409)
Increase/(decrease) in provisions		(92)	(149)
Pensions costs less contributions payable		163	903
Share of operating surplus in joint venture			
Interest on LGPS and Enhanced Pension		97	265
Adjustment for investing or financing activities			
Investment income		(123)	(1)
Interest payable		1	2
(Gain)/Loss, non-current investments		75	67
Loss on sale of fixed assets		5	0
Net cash flow from operating activities		5,704	1,425
Cash flows from investing activities			
Proceeds from sale of fixed assets		0	0
Disposal of non-current asset investments		0	0
Investment income		123	1
Withdrawal of deposits		0	(1,000)
New deposits		0	0
Payments made to acquire fixed assets		(2,770)	(1,776)
		(2,647)	(2,775)
Cash flows from financing activities			
Interest paid		0	0
Interest element of finance lease rental payments		(1)	(2)
New unsecured loans		0	0
Repayments of amounts borrowed		0	0
Capital element of finance lease rental payments		(24)	(23)
		(25)	(25)
Increase / (decrease) in cash and cash equivalents		**3,032**	**(1,375)**
Cash and cash equivalents at beginning of the year	20	6,770	8,145
Cash and cash equivalents at end of the year	20	9,802	6,770

Nescot Group

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2022-3 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The college is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated financial statements include the college, its active subsidiary Nescot Enterprises Limited, and its dormant subsidiaries North East Surrey College of Technology Trust Limited, Nescot Holdings Limited and Epsom Downs Business Centre Limited, controlled by the Group. Control is achieved where the Group has the 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.

Going Concern

The financial statements are prepared on a going concern 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, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.
The College Group currently has £9.8m of cash balances; £4.1m of investment funds and £46m of reserves. The college'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 FRS 102. Funding body recurrent grants 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 allocation 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 for 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 as gross 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 investments held by the endowment fund is recorded within the Statement of Comprehensive Income. 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 temporary 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 other capital grants are recognised in income when performance-related conditions are met. The college has adopted the accrual method of accounting for capital grants.

Agency arrangements

The college acts as an agent in the collection and payment of certain discretionary support funds and any other arrangements. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the where the college is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Accounting for post-employment benefits

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments.

They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

At the year end, the initial actuarial report from the Scheme Actuary reported a net pension asset of £4.032m. When the Scheme gives rise to a potential asset position, the Governors are required to assess the basis for recognising an asset on the balance sheet against the FRS102 criteria, this being “An entity shall recognise the plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or refunds from the plan.” In using the word “shall”, the emphasis is placed upon the college to consider the value of such an asset, rather than whether an asset should be recognised in the first instance. Accordingly, the college has considered the value at which they can benefit from either (1) refunds from the plan or (2) reduced contributions. As the college intends to continue to participate in the LGPS, the likelihood of a refund being due from the Scheme has been deemed as remote and not practically achievable. Secondly, the college has undertaken an exercise to assess the Minimum Fund Contributions (MFR) due to the Scheme in order to calculate the net present value of the asset which will be the value of a perpetuity of the future service cost minus the prevailing primary rate. The outcome of this calculation has shown that the college is unlikely to gain economic benefit from a reduction in future contributions.

Accordingly, the college has made an impairment charge on the asset reducing the net position at the year ended 31 July 2023 to £Nil. Therefore, no defined benefit pension asset has been included in the financial statements.

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.

Employee termination benefits

Termination benefits are employee benefits provided in exchange for termination of an employee's employment. Expenses and liabilities are recognised when the college has committed to terminate the employment of an employee or group of employees before the normal retirement date, and are measured at the best estimate of the expenditure that would be required to settle the obligation at the reporting date.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by a college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income 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.

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. Assets held under finance leases are recognised initially at their fair value of the leased asset (or if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.
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 to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

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.

Tangible fixed assets

Tangible fixed assets are stated at 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 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 2021. 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.

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.

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:

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

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

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

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

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

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

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 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants	Y/end 31 July		Y/end 31 July	
	2023	**2023**	**2022**	**2022**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Recurrent grants				
Education and Skills Funding Agency – 14-16	68	68	79	79
Education and Skills Funding Agency – 16-18	11,842	11,842	11,474	11,474
Education and Skills Funding Agency – AEB	880	880	2,024	2,024
Education and Skills Funding Agency – Apprentices	2,279	2,279	1,929	1,929
Greater London Authority AEB	785	785		1,962
Office for students	337	337		348
Specific grants				
Teacher Pension Scheme contribution grant	431	431	357	357
Releases of government capital grants	442	442	492	492
Other grants	563	563	453	453
Total	**17,627**	**17,627**	**19,118**	**19,118**

HE – Income (Group)				
Grant income from OfS	337	337	348	348
Fees from HE loans	2,275	2,275	5,423	5,423
Franchised income	0	0	67	67
Total HE Income	**2,612**	**2,612**	**5,838**	**5,838**

3 Tuition fees and education contracts

	Y/end 31 July		Y/end 31 July	
	2023	**2023**	**2022**	**2022**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Adult education fees	324	324	430	430
Apprenticeship contracts	38	38	3	3
Fees for FE loan supported courses	139	139	181	181
Fees for HE loan supported courses	2,275	2,275	5,424	5,424
International students' fees	1,278	1,278	1,271	1,271
Total tuition fees	**4,058**	**4,058**	**7,309**	**7,309**
Education contracts	0	0	67	67
Total	**4,058**	**4,058**	**7,376**	**7,376**

4 Other grants and contracts

	Y/end 31 July		Y/end 31 July	
	2023	**2023**	**2022**	**2022**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Local authority High Needs	1,155	1,155	1,064	1,064
Other grant income	163	163	15	15
Coronavirus job retention	0	0	4	4
Total	**1,318**	**1,318**	**1,083**	**1,083**

During the year to 31st July 2022 the group received £4k from the government's Coronavirus Job Retention Scheme in respect of furloughed theatre staff.

5 Other income

	Y/end 31 July		Y/end 31 July	
	2023	**2023**	**2022**	**2022**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Catering and residences	454	454	353	353
Other income generating activities	1,463	1,487	1,223	1,179
Miscellaneous income	81	80	116	116
Total	**1,998**	**2,021**	**1,692**	**1,648**

6 Investment income

	Y/end 31 July		Y/end 31 July	
	2023	**2023**	**2022**	**2022**
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Gift-aid received from subsidiary investment	0	866	0	238
Bank interest	123	123	1	1
Total	**123**	**989**	**1**	**239**

7 Staff costs – Group and College

The average number of persons (including key management personnel) employed by the college during the year was:

	2023	**2022**
	No.	**No.**
Teaching staff	243	267
Non-teaching staff	433	431
	676	**698**

Staff costs for the above persons

	2023	2022
	£'000	**£'000**
Wages and salaries	13,022	11,931
Social security costs	1,071	1,037
Other pension costs	2,313	3,027
Employer levy	49	45
Payroll sub total	**16,455**	**16,040**
Contracted out staffing services	211	1,669
	16,666	**17,709**
Restructuring costs – Contractual	227	13
- Non contractual	27	42
Total Staff costs	**16,920**	**17,764**

The corporation has a salary sacrifice arrangement in place for childcare vouchers.

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, Deputy Principal (Curriculum and Quality) and Chief Operating Officer. During the year both the Accounting Officer and Deputy Principal positions were vacated and replaced. making the total number of key management personnel employed during the year five, although the number of roles the data relates to remains as three. In September 2023, the Chief Finance Officer position was vacated and replaced with a Chief Operating Officer position.

Staff costs include compensation paid to key management personnel for loss of office.

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

	2023	2022
	No.	**No.**
The number of key management personnel including the Accounting Officer was:	5	5

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	
	2023	**2022**	**2023**	**2022**
	No.	**No.**	**No.**	**No.**
£40,001 to	0	1		
£45,001 to	0	1		
£50,001 to	0	1		
£0,001 to £5,000	1	0		
£60,001 to	0	0	2	3
£65,001 to	0	0	4	1
£70,001 to	0	1	1	0
£75,001 to	0	0	1	1
£80,001 to	1	0	1	1
£115,001 to	2	0	0	0
£135,001 to	1	1	0	0
	5	**5**	**9**	**6**

Key management personnel compensation is made up as follows:

	2023	2022
	£'000	**£'000**
Basic salary	383	373
Payments in lieu of pension	7	30
Severance payment	17	0
Payment in lieu of notice	64	0
Benefits in kind	1	2
Pension contributions	74	19
Total key management personnel	**546**	**424**

The above compensation includes amounts paid to the Principal and Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. There were two post-holders during the year to 31st July 2023; the first until 31st October 2022, and an Acting Accounting Officer from 3rd October until confirmed in post on 27th April 2023. Their pay and remunerations are shown separately:

	1st August 2022 to 31st October 2022	3rd October 2022 to 31st July 2023	
	2023	**2023**	**2022**
	£'000	**£'000**	**£'000**
Basic salary	49	130	157
Payments in lieu of pension	7	0	30
Severance payment	17	0	0
Payment in lieu of notice	64	0	0
Other including benefits in kind	1	0	2
Pension contributions	0	28	0
	138	**158**	**189**

The governing body has adopted the AoC's Senior Staff Remuneration Code and assesses pay in line with its principles. The remuneration package of key management personnel 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 performance against achievement of targets and progress against the college's long-term strategic objectives when reviewing the remuneration package of the key management personnel and Chief Executive and Principal.

All three senior members were on probation and the probation process and procedure were followed with objective setting and regular meetings taking place. Objectives and targets were aligned to the strategic plan at the time. Where applicable successful completion of probation was reported to the Remuneration Committee and the Assistant Principal HR & Organisational Development kept the committee updated during the probation period.

The level of pay is benchmarked against the pay of similar colleges in the prior financial year, taken from the ESFA financial benchmarking tool, and the general trend within the sector is also considered. This was also the case in the recruitment of the CEO and Principal and Chief Operating Officer posts recruited to during the year.

In 2023, the Governing Body agreed to a 3% pay award for the Principal and Deputy Principals in line with the pay award for all staff.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

	2023 £'000	2022 £'000
Principal's basic salary as a multiple of the median of all staff	5.2	5.9
Principal and CEO's total remuneration as a multiple of the median of all staff	5.5	6.2

Compensation for loss of office paid to former key management personnel

	2023 £	2022 £
Compensation paid to the former post-holder	17	0
Estimated value of other benefits, including provisions for pension benefits	0	0

The severance payment was approved by the college's Governing Body and pre-dated the Office for National Statistics announcement on 29 November 2022, that FE colleges and their subsidiaries would be reclassified as part of the central government sector with immediate effect.

An Institutional Review (IR) was undertaken during the year, resulting in statutory redundancy payments for eighteen members of staff, totalling £111,232. Staff costs include accruals totalling £48,002 in respect of redundancy payments for a further five staff members paid after the year-end. Staff costs also include a further accrual of £68,047 for pension liabilities related to two staff qualifying for early retirement. The Accounting Officer received a severance payment of £16,896 and two other staff received severance payments of £5,764 and £4,295 respectively. The Accounting Officer was the only member of staff earning more than £60k per annum to receive a severance payment.

Each of these severance payments pre-dated the Office for National Statistics announcement on 29 November 2022, that FE colleges and their subsidiaries would be reclassified as part of the central government sector with immediate effect.
The individual redundancy payments made during the year were £18,647; £18,004; £17,361; £15,432; £8,850; £8,566; £6,430; £5,465; £3,674; £2,250; £1,713; £1,318; £1,286; £796; £550; £393; £254 and £24.

The members of the corporation other than the Accounting Officer and the staff member 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

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Teaching costs	1,034	1,033	2,908	2,904
Non-teaching costs	3,780	3,793	3,918	3,899
Premises costs	1,550	1,550	1,809	1,808
Total	**6,364**	**6,376**	**8,635**	**8,611**

Other operating expenses include:	**2023 £'000**	**2022 £'000**
Auditors' remuneration:		
Financial statements audit	36	41
Corporation tax returns	0	3

DFE ITT training bursaries	0	2
Subcontracting	0	5
Internal audit fees**	41	45
Other services provided by the internal auditors		4
Hire of assets under operating leases	80	82
ESFA return of prior year funding*	0	2,471
Subcontracted provision	155	2,038
		4,691

*A claim made by the ESFA in relation to the eligibility of funding for students sourced by a subcontractor, GB Training Ltd

9 Exceptional item

	2023	2022
	£'000	**£'000**
ESFA return of prior year funding	0	2,471

A claim made by the ESFA in relation to the eligibility of funding for students sourced by a subcontractor, GB Training Ltd.

10 Access and Participation Expenditure

	2023	2022
	£'000	
Access investment	202	149
Financial support to students	12	1
Disability support	30	21
Research and evaluation	3	162
Total	**247**	**333**

Includes £205,000 of staffing costs.

Link to: Access and participation plan summary template (nescot.ac.uk)

11 Debts written off

During the year-ended 31st July 2023, the college wrote off debts totalling £354,168 comprised of one overpayment to a since dissolved company of £16,672; 25 individual debts of between £5,800 and £7,800 relating to students enrolled and subsequently found to be ineligible for HE loans, totalling £151,500; and 97 individual debts of less than £5,000 totalling £185,996 for students enrolled and subsequently found to be ineligible for Advanced Learning Loans. The chances of recovery of these debts were judged to be extremely low.

12 Interest and other finance costs – Group and College

	2023	**2022**
	£'000	**£'000**
On finance leases	1	2
Net interest on enhanced pension liability	6	2
Net interest on defined pension liability (note 25)	91	263
Total	**98**	**267**

13 Taxation – Group only

	2023	**2022**
	£'000	**£'000**
Provision for deferred corporation tax in the accounts of the	0	0
Release of provision for deferred corporation tax in the accounts of the subsidiary company	0	(45)
Total	**0**	**(45)**

Provision for corporation tax was made for profits from the wholly-owned subsidiary Nescot Enterprises Ltd for the year to 31st July 2021. Subsequently profits were gift-aided to the college, negating the need to pay corporation tax. The existing provision was released back to income.

14 Tangible fixed assets (Group)

	Land and buildings			Assets in	Total
	Freehold	Leasehold	Equipment	courses of	
	£'000	£'000	£'000	construction	
Cost or valuation					
At 1 August 2022	80,250	0	13,295	37	93,582
Transfers	11	0	26	(37)	0
Additions	437	0	980	1,354	2,771
Disposals	(633)	0	(708)	0	(1,341)
At 31 July 2023	**80,065**	**0**	**13,593**	**1,354**	**95,012**
Depreciation					
At 1 August 2022	20,039	0	11,076	0	31,115
Charge for the year	1,509	0	1,142	0	2,651
Disposals	(633)	0	(689)	0	(1,322)
At 31 July 2023	**20,915**	**0**	**11,529**	**0**	**32,444**
Net book value at 31 July 2023	**59,150**	**0**	**2,064**	**1,354**	**62,568**
Net book value at 31 July 2022	60,211	0	2,219	37	62,467

The net book value of equipment includes an amount of £16,783 (2022: £39,162) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £22,378 (2022: £22,378).

15 Non-current investments

	College	College
	2023	2022
	£'000	£'000
Brought forward	4,203	3,270
Additions	0	1,000
Disposals	0	0
Fair value adjustment	(75)	(67)
Total	**4,128**	**4,203**

Between January 2019 and September 2021, the college invested a total of £4m in a fund managed by Evelyn Partners. The fund is invested in a mixture of equities, bonds and currencies over a period of between one and five years with a view to achieving a balance between income and growth. The college has accepted a medium 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.

The college has 100% ownership of Nescot Enterprises Limited, which supplies staffing services to the college. The college charges Nescot Enterprises for office space and management time. A covenant is in place which requires the subsidiary to gift-aid the profit for the year of £315k College in the following year. Transactions are detailed in note 26 Related Party Disclosures.

16 Trade and other receivables

	Grou 2023 £'000	Colleg 2023 £'000	Group 2022 £'000	Colleg 2022 £'000
Amounts falling due within one year:				
Trade receivables	396	396	944	944
Amounts owed by group undertakings:				
Subsidiary undertakings	0	9	0	23
Prepayments and accrued income	510	510	608	608
Amounts owed by the ESFA	190	190	244	244
Other receivables	2,473	2,473	2,475	2,475
Total	**3,569**	**3,578**	**4,271**	**4,294**

Other receivables includes a £2,471k claim against the directors of a private training provider in liquidation, and relating to funding paid to the provider but reclaimed by the ESFA due to the ineligibility of learners.

17 Creditors: amounts falling due within one year

	Grou 2023 £'000	Colleg 2023 £'000	Group 2022 £'000	Colleg 2022 £'000
Obligations under finance leases	14	14	24	24
Trade payables	697	697	621	621
Other taxation and social security	516	450	517	466
Accruals and deferred income	1,028	1,013	1,620	1,599
Deferred income - government capital grants	450	450	432	432
Amounts owed to the ESFA	1,427	1,427	744	744
Amounts owed to the GLA	1,294	1,294		
Other payables	36	36	63	63
Total	**5,462**	**5,381**	**4,021**	**3,949**

18 Creditors: amounts falling due after one year

	Group 2023 £'000	Colleg 2023 £'000	Group 2022 £'000	Colleg 2022 £'000
Loans from subsidiary	0	58	0	58
Obligations under finance leases	0	0	14	14
Deferred income - government capital grants	13,315	13,315	11,562	11,562
Total	**13,315**	**13,373**	**11,576**	**11,634**

19 Maturity of debt

Finance Leases

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

	Group 2023 £'000	Colleg 2023 £'000	Group 2022 £'000	Colleg 2022 £'000
In one year or less	14	14	24	24
Between two and five years	0	0	14	14
In five years or more	0	0	0	0
Total	**14**	**14**	**38**	**38**

Finance lease obligations are secured on the assets to which they relate.

20 Provisions

	Group and College				
	Defined benefit obligation	Restructuring	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2022	2,505	0	188	2,602	**5,295**
Expenditure in the period	0	0	(145)	(131)	**(276)**
Additions in period	(2,505)	124	0	0	**(2,381)**
At 31 July 2023	**0**	**124**	**43**	**2,471**	**2,638**

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in note 24.

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:

	2023	2022
Price inflation	3.00%	2.75%
Discount rate	5.05%	3.50%

Other includes a £2,471k provision in respect of a claim against the directors of a private training provider in liquidation, and relating to funding paid to the provider but reclaimed by the ESFA due to the ineligibility of learners.

21 Cash and cash equivalents

	At 1 August 2022	Cash flows	Other changes	At 31 July 2023
	£'000	£'000	£'000	£'000
Cash and cash equivalents	6,770	3,032	0	9,802
Overdrafts	0	0	0	0
Total	**6,770**	**3,032**	**0**	**9,802**

22 Capital and other commitments

	Group and College	
	2023	2022
	£'000	£'000
Commitments contracted for at 31 July	1,152	965

23 Lease obligations

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

	Group and College	
	2023	2022
	£'000	£'000
Future minimum lease payments due		
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
Other		
Not later than one year	12	82
Later than one year and not later than five years	12	80
Later than five years	0	0
	24	**162**
Total lease payments due	**24**	**162**

24 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 as at 31 March 2016 and of the LGPS 31 March 2019.

Total pension cost for the year		**2023**		**2022**
		£000		**£000**
Teachers' Pension Scheme: contributions		1,207		1,103
Local Government Pension Scheme:				
Contributions paid	885		970	
FRS 102 (28) charge	254		1,155	
Charge to the Statement of Comprehensive Income		1,139		2,125
Enhanced pension charge to Statement of Comprehensive Income		6		(24)
Total Pension Cost for Year within staff costs		**2,352**		**3,204**

Employer and employee contributions amounting to £142,000 (2022: £124,000) payable to the TPS and £77,000 (2022: £85,000) 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 review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £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 2022-23 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 £1,644,000 (2022: £1,502,000)

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 2022 were £1,114,000 of which employer's contributions totalled £885,000 and employees' contributions totalled £229,000. The agreed contribution rates for future years are 22.5% for the college and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2023 by Hymans Robertson LLP.

	At 31 July 2023	**At 31 July 2022**
Rate of increase in salaries	4.00%	3.65%
Future pensions increases	3.00%	2.75%
Discount rate for scheme liabilities	5.05%	3.50%
Inflation assumption (CPI)	3.00%	2.75%
Commutation of pensions to lump sums	55%	25%
Commutation of pensions to lump sums	55%	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 2023 Years	**At 31 July 2022** Years
Retiring today		
Males	21.9	22.1
Females	24.3	24.5
Retiring in 20 years		
Males	21.9	23.1
Females	25.9	26.2

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

	2023	**2022**
	£'000	**£'000**
Fair value of plan assets	42,189	40,251
Present value of plan liabilities	(38,157)	(42,756)

Impairment charge	(4,032)	0
Net pensions (liability)/asset (note 19)	**0**	**(2,505)**

	2023
	£'000
Sensitivity Analysis – increase in Defined Benefit Obligation	
Discount rate -0.1%	657
CPI rate +0.1%	638

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

	2023	2022
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,053	1,844
Past service cost	0	0
Total	**1,053**	**1,844**
Net interest costs	91	263
	91	**263**

Amount recognised in Other Comprehensive Income

Return on pension plan assets	148	(1,116)
Experience losses arising on defined benefit obligations	(4,133)	(176)
Changes in assumptions underlying the present value of plan liabilities	10,776	14,165
Amount recognised in Other Comprehensive Income	**6,791**	**12,873**

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

	2023	2022
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(2,505)	(14,223)
Movement in year:		
Current service cost	(1,053)	(1,844)

Employer contributions	890	952
Past service cost	0	0
Net interest on the defined	(91)	(263)
Actuarial gain or loss	6,791	12,873
Impairment charge	(4,032)	0
Net defined benefit (liability)/asset at 31 July	**0**	**(2,505)**

Asset and Liability Reconciliation	**2023**	**2022**
	£'000	**£'000**
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	42,756	54,923
Current service cost	1,053	1,844
Interest cost	1,495	995
Contributions by Scheme participants	229	227
Experience gains and losses on defined benefit obligations	4,722	176
Changes in demographic assumptions	(948)	(218)
Changes in financial assumptions	(9,828)	(13,947)
Estimated benefits paid	(1,322)	(1,244)
Past Service cost	0	0
Curtailments and settlements	0	0
Defined benefit obligations at end of period	**38,157**	**42,756**
Changes in fair value of plan assets		
Fair value of plan assets at start of period	40,251	40,700
Interest on plan assets	1,404	732
Return on plan assets	148	(1,116)
Employer contributions	885	947
Contributions by Scheme participants	229	227
Other experience gains or losses	589	0
Estimated benefits paid	(1,317)	(1,239)
Fair value of plan assets at end of period	**42,189**	**40,251**

25 Related party transactions

Due to the nature of the college's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. 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 2023, Governors did not receive any reimbursement for travel or subsistence expenses relating to college business (2022: None). No Governor has received any remuneration or waived payments from the college or its subsidiaries during the year (2022: None). The CEO and Principal received reimbursement of £1,191 for expenses relating to college business (2022: £667), and incurred expenditure of £2,351 using the College's credit card for college business (2022: £1,439). The Deputy Principal, Curriculum and Quality received reimbursement of £68 for expenses relating to college business (2022: £89). The Chief Financial Officer received reimbursement of £361 for expenses relating to college business (2022: £338).

Nescot Enterprises Limited – a wholly owned subsidiary of Nescot College provided staffing services to the college with a value of £4,336,340 (2022: £3,014,982). The College made charges to Nescot Enterprises Limited for the use of premises and its share of administrative costs totalling £44,596 (2022: £48,093). All intercompany charging and associated debtor and creditor balances are eliminated on consolidation in the Group accounts. The college has a £14,000 debtor (2022: £22,000) in respect of a loan to Nescot Enterprises Limited, also eliminated on consolidation in the Group accounts.

26 Events after the reporting period

There are no events after the reporting period.