



NESCOT CORPORATION

Report and
Financial Statements
for the Year Ended
31 July 2022





Skills Park
Reception
Way Out

North, East
& Central

Animal Care
Canteen
Osteopathy
Multi-Use
South Wing

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Reference and Administrative Details

Key Management Personnel

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



Julie Kapsalis

Acting Chief Executive and Principal



Andrew Cowan

Deputy Principal (Curriculum & Quality)
(From November 2022)



George Jenkins

Chief Finance Officer

There have been the following changes to the senior team during 2021-22:

The Chief Executive and Principal was Frances Rutter until 14 November 2022.

The former Deputy Principal Finance and Resources (Chief Finance Officer) left in December 2021 and there were a number of changes to the Deputy Principal Curriculum & Quality role during the year, including interim provision to ensure there was full cover.

The new senior team is now in place as shown above.

Board of Governors

A full list of Governors of the Corporation is given on page 38 of these financial statements.

Professional Advisers

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

Principal and Registered Office

North East Surrey College of Technology (Nescot)

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

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Strategic Report of the Members of the Corporation

Nature, Objectives and Strategies

The Members of the Corporation present their annual report together with the financial statements and auditor's report for the North East Surrey College of Technology (Nescot) for the year ended 31 July 2022.

Legal Status

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

Public Benefit

The College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The Members of the Corporation, who are trustees of the charity and Governors of the College, are disclosed on page 38.

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

In delivering its key strategic priorities, the College provides identifiable public benefits through the advancement of education to around 8,000 students, including 163 students with high needs. As an exempt charity, the College uses all of its income to advance technical and higher education by providing high quality teaching, learning and assessment tailored to the needs of students, business and society. The College provides courses without charge to young people, to those who are unemployed, and adults taking English and maths courses. The College adjusts its courses to meet the needs of local employers and provides training to over 600 apprentices. The College is committed to providing information, advice and guidance to prospective and enrolled students, and to finding suitable courses for as many students as possible regardless of their educational background.

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



Vision Statement

The current vision of the College as approved by the Members is:

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

Implementation of the Strategic Plan Nescot 2026

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

The Corporation has adopted a corporate Strategic Plan for the period 2021-2026, ‘Nescot 2026’. The Strategic Plan includes developments in curriculum; quality; partnerships; human resources and organisational development; the estate; and financial plans. The Corporation monitors the performance of the College against these plans, which are regularly reviewed and updated.

The College continues to provide a wide ranging technical and professional curriculum offer to Level 3 and beyond. Higher Education and High Needs provision has grown significantly in recent years, as well as the introduction of some provision for 14-16 year olds.

The College is well placed to respond to the curriculum changes required by the government’s Post-16 Skills Plan and the Skills for Jobs White Paper.

Key Strategic Priorities

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

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

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

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

KSP1: Outstanding teaching, learning and assessment in an inspirational and safe environment

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

KSP2: Stability and growth

- 1 Achieving sustainable growth and economies of scale in core business from increased student numbers.
- 2 Maintaining a sound contribution to overhead from teaching departments.
- 3 Encouraging innovation across the College.

KSP3: Helping our students to develop the skills, attitudes and qualifications they need to succeed at work

- 1 Developing the tutorial and enrichment programme to support our students' broader learning.
- 2 Delivering a strong careers education programme, with emphasis on employability skills.
- 3 Delivering a curriculum that successfully attracts and engages with a diverse student population.



KSP4: Engaged with employers and other organisations to offer courses that are innovative, relevant, and in demand

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

KSP5: Developing strong relationships with schools and community groups to give clear information, advice and guidance

- 1 Delivering an effective school liaison offer through strong relationships with schools, aligning curriculum resource to support this activity.
- 2 Creating opportunities to work directly with young people to ensure they are receiving impartial information, advice and guidance.
- 3 Providing a wider college experience for young people.
- 4 As C2C Careers Hub College lead, promoting best practice in providing information, advice and guidance.

KSP6: To be an employer of choice

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



Corporate Performance

Performance Indicators

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

League Tables

Due to the Covid-19 situation, the Education and Skills Funding Agency (ESFA) cancelled the FE Choices employer and learner surveys for 2020-21. In October 2022 it was announced that the Department of Education has permanently cancelled these surveys.

Funding Targets and Student Numbers

The College received government funding in 2021-22 from the ESFA; the Greater London Authority (GLA); and the Office for Students (OfS). Performance in relation to key funding targets and student numbers is as follows:

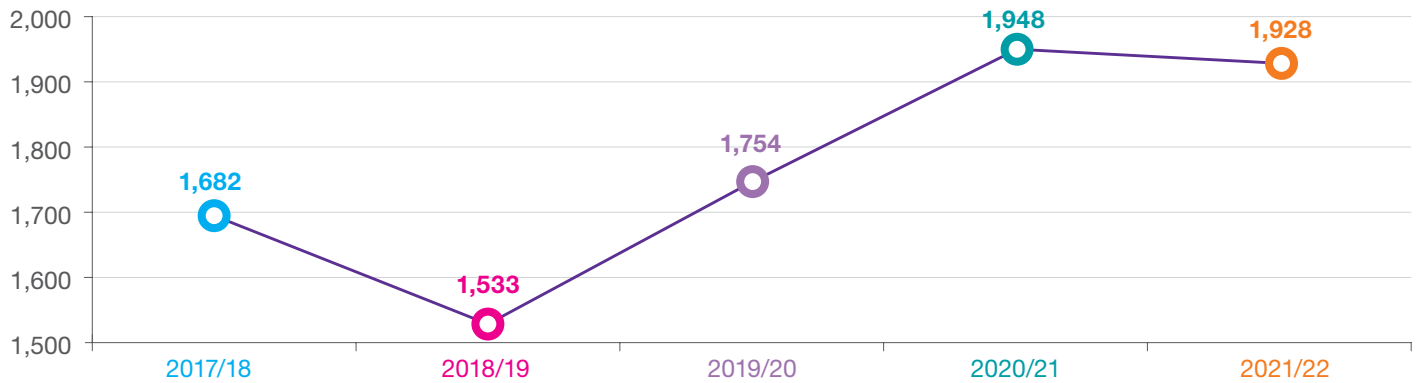
1. Key Funding Targets

ESFA 16-18 funding	The College received an allocation of £10.7m for 1,951 students and retained 1,928 students at the census point, with a value of £10.3m. This funding is lagged and so the College will retain 100% of the allocation.
ESFA 19+ funding	The College achieved 90% of its ESFA Adult Education Budget (AEB) funding target of £1.55m and so will retain £1.39m of the allocation.
ESFA 19+ funding (Traineeships)	The College achieved 30% of its target of £171k and so will retain £51k of the allocation.
ESFA 19+ funding (National Skills Fund Offer)	The College received an allocation of £454k and achieved 110% of this target, the maximum payable. The College will therefore be paid £499k for this funding stream.
GLA 19+ funding	The College achieved 101% of its GLA AEB funding target of £1.6m and so will retain 100% of the allocation.
GLA 19+ (National Skills Fund)	The College received an allocation of £286k and achieved 113% of the target. The GLA will fund up to 150% of the target and so the College will be paid £323k.

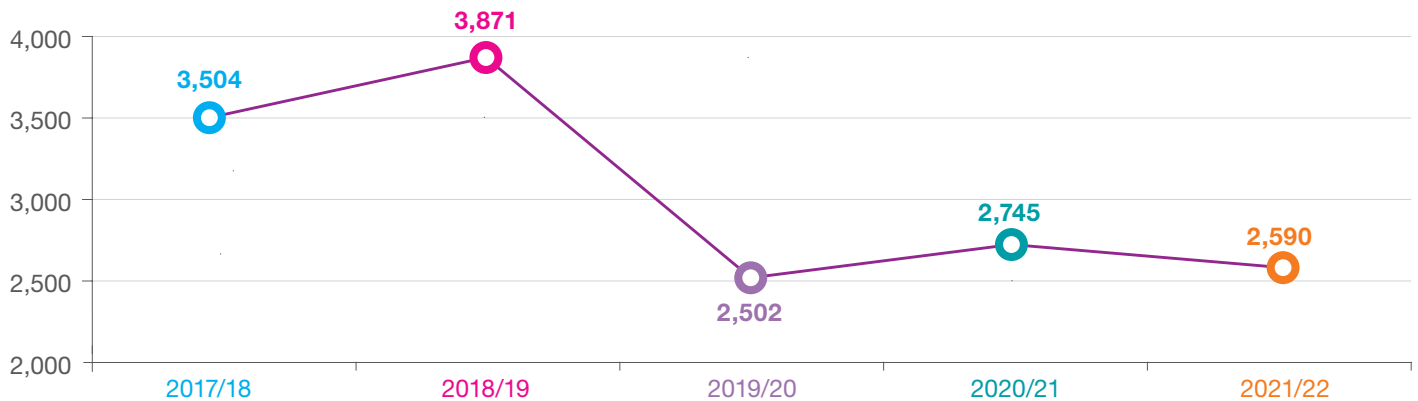
2. Student Numbers (head count)



ESFA 16-18 Student Numbers

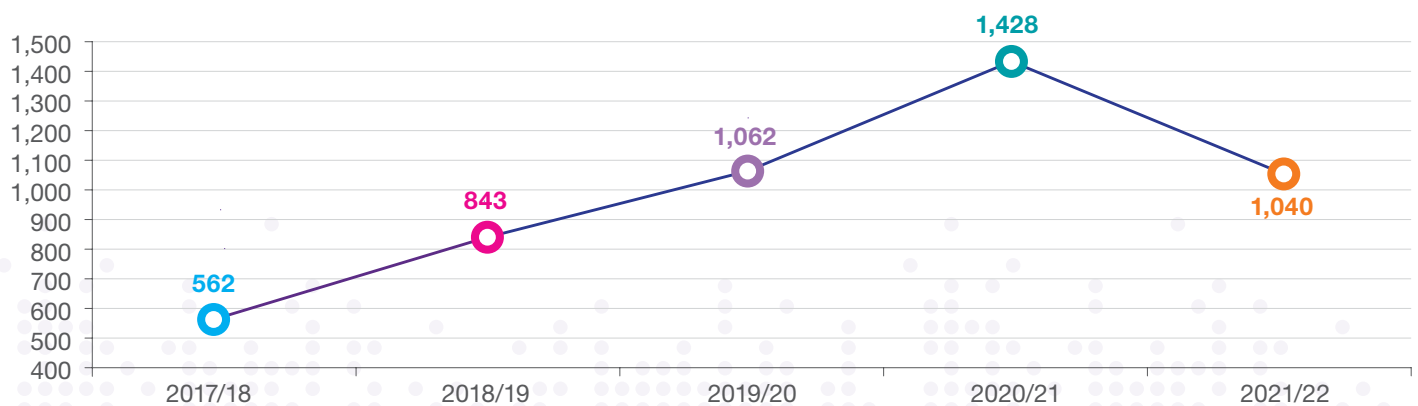


ESFA and GLA 19+ Student Numbers



To note that recruitment for FE 19+ students had been significantly reduced due to successive lockdowns in 2019-20 and 2020-21.

OfS HE Student Numbers



In 2021-22 the College had a total of 8,127 students, 6,264 of which were funded (ESFA or Student Loans Company) and 1,863 non-funded, as analysed below:

	Headcount
ESFA funded 16-18 students	1,928
- Of which high need students	163
ESFA funded 19+ adult skills	2,590
Apprentices (ESFA & Levy)	605
ESFA advanced learner loan funded students	101
OfS funded students	1,040
Total funded students	6,264
Total non-funded students	1,863
Total students	8,127

Financial Performance

Financial performance in the sector is benchmarked against a number of ESFA established measures and targets. The following table confirms the Nescot Group's actual results for the year ended 31 July 2022 against high-level ESFA key measures and targets:

ESFA Key Performance Indicator	National benchmark 2020-21	Nescot Group target 2021-22	Nescot Group actual 2021-22
EBITDA as % of income (education specific)	8.3%	3.4%	2.8%
Staff costs as % of income (excluding subcontracted income)	66.7%	60.7%	64.3%
Cash days in hand	95	88	98
Adjusted current ratio	1.8	3.4	2.6
Borrowing as % of income	18.1%	0.1%	0.1%
Financial Health Score	Requires Improvement	Outstanding	Good

The Nescot Group was below target on four of the measures, but performed well ahead of national benchmarks on all measures except EBITDA due to an exceptional cost item in 2021-22.

The College's Finance Strategy 2023 incorporates a range of KPIs and targets to support the achievement of Key Strategic Priority 2 for stability and growth. It is updated periodically and was used to inform the College's detailed financial plans for 2021-22 and 2022-23. High level Finance Strategy KPIs include the following, with an indication of College performance against each for 2021-22:

High level KPIs for Key Strategic Priority 2 – Stability and Growth

1	Maintain 'outstanding' financial status from the ESFA: in 2021-22 the financial status was 'good'.
2	Achieve 3% surplus of total income or more per annum: in 2021-22 the result was a deficit, not a surplus.
3	Invest 3% of total income per annum as capital investment: £1.8m was invested in capital in 2021-22, which represented over 6% of income.
4	Maintain operating cash in the range of 60 to 120 days: operating cash remained in this range throughout 2021-22.

The college met two of the four Finance Strategy high level KPIs during the year, with capital investment and operating cash meeting targets.

KPI1 was not met as our financial status changed to 'good' as a result of the deficit reported, driven by a one-off exceptional charge of £2.5m. KPI2 was not met as our result for 2021-22 was a deficit, not a surplus, for the same reason. This exceptional charge arose from £2.5m of funding that was previously received from the ESFA, being returned to them. This followed a claim made by the ESFA in relation to the eligibility of funding for students sourced by GB Training Ltd. Nescot are actively pursuing GB Training Ltd for recovery of the amounts paid; it remains uncertain as to the likelihood of success.

Academic and Curriculum Performance

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

Further Education

After 2 years of CAGs (Centre Assessment Grades) and TAGS (Teacher Assessed Grades) 2021-22 academic year saw the return of examinations and methods of assessment as they were prior to the Covid-19 pandemic. The students completing courses at level 2 or below would, in the main, have had disruption to their studies at school during year 10 and year 11, and those at level 3 during year 11 and their first year at college. None of these students would have previously sat examinations or been through the pre-pandemic style of formal assessment. These students were exhibiting high levels of anxiety regarding examinations with a significant increase in the numbers of students requiring special exams arrangements. The disruption to our students education needs to be considered when reviewing student outcomes from 2021-22.



The College's headline Further Education achievement rate was 82.3%, a decline of 2.6% on 2020-21 achievement of 84.9%. Achievement rate for vocational qualifications only, excluding functional skills and GCSE outcomes, was 82% (85% in 2020-21). The overall achievement rate for young people at 80.1% was at a similar level as the previous year (80.3% in 2020-21), despite educational disruption from the pandemic. For adults the achievement rate was 84% a decline of 4% on the previous year (88% in 2021-22). Overall achievement for adults has declined mainly as a result of lower achievement rates from our subcontracting partners and own in-house distance learning programmes.

Students returned to a full timetable on-site in September 2021 although there remained some disruption due to missed lessons due to absence from continuing instances of Covid-19 within the student body and travel disruption from reduced transport services in the Autumn Term.

Further Education subcontractors

Subcontracted learners performed less well in 2021-22. The achievement rates by subcontractor were: Applied Business Academy: 71% (95% in 2020-21); Aspire 100% (100% in 2020-21); BEST 96% (99% in 2020-21); Free2Learn 91% (93% in 2020-21); and In2Skills have the lowest achievement rate at 73% (76% in 2020-21).



GCSE English and maths

In 2021-22 sat examinations returned replacing TAGs used over the 2 years of the pandemic period. Nationally GCSE results were expected to fall. In line with national trends, Nescot's GCSE high grades (9-4) fell significantly. For GCSE English resits for young people 37% of students who completed their GCSE achieved grades 9-4 (52% in 2020-21), exceeding the 2021-22 general further education national average of 25% by 12%. Nescot ranked 58th out of 229 colleges. For GCSE maths resits for young people 22% of students who completed their GCSE achieved grades 9-4 (38% in 2020-21), exceeding the 2021-22 general further education national average of 15% by 7%. Nescot ranked 80th out of 229 colleges. For adults 61% of students who completed their GCSE English achieved grades 9-4 (79% in 2020-21) and 46% (60% in 2020-21) of those completing their GCSE maths course achieved grades 9-4.

Functional skills English and maths

Functional skills English achievements for young people remained at 61% but for adults at 82% declined by 7% points (89% in 2020-21) due to lower outcomes at our satellite site. However, for young people studying functional skills in maths achievement rates increased by 15% points to 59% (44% in 2020-21). Adult achievements in functional maths fell by 4% points to 62% (66% in 2020-21) due to lower outcomes at our satellite site.

Apprenticeships

The College no longer subcontracts out any apprenticeship delivery. There has been a slight decline in our overall headline achievement at 61.5% (62.5% in 2020-21). The decline has occurred for apprentices aged 19-23, at 66.7% (67.5% in 2020-21) and for those aged 24+ at 60.6% (64.7% in 2020-21). However, achievement rates have improved for the 16-18 year old cohort at 60.2% (57.6% in 2020-21). Our apprenticeship achievement for all age groups remain higher than the latest published national average rates.

Higher Education

Our funded higher education achievement was low at 48% (53% in 2020-21). This is due to the impact of the College's satellite delivery of HND Business Enterprise and Community and Social Work qualifications, with an achievement rate to date of 11% (33% in 2020-21). This partnership will not continue past the final students completing in the 2022-23 academic year. Nescot's Ewell campus higher education achievement was 71% (74% in 2020-21).

For the National Student Survey (NSS) results in 2021/22, Nescot has continued to perform well in relation to national sector average data, with all but one question scoring above sector average and satisfaction rates overall are 6.4% above national averages. Compared to 2020-21 there has been a decrease in satisfaction rates across all indicators. The largest areas of decline are still all above the sector benchmark. These areas were in academic support, organisation and management, learning community and student voice, varying from 11.3% reduction to 16.1% reduction. These areas will form a focus for activities and monitoring in 2022/23. Particular areas of strengths are identified as:

- assessment and feedback (16.5% above sector average)
- learning resources (14.3% above sector average)
- learning community (14.9% above sector average)

Internal progression

The progression of full-time further education students to any course improved to 67% (64% in 2020-21). This is slightly higher than the 2021 national average for general further education colleges of 65%.

Destinations

Destination data is lagged by a year. The College collects actual student destinations 5 months after they leave the College so destinations for 2022 leavers will not be available until December 2022. For full-time further education, 85% of destinations were collected (85% in 2020). 93% of destinations were positive, compared with 88% in 2020, when student leavers were faced with the impacts of pandemic and lockdowns. 56% of students continued in further education (61% in 2020) and 23% into employment (20% in 2020). 47% of students (40% in 2020) who completed non-trade level 3 subjects progressed into higher education. Of those students who entered employment 45% entered in roles that were directly vocationally related to their course of study (45% in 2020 also).

For part-time further education, 83% of destinations were collected (72% in 2020). 84% of destinations were positive, compared with 81% in 2020. 57% (75% in 2020) of the students contacted had been enrolled on a course of study that was related to their job, an indication that as an impact on the pandemic students were studying with aim to gain skills to enter or change employment. 62% of the employed students surveyed advised that their study had helped them perform their current better. 70% advised that their study had assisted them in obtaining a pay rise.

For apprenticeships, 67% of destinations were collected (61% in 2020). 100% of destinations were positive, compared with 91% in 2020. 100% of apprentices remained in employment following the end of their apprenticeship programme as compared with 88% in 2020. These are positive results and show the recovering position of job security following the pandemic. Positive feedback on impacts of the apprenticeship on creating a positive team spirit, reaching goals and targets, and taking on extra responsibilities. There was very good feedback on how the apprenticeship programme had impacted on helping the apprentices to progress their future.



Student Achievements

Nescot students continue to achieve many notable things beyond the qualification they secure. Whereas the pandemic greatly curtailed student activities and saw many national skills competitions suspended, last year saw a return to students' active participation in trips, visits, community engagement, charity support work, and very successfully showcasing their skills in competitive activities

Hairdressing students arranged a Toy Appeal for the Salvation Army at Christmas and took a sackful of presents to the Salvation Army to distribute to children in need. Hair and Beauty students, as part of careers insight week in October 2021, arranged talks with the Cassandra Centre who provide advice, support and counselling services for young people and families directly or indirectly involved in abusive relationships. They also took part in charity pamper events for the Royal Marsden and with teachers and LSAs from a primary school

"Student of the Faculty", also nominated for AoC Adult Student of the Year, was Arzu, who in three years at NESCOT progressed from Level 1 through to level 3 in Hairdressing and transformed from a shy teenager from Turkey with very little English to a confident hairdresser who has gained a job at Toni&Guy. As well as learning new skills and another language she also coped with a five hour round trip to college each day.

A Level 2 hairdressing student, Maria, reached the finals of Hair Concept student of the Year where she was highly commended. She also reached the finals of The World Skills Competition for hairdressing in Belfast in November 2022. Other competitive success included Zach, a world skills semi-finalist for digital art in games design and our Creative Media Students reaching semi-finalist stage in the DVP competition. Another student, Katie, has also secured a place in the finals of the World Skills for Beauty in Blackpool.



Hair and Media Make up students worked on local drama and musical productions at Epsom Playhouse and Theatre. Performing Arts students' activities in careers week included specialist workshops making students more aware of diverse past histories and allowing them to explore other aspects of equality and diversity in practical sessions and talks, including working with a cast member of Hamilton.

Performing Arts' 'Monologue Slam' competition was held in December and judged by external drama agencies and professional actors from industry.

A Level 3 Performing Arts student with hearing loss, Harry, who uses speech and British Sign language, had an inclusive performance arranged for his final major project production, with a sign language performer, to ensure that his family who are also deaf could enjoy his performance. Harry also featured on 'Strictly Come Dancing' when contestant Rose Ayling-Ellis visited 'Deafinitely Theatre' where he is a weekend member.

In Catering, two of our students (one from Level 2 Commis Chef Apprenticeship and One from the Level 2 in Professional Cookery) were selected for the heats of a cooking competition held by leading chef and restaurateur Aldo Zilli. Our apprentice made it through to the final held in January 2022 and secured third place.

Art student Azezia, having completed her Level 3 art and design course, was offered a place at Oxford University, Lady Margaret Hall, to study Fine Art. She was a pupil at a specialist school before coming to NESCOT and finished her extended diploma with a triple distinction.

Construction students have benefited greatly from leading construction business Willmott Dixon's Social Value Programme for Nescot, aiming to introduce young people to careers in construction and associated industries. The pandemic has greatly restricted work experience for young people, so Nescot were keen to take advantage of Willmott Dixon's programme with interactive sessions which included industry insights into 25 different trade options, site visits to the Epsom Hospital development to meet skilled trades people, and specialist support for CV writing and interviews.

Gatwick Airport 's Laura Reynolds and Andy Edwards came to Nescot at the end of May to talk to our Motor Vehicle and Electrical students about Level 3 Engineering options at Gatwick.

The Forest School workshop, set up by the nursery staff with a variety of activities regularly accessed by children, invited Nescot students to participate in the activities, allowing them to better understand risk assessments and risk/benefit ratios and to link childhood activities to some of the theorists that they had studied. 5 students were invited to interview and all of them were offered and accepted full time positions there.

Having moved from South Africa, Macayla began her NESCOL journey in 2019 undertaking the Level 2 Extended Certificate in Travel and Tourism, combined with GCSE English, achieving a Distinction grade and progressing to the Level 3 Extended Diploma. She combined her learning with part time employment to help support herself and her family throughout her study. She went on to secure an interview for the position of Business Apprentice with British Airways and undertook a huge challenge by sitting her interview whilst on her college residential. Suited and booted, she impressed the interviewers with her knowledge, ideas and dedication to the interview! Macayla is now in her first year of the apprenticeship, which is made up of three different placements around the business.

Last year Business studies year 2 level 3 took part in the Tycoon competition with their Mad Mugs business. They had to design the product, raise capital, create a business plan, market the product, take it to sale, control the finances and liquidate the company at the end. They were shortlisted in July for the final as an excellent team. Year 1 students on that same programme organised a social enterprise business for the summer fair; they raised money for the Children's Trust through a car wash, sports competitions and fairground stalls.

Computing year 2 students designed and built an application for a local business to help in the management of a swimming school. Computing year 1 students designed a website for the local community through the 'Vision 4 Ewell' project to promote the village and its businesses.

And finally, among many other remarkable journeys undertaken by our students, is that of Kayleigh who started with us on a Level 2 in Public Services; her progress in and beyond Nescot meant that last year she secured a First Class Honours Degree in Law.



Financial Review

Financial Results for the Year Ended 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 Enterprises Ltd (NEL), which is 100% owned by the College and included in the Nescot Group financial statements. NEL's activities in the year encompassed the supply of administrative staff to the College. Any surpluses generated by NEL are intended to be gift-aided to the College.

The financial results for the year ended 31 July 2022 are summarised in the following table with prior year comparators:

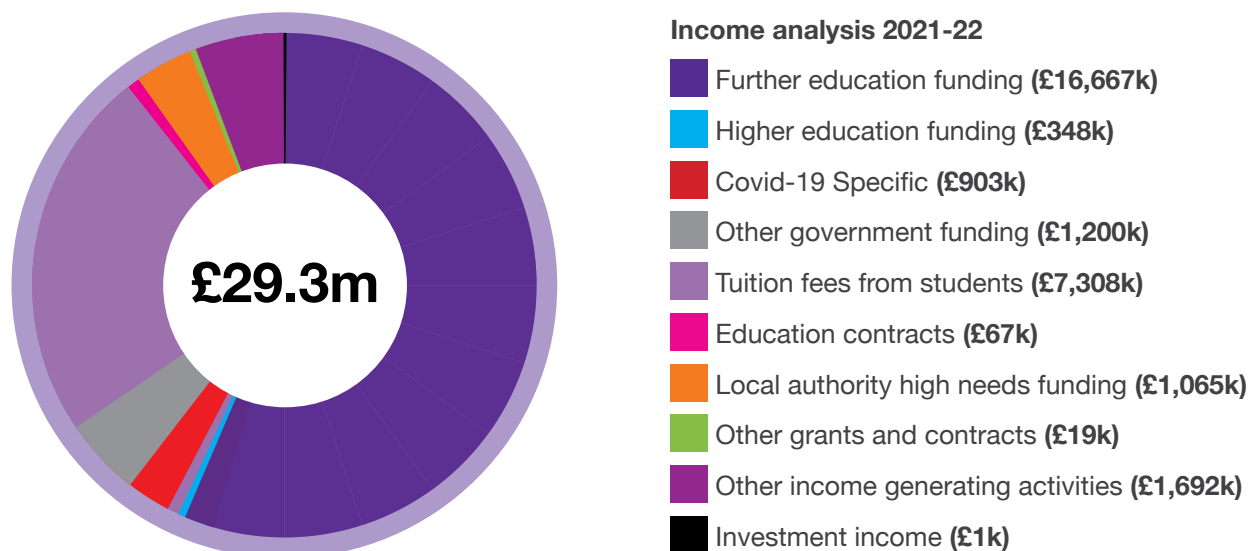
	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Total income	29,270	29,464	30,907	30,930
Total expenditure	(31,973)	(32,791)	(30,053)	(30,348)
Surplus/(deficit) before other gains and losses	(2,703)	(3,327)	854	582
Gain/(loss) on disposal of assets	0	0	0	0
Gain/(loss) on investments	(67)	(67)	279	279
Surplus/(deficit) before tax	(2,770)	(3,394)	1,133	861
Taxation	45	0	45	0
Surplus/(deficit) for the year	(2,725)	(3,394)	1,088	861

Total income for the Nescot Group was £29.3m (£30.9m 2020-21), a decrease of £1.6m (5%) from the previous year. Total expenditure was £32.0m (£30.1m 2020-21), an increase of £1.9m (6%) from the previous year. The Nescot Group generated a deficit before other gains and losses of £2.7m (£0.9m surplus 2020-21). After an unrealised loss on investments held in a medium-risk investment portfolio of £0.1m, the Nescot Group generated a deficit for the year of £2.8m (£1.1m surplus 2020-21). A provision of £45k that was created for Corporation Tax on NEL surpluses last year is not now required, so has been reversed, leaving a final deficit for the year of £2.7m.

Total Comprehensive Income for the Nescot Group was a gain of £10.4m (£0.9m loss 2020-21), caused mainly by a significant actuarial gain of £12.9m in respect of pension schemes. This large swing in the Local Government Pension Scheme (LGPS) pension reduced the future liability and was mainly due to a 1.7% increase in the corporate bond yield, which drove the increase in the discount rate being applied to future obligations from 1.8% to 3.5%.



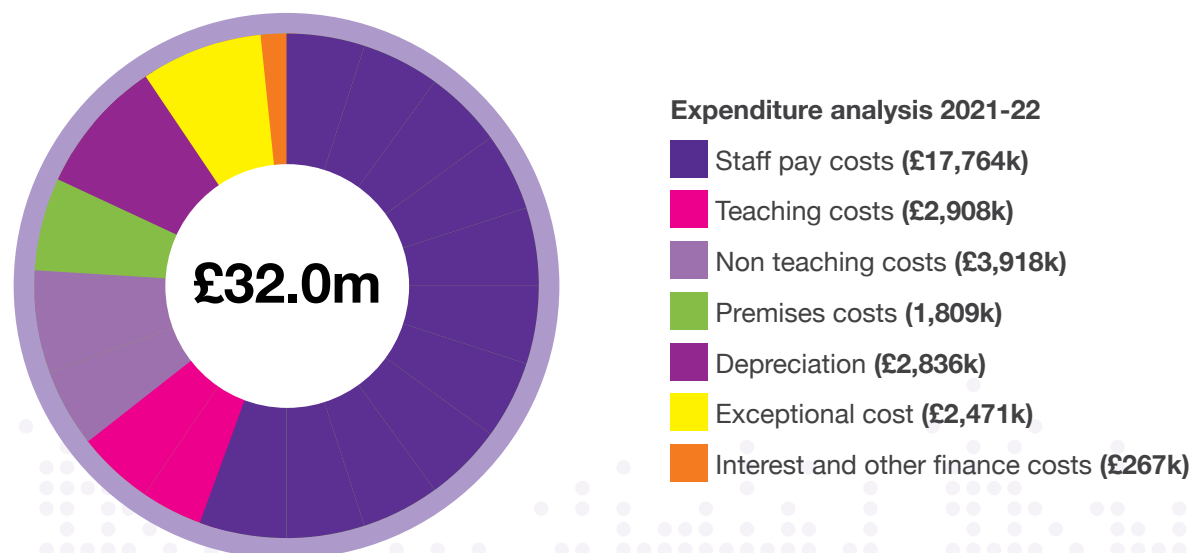
Key analysis of total income for the Nescot Group for the year ended 31 July 2022 is as follows:



Whilst total income of £29.3m in 2021-22 was £1.6m lower than the previous year, the main areas of income growth were in: Further Education funding +£0.6m, due to increased ESFA funding for 16-18 provision following high student recruitment in 2020-21; Covid-19 specific funding +£0.4m; and other income generating activities +£0.7m, from areas including the nursery, café, sports facilities and room hire as these areas recovered from a period of Covid related disruption. The main areas of reduced income were: Tuition fees from students -£2.8m, driven by a reduction in HE provision via the Academy of Science and Technology (ASTML) satellite site; other government funding -£0.3m; and Higher Education funding -£0.2m.

The College continues to place significant reliance on the education sector funding bodies for its principal funding sources, largely from the ESFA and some funding from the GLA AEB and from OfS for HE provision. In 2021-22, these funding bodies provided 65.3% (60.0% 2020-21) of the College's total income.

Key analysis of total expenditure for the Nescot Group for the year ended 31 July 2022 is as follows:



Total expenditure increased by £1.9m in 2021-22 to £32m. The largest item driving this increase was the one-off exceptional charge of £2.5m. This arose from £2.5m of funding that was previously received from the ESFA being returned to them. This followed a claim made by the ESFA in relation to the eligibility of funding for students sourced by GB Training Ltd. In addition staff pay costs increased by £0.6m (3.5%) to £17.8m, representing 60.7% of total income (including subcontracted income) and mainly reflecting a small increase in staff numbers. Non Teaching costs reduced by £1.3m (25%) to £3.9m reflecting the reduction in provision through our partnerships.

The College generated a deficit before other gains and losses of £2.7m (£1.1m surplus 2020-21). After gains and losses and Taxation, the College generated a deficit for the year of £2.7m (£1.1m surplus 2020-21).

At 31 July 2022, the Nescot Group held non-current investments with a market value of £4.2m (£3.3m in 2020-21), with an extra £1m invested during the year and a loss on investment of £0.1m. The Members, through the Executive Leadership Team, delegate the discretionary powers of management of the College's non-current investments to investment manager Evelyn Partners (previously known as Smith & Williamson). The College's investment objective is to maximise long term return measured against an agreed target. There is no specific direction given to the investment manager regarding social, environmental and ethical considerations although Evelyn Partners take a holistic approach to investment analysis, where these factors are identified and assessed to form an investment decision. The Nescot Group's bank balances are held in cash funds managed by HSBC and totalled £6.8m at 31 July 2022 (£8.1m 31 July 2021).

The College operates two defined benefit pension schemes: The Teachers' Pension Scheme (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Surrey County Council. The latest formal actuarial valuation of the TPS was effective from 1 April 2019 and of the LGPS also from 1 April 2019. The balance sheet at 31 July 2022 shows the defined benefit obligations relating to the LGPS of £2.5m, significantly reduced from £14.2m at last year's valuation. This is mainly due to the 1.7% increase in the corporate bond yield, which drove the increase in the discount rate being applied to future obligations. Pension costs paid to TPS in the year amounted to £1.5m (£1.5m 2020-21). NEL operates a separate defined contribution workplace pension scheme: The National Employment Savings Trust (NEST).

The Nescot Group added £1.8m to tangible fixed asset values during the year. This includes £0.7m on a major refurbishment and extension of the Nursery, to give additional capacity and drive future income growth, refurbishments of other areas of the college estate, additional equipment and an upgrade to the College's CCTV system.

The College has spent over £60m in the redevelopment of its estate in Epsom over the last eight years, which has transformed the College into a modern and up to date learning and teaching environment, as well as becoming a commercial hub for the local area. A further £2m of capital expenditure is planned in 2022-23. The re-development of the College estate and infrastructure has been managed without any borrowing.

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

The Nescot Group has accumulated reserves of £56.8m after FRS102 pension adjustments.



Treasury Policies and Objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

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

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

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

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



The College's treasury performance of its bank cash balances at 31 July 2022, using the Bank of England base rate of 1.25% at this date, is as follows:

	Benchmark target %	College funds average balances £	Benchmark target return £	Actual return £
£ under £0.5m	0.35%	NIL	NIL	NIL
£ over £0.5m	0.60%	£7,853,750	£47,123	£1,000

The College continues to underperform against treasury management targets for cash reserves and is significantly behind the benchmark target. This performance continues to be reviewed and will improve in the coming year as interest rates rise and we achieve a better return.

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



Cash Flows and Liquidity

At £1.4m, net cash flow from operating activities was strong. The net cash flow resulted from a good cash generation performance from the College, with expenditures such as the interest cost on the LGPS and depreciation being non-cash items.

Reserves Policy

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

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

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

The College's policy is to maintain cash facilities of at least two months of average operating expenses to allow for unforeseen liquidity requirements, and up to five months of average operating expenses as a maximum to allow a parameter for the investment of surplus funds. At 31 July 2022, these parameters required cash reserves of between £4.6m and £11.6m to be maintained.

The Nescot Group maintained average cash balances of £7.9m, well within the College's Treasury Management Policy parameters.

At the Balance Sheet date, the Nescot Group has accumulated reserves of £56.8m including £4.2m in a medium risk investment fund.

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

At 31 July 2022, the College held a total of £6.8m in cash reserves analysed as follows:

Account	Balance	Interest Rate	Comment
HSBC Current	£1.0m	0%	Sweep facility
HSBC Money Market	£5.8m	0.1%	Instant access

Annual Capital Expenditure and Planned Maintenance Programme

In recent years, the College has received SFA and EFA grant funding of £11.7m to update and improve its campus. The SFA and EFA funding was matched by £30m of College funding. The impact of these works significantly reduced the College's backlog maintenance. The College now has an annual programme of capital expenditure for further refurbishment of the estate and to maintain asset values, and approximately £250k per annum in planned maintenance.

Taxation

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

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2021 to 31 July 2022, the College paid 89% of its invoices within 30 days, up from 86% in the previous year. The College incurred no interest charges in respect of late payment for this period but is endeavoring to further improve this statistic.

Events After the End of the Reporting Period

There were no further events that affected the balance sheet.

Going Concern

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

The Corporation has considered the principal risks for the next 12 months. For 2022-23, student recruitment has remained strong. The Corporation sees no reason why there would be a decline in student recruitment for the next academic year starting in 2023-24.

A deficit of just under £2m per year is planned for the next 2 years. This is affordable due to the level of cash and investment funds held by the group.

The Corporation has carried out an assessment of the key strategic risks facing the Nescot Group, which includes solvency and liquidity risks. There are strategic and operational risk registers in place with mitigating action plans that are regularly monitored by management and which are particularly focused on sustainability, whilst maintaining curriculum quality.

The Nescot Group's financial health is forecast to return to 'outstanding' in 2022-23. The Nescot Group's financial position is being improved due to no expected exceptional costs in 2022-23, cash reserves, healthy working capital, and no borrowing requirements. Cash days remain within defined parameters and well ahead of sector benchmarks. In addition to cash reserves of over £6m, the Nescot Group also has an investment fund of around £4m in the new academic year which can be drawn down at short notice if required. The Nescot Group's Balance Sheet demonstrates strength through liquidity and solvency, supported by a high level of net assets in the business. Where KPIs are adverse, management action is taken to address the underlying underperformance.

Attention continues to focus on managing the risks inherent in the Nescot Group's financial and development strategies. Growing dependence on non-government funding, particularly in relation to levy funded apprenticeships, full cost courses and online programmes, with emphasis on further increasing take up of FE and HE loans is still a challenge within a fiercely competitive market in FE. Further, there is also increased uncertainty and risk whilst the Nescot Group continues to be exposed to cost and inflationary pressures, over which the Nescot Group has limited control.

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



Developments and Future Prospects

Curriculum Developments

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

Managers cross-reference the technical and occupational skills and behaviours developed through their curriculum against local and national skills priorities. Managers have also identified wider skills development as part of curriculum planning, such as financial skills, customer care, health and wellbeing and have mapped these into the curriculum. These wider skills now also feature alongside the occupational and technical subject skills in the College prospectus and on the website. Prior to the pandemic, Nescot was delivering a Saturday Academy for 13-16-year-olds from the local area across nine vocational subjects. This was successfully relaunched in the Autumn term 2021 with high demand and recruited around 100 young people.



The College's high needs provision has grown significantly and has an excellent reputation. The College works closely with nine local authorities in relation to this provision including Surrey County Council, Achieving for Children (Royal Borough of Kingston and Richmond) and the London Boroughs of Croydon, Ealing, Hammersmith and Fulham, Haringey, Lambeth, Lewisham, Merton, Sutton and Wandsworth. The High Needs Strategy at Nescot was adopted in April 2018 and included an ambitious growth plan. There has been a significant increase in demand for High Needs places together with requests for more school link programmes and more recently places for (Education Skills Funding Agency) directly funded 14-16 years-old students. Nescot was approved for funded delivery to young people aged 14-16 for 2021-22 and delivered to its first cohort of students. In 2019-20 there were 124 High Needs students on roll, in 2020-21, the number grew to 154 students and further growth in 2021-22 to 163 students.

There has also been further growth in programmes which tackle social disadvantage and disrupted schooling to help get these young people into vocational programmes and work. The College's Achieve programme gives these learners the opportunity to develop their personal, English, maths and vocational skills so that they can progress onto higher levels of full-time education and training within the College. Alongside a strong Surrey-based provision, the College has worked innovatively through satellite centres to provide access for learners, employers and communities to high quality education and training in their local area. Nescot satellite centres deliver in Barking and Dagenham and London Docklands. The curriculum offer includes ICT, electrical and teacher training courses alongside employability and English and maths qualifications. This initiative provided many people from these disadvantaged communities with access to real vocational skills training helping them to find work or to set up their own businesses.

The College has stopped sub-contracting apprenticeships and has had no new starts since September 2021. The College's direct delivery offer is reviewed annually as part of curriculum planning. From 2021/22 onwards, our apprenticeship curriculum focuses on the following four pillars aligned to local priorities: IT & Digital, Construction, Leadership & Management and Health (including Early Years).

Future Prospects, Challenges and Opportunities

The College continues to work in a challenging operating environment in the Further Education (FE) sector. As expected, the government's Budget in March 2021 had little new for colleges or skills to add to the £700m announced in the spending review from November 2020. Ahead of the expected spending review in the Autumn 2021, this government Budget was about the short-term measures needed to deal with Covid-19.

In January 2021, the government published the 'Skills for Jobs' White Paper, with a clear focus on the pivotal role that further and technical education has in helping people to get skills for good jobs now and in the future. The government's 'Plans for Jobs' recognises the importance of colleges in boosting productivity, strengthening communities, and supporting individuals. The White Paper set out five key areas:

1

Putting employers at the heart of the skills system

2

Investing in higher level technical qualifications

3

Access to training and flexible learning

4

Reformed funding and accountability

5

Excellent teaching

The Skills and Post-16 Education Bill received its first reading on 18 May 2021. Key aspects are:

1. A Lifetime Skills Guarantee

The Department for Education (DfE) is now funding an all-age Level 3 entitlement via the National Skills Fund (NSF). The sums are relatively small (£80m in 2021-2) but it is an important reform which will extend existing entitlements to Level 2 qualifications and to Level 3 for those under 25.

2. Lifetime loan allowance

Recommended by Philip Augar's 2019 post-18 education and funding review, this is a lifetime allowance for student loans equivalent to four years full-time costs but available to individuals for a more flexible combination of higher education courses. This is a big but complicated change so is not scheduled to take effect until 2025.

3. Higher technical qualifications

Another set of post-18 review recommendations that may be included in the legislation relate to the regulation of higher technical qualifications. Adjustments are likely to be made to the powers of the Institute for Apprenticeships and Technical Education and the Office for Students to help government move this agenda forward.

4. Skills plans ('Skills Accelerator')

The White Paper set in motion a new form of local skills planning (Skills Accelerator) which will require legislation. The DfE is requiring colleges to work collaboratively together and with employer representative bodies and others to define local needs, to identify growth areas and to work through how best to meet them. Alongside this it is anticipated that there will be a formal duty on colleges to review their provision.

5. Intervention powers in case of failure

The 'Skills for Jobs' White Paper promised a faster, more targeted intervention regime.

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



Financial Outlook and Future Plans

The Corporation approved a financial plan in July 2022 for the year ending 31 July 2023, which sets objectives for the year.

Total budgeted income in 2022-23 is set to increase by £0.8m or 3% to £30.1m. Key drivers of this increase in income in 2022-23 are growth in Core 16-19 provision (+£0.4m), additional apprenticeship income (+£0.5m) and increased income from the Nursery (+£0.2m), partly offset by a decline in the 19+ adult education budget.

Total budgeted pay expenditure in 2022-23 is set to increase by £1.3m or 7% to £19m. This increase is driven by a 3% pay award to all staff, additional teaching hours and the full year effect of vacancies in 2021-22.

Total budgeted non-pay expenditure in 2022-23 is set to decrease by £1.1m or 8%. There is a reduction in expenditure due to the one-off £2.5m exceptional cost in 2021-22, and this has partly been offset by cost increases across many areas of the college due to increased activity and increased inflationary cost pressure in overheads and equipment materials.

The Nescot Group's budget for 2022-23 includes some further redevelopment of the estate in Epsom. The associated £2m of new capital expenditure is planned to be funded using the College's existing cash reserves and focuses on addressing current building condition across the estate together with some new investment in equipment and the IT infrastructure.

The Nescot Group's financial health score is forecast to be 'outstanding' in 2022-23. Whilst the operating deficit is planned at £2m, the EBITDA is expected to be +£1.6m and this drives the 'outstanding' health score. There are net current assets throughout the financial plan and no borrowings are required. Cash days remain within the Nescot Group's defined parameters and well ahead of sector benchmarks.

The Nescot Group's balance sheet demonstrates strength through liquidity and solvency, supported by a high level of net assets in the business.

Current key financial issues for colleges are:

Funding

Funding has not increased in real terms for a number of years, resulting in the gap between income received and the cost of provision widening.

Pay Costs

Pay costs are significant for all colleges and the current cost of living pressures and inflation in salaries is resulting in some staff leaving the sector for better paid roles elsewhere. Retention and recruitment are both ongoing challenges.

High Inflation

High inflation is adding to costs.

Pension Liabilities

Pension liabilities have significantly reduced for a number of colleges due to the rise in interest rates and impact on the discount rate used when calculating future liabilities. Whilst this helps the overall strength of the balance sheet it is not giving colleges additional operating funds to invest.



Resources

The Nescot Group has various resources that it can deploy in pursuit of its key strategic priorities as defined in Nescot 2026.

Financial

Total income for the Nescot Group was £29.3m in 2021-22. The Nescot Group has £56.8m of net assets, including £2.5m pension liability, and no debt. Tangible resources include the main College site at Ewell Epsom.

People

The Nescot Group employs 698 people (expressed as average headcount including sessional and casual staff), of whom 267 are teaching staff.

Reputation

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

Streamlined Energy and Carbon Reporting

The College is committed to reducing its carbon emissions and has taken a number of measures in the year to improve energy efficiency.

In early 2019, Nescot joined the 'Power Now' monitoring and reporting scheme which was then operated by EDF. This has enabled us to start to understand our electricity usage and we have used some of this data to help inform our Capital and Minor Works programmes in terms of priorities.

The College's greenhouse gas emissions and energy use for the period are set out below:

UK Greenhouse used to calculate emissions (kWh)	1 August 2021 to 31 July 2022	1 August 2020 to 31 July 2021
Energy consumption used to calculate emissions (kWh)		
Gas	2,141,758	2,327,215
Electricity	1,988,284	1,757,800
Scope 1 emissions in metric tonnes CO ₂ e Gas consumption	394,083 kgCO ₂ e	428,580 kgCO ₂ e
Scope 2 emissions in metric tonnes CO ₂ e Purchased electricity *	NIL kgCO ₂ e	NIL kgCO ₂ e
Scope 3 emissions in metric tonnes CO ₂ e Purchased electricity	N/A	N/A

* We are supplied on a zero carbon for business product for electricity.



Principal Risks and Uncertainties

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

- 1 Achievement of funding body and apprenticeship recruitment targets.
- 2 Management and control of partners and subcontractors.
- 3 Recruitment and retention of staff in a highly competitive and inflationary market.
- 4 Adverse changes in Government policy and the external economic environment.

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

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

Stakeholder Relationships

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 & Employer Representative Bodies
- Local authorities
- Local Enterprise Partnerships (LEPs)
- The local community
- Other FE and HE institutions
- Professional bodies

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

The College considers good communication with its staff to be critical. The College circulates weekly electronic newsletters from the Chief Executive and Principal, keeping all staff informed of activity in their area or any essential updates. The College encourages staff and student involvement through membership of formal committees and informal groups. There is a Staff Consultative Committee (SCC) with representatives meeting with the Chief Executive and Principal each term. The 'Student Voice' has regular meetings at which staff and management are present. Two student representatives attend Corporation meetings.



Equality, Diversity and Inclusion

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

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

- a) Equality and diversity are central to all that we do, and fundamental to our mission and values. The College has prepared appropriate policies and action plans, which are monitored by the Equality and Diversity Group. The Equality and Diversity Policy has been developed and is reviewed to ensure that it meets the requirements of the Equalities Act 2010.
- b) The College will ensure that all staff receive training in equality and diversity and are update trained as necessary. All teaching and assessment materials are regularly monitored to ensure that they promote equality and diversity and that all students receive training at induction. Opportunities to celebrate diversity are promoted throughout the year.
- c) It is a legal requirement under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for all organisations to publish every year the gender pay gap between male and female employees, based on the difference between their average earnings. This is a key step in addressing the gender pay gap and ensuring that the workplace works for everyone. It is a legal requirement to publish this data by 31 March each year, on their own website and on a government website, which the College has adhered to. The benefits of being committed to reducing the gender pay gap includes developing a reputation for being a fair and progressive employer, attracting a wider pool of potential recruits for vacancies, and the enhanced productivity that can come from a workforce that feels valued and engaged in a culture committed to tackling inequality.
- d) The College is a 'Disability Confident Employer' and has committed to the principles and objectives of the Disability Confident scheme. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to support the employee and ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. This was previously known as the 'Two Ticks' symbol ('Positive about Disabled People'), which the College has participated in since October 2004 and which has now transferred to the new Disability Confident scheme. This is in recognition of the support that is provided for disabled job applicants, and for staff with disabilities, and is regularly reassessed against this standard and was last assessed in July 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:
 - i) Actively looking to attract and recruit disabled people.
 - ii) Providing a fully inclusive and accessible recruitment process.
 - iii) Offering an interview to disabled people who meet the minimum criteria for the job.
 - iv) Flexibility when assessing people so disabled job applicants have the best opportunity to demonstrate that they can do the job.
 - v) Proactively offering and making reasonable adjustments as required.
 - vi) Encouraging our suppliers and partner firms to be Disability Confident.

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

- i) Setting and monitoring equality and diversity performance indicators.
- ii) Monitoring and analysing data on student applications, enrolment, retention and achievement in terms of age, ethnicity, gender and disability with a view to comparing trends and highlighting and improving or narrowing the gap of any imbalances identified.
- iii) Monitoring and analysing student progression and destinations in terms of age, ethnicity, gender and disability, including progression within the College, progression into other educational institutions and, where possible, progression to employment.
- iv) Monitoring and analysing staff recruitment, grievance and disciplinary, staff progression and gender pay gap in terms of age, gender, and disability.
- v) Monitoring and analysing the take-up of staff training and development opportunities.
- vi) Ensuring College policies in relation to equality and diversity are regularly monitored, reviewed and updated, in line with legal requirements.
- vii) Producing an Annual Equality and Diversity Report for approval by the Board of Governors and publication on the College website.



Support for students with learning difficulties and/or disabilities

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

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

- Mainstream courses with learning support.
- Progression Pathway courses for 16-19 students who have mild learning difficulties and/or disabilities and have no formal qualifications or are not in education.
- Foundation Learning Pathways for students with mild to complex learning difficulties, delivered in a supported environment in the Seasons Learning Hub:
 - Further Education Pathway for students with mild to moderate learning difficulties, focusing on personal development and maths and English skills acquisition with vocational tasters to support progression onto mainstream courses.
 - Employment Pathway courses, including the Supported Internship, for students with mild to moderate learning difficulties, developing skills for the workplace and providing work experience opportunities and employment.

- Supported Living Pathway for students with more complex difficulties focussing on independent living and life skills.
- A 14-16 provision, for Education, Health and Care Plan (EHCP) students with anxiety for whom the traditional GCSE curriculum does not suit. Students are enrolled on English, Maths and Science and undertake instruction in Religious Education and Vocational Tasters.

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

- Small group support for language, literacy and numeracy outside of normal class.
- Specialist software or adapted handouts and course notes.
- Mentoring.
- Learning support assistant for in class support or 1:3 support.
- Sign Supported English communicator accessed from external agencies.
- Access arrangements for exams such as a reader, scribe 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.

Disability Statement

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

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



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 2021. The year-on-year calculations are as follows:

	2017	2018	2019	2020	2021
Mean Gender Pay Gap	17%	17%	Not reported due to Covid	17%	17%
Median Gender Pay Gap	18%	23%		23%	25%

Mean calculates the difference between the average hourly rate of pay that male and female employees receive (total of all hourly rates divided by number of individuals).

Median calculates the difference between the 'middle-rate' of hourly pay that male and female employees receive (the hourly rate that appears halfway within an ascending list of all hourly rates).

In line with the regulations, the College must also report on the proportion of male and female employees in each of the four pay bands, where the lower quartile represents the lowest salaries, and the upper quartile represents the highest salaries. The proportion of males/females in each quartile is as follows:

Quartile Data	Male					Female				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Lower Quartile	27.7%	30.2%	Not reported	24.3%	29.1%	72.3%	69.9%	Not reported	75.7%	71.0%
Lower Middle Quartile	30.2%	30.4%		23.0%	21.2%	69.9%	69.9%		77.0%	78.8%
Upper Middle Quartile	44.1%	43.7%		40.1%	34.8%	55.9%	56.3%		59.9%	65.2%
Upper Quartile	58.1%	54.5%		50.3%	50.9%	41.9%	45.5%		49.7%	49.2%

The mean gender pay gap has remained consistent since 2017 at 17%, the median has increased slightly from 23% to 25%. Both the mean and the median percentages are in line with others in the education sector.

There are significantly more females working at the College (66% female, 34% male) of which a high proportion are working in the lower paid support roles. This is the main cause of the gender pay gap at the College and is supported by the quartile data.

In the Upper and Upper Middle Quartile the % of females is 49.2%, and 65.2% respectively, this is due to the continued strategy of attracting women to apply for senior and managerial roles.

The percentage of women compared to men in the lower quartile has reduced from 75.7% to 71.0% in 2021. Whilst this is positive to see there is still room for improvement at the lower quartiles. 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 a large number of 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.

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.

Prevent Duty

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

Trade Union Facility Time

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

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

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

Trade union facility time data – 1 April 2021 to 31 March 2022

Your organisation

North East Surrey College of Technology

Employees in your organisation

50 to 1,500 employees

Trade union representatives and full-time equivalents

Trade union representatives: 1

FTE trade union representatives: 1

Percentage of working hours spent on facility time

0% of working hours: 0 representatives

1 to 50% of working hours: 1 representatives

51 to 99% of working hours: 0 representatives

100% of working hours: 0 representatives

Total pay bill and facility time costs

Total pay bill: £16,900,000

Total cost of facility time: £1,180*

Percentage of pay spent on facility time: 0.001%

Paid trade union activities

Hours spent on paid facility time: 50

Hours spent on paid trade union activities: 0

Percentage of total paid facility time hours spent on paid TU activities: 0.00%

*nominal amount used as only one representative

Disclosure of Information to Auditors

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

Approved by order of the Members of the Corporation on 9 December 2022 signed on its behalf by:

Signed:

CC Muller



Chris Muller
Chair of Nescot Corporation



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Statement of Corporate Governance and Internal Control

Governance Statement

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

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

The College endeavours to conduct its business:

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

In the opinion of the Members, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2022. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code, which it formally adopted on 10 July 2015.

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



The Corporation

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

FE CORPORATION 2021-22

Name	Eligibility	Committees Served	Elected	Re-Elected	Term Of Office Expires / Resigned	Attendance Record*
Sam Luke	External	Corporation (Chair); F&GP, Search & Governance (Chair); SSPRC	01/09/2013	2021	31/07/2022	18/18
Lynn Reddick	External	Curriculum & Quality; HE Sub-Committee; Search & Governance	01/08/2016	2018	2024	16/20
Simon Enoch	External	Audit (Chair); SSPRC	16/11/2018	2021	2024	12/14
Chris Muller	External	Corporation (Chair); Curriculum & Quality (Chair); HE sub-committee (Chair); SSPRC	05/04/2011	2013, 2016, 2021	2024	15/16
Peter Stamps	External	F&GP (Chair); Search & Governance; SSPRC	06/12/2013	2016, 2020, 2021	14/04/2022	13/13
Martin Butterfield	External	Finance & General Purposes	28/05/2021		2023	10/10
Angela Cross-Durrant	External	Curriculum & Quality; HE Sub Committee	28/05/2021		2023	13/13
Robin Dear	External		27/05/2022		13/07/2022	0/1
James Knowles	External	Curriculum & Quality	27/05/2022		2024	2/2
Margaret Martin	External	F&GP	06/10/2017	2021	2025	9/12
Asa'ah Nkohkwo	External	Audit	28/05/2021		2023	10/10
Vince Romagnuolo	External	Corporation (Chair); Audit; Curriculum & Quality; HE Sub-Committee; Search & Governance	22/03/2019	2021	03/09/2022	21/21
Nick Vaughan- Barratt	External	Corporation (Vice Chair); Curriculum & Quality; HE Sub-Committee	19/06/2020		2026	10/13
Lamè Verre	External	Audit	29/01/2021		14/04/2022	2/8
John Willis	External	Finance & General Purposes	19/06/2020		05/02/2022	5/6
Felicity Fletcher	Teaching staff Governor	Curriculum & Quality	01/08/2021		2023	9/12
Sylvia Ofei-Kwatia	Non-teaching staff Governor	Audit (Observer)	01/08/2021		2023	5/6
Kirsty Shaw	HE Student Governor	Curriculum & Quality; HE Sub Committee.	10/12/2021		2022	3/7
Alper Bakici	FE Student Governor	Curriculum & Quality	10/12/2021		2022	3/5
Aaron O'Connor	FE Student Governor	Curriculum & Quality	10/12/2021		2022	3/5

*Actual number of attendances against possible attendances

Sandra Dessent was Clerk to the Corporation from 1 August 2021 to 31 July 2022; Susanne Wicks is Clerk to the Corporation from October 2022.

The governance framework

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets six times per academic year.

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

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

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

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

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

Formal agendas, papers and reports are supplied to Members in a timely manner, prior to Corporation Board meetings. Briefings are provided on an ad hoc basis.

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee comprised: the Chair; the Vice-Chair; one member of the Corporation; the Chief Executive and Principal; and one member of senior management. The Committee is responsible for the selection and nomination of any new Member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for terms of office not exceeding a maximum of two terms of four years, in accordance with the Code. The Corporation reserves the right to vary this requirement, either in exceptional circumstances, or where a Governor is subsequently undertaking a new and more senior role such as the chair.

Corporation Performance

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

- a) A self-assessment questionnaire to be completed by Members.
- b) Periodic independent review of Corporation Board performance.

In early summer 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. These recommendations formed the basis of an action plan which is regularly reviewed and updated.

During the course of the year, the Corporation reviewed its Link Governor Programme and Governor Induction Programme to ensure they are effective, responsive and support the Members of the Corporation in their strategic role.



Senior Staff Performance and Remuneration Committee

Throughout the year ended 31 July 2022, the College's Remuneration Committee comprised: The Chair of the Corporation; the Vice Chair of the Corporation; and Chairs of the Finance and General Purposes, Curriculum and Quality, and Audit Committees. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Chief Executive and Principal, and other senior post holders.

The College complies with the AoC Senior Staff Remuneration Code for Colleges.

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

Audit Committee

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

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

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

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

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



Internal Control

Scope of Responsibility

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

The Corporation has delegated the day-to-day responsibility to the Chief Executive and Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he or she is personally responsible, in accordance with the responsibilities assigned to them in the Conditions of Funding Agreement between the College and the funding bodies. They are also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place at the College for the year ended 31 July 2022 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

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

- a) Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body.
- b) Regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts.
- c) Setting targets to measure financial and other performance.
- d) Clearly defined capital investment control guidelines.
- e) The adoption of formal project management disciplines, where appropriate.

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

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

Risks faced by the Corporation

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

- 1) Achievement of funding body recruitment targets.
- 2) Management and control of partnerships and subcontractors.
- 3) Recruitment and retention of staff in a market with high inflation.
- 4) Adverse changes in government policy and the external economic environment.
- 5) Management of apprenticeship provision.

Control weaknesses identified

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

Responsibilities under funding agreements

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

Statement from the Audit Committee

The Audit Committee has advised the Corporation that it has an effective framework for governance and risk management in place. The Audit Committee believes that the Corporation has effective internal controls in place. The specific areas of work undertaken by the Audit Committee in 2021-22 and up to the date of the approval of the financial statements include internal and external audit reports; financial statements; risk management; and health and safety.

Review of Effectiveness

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

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

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

The Executive Leadership 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 Executive Leadership Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

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

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". This was reviewed and confirmed at the October 2022 Corporation meeting.

Approved by order of the Members of the Corporation on 9 December 2022 and signed on its behalf by:

Signed:



Signed:



Chris Muller
Chair of
Nescot Corporation



Julie Kapsalis
Acting Chief Executive
and Principal

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Statement of Regularity, Propriety and Compliance

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

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

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

Signed:



9 December 2022



Chris Muller
Chair of
Nescot Corporation

Signed:



9 December 2022



Julie Kapsalis
Acting Chief Executive
and Principal

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Statement of Responsibilities of the Members of the Corporation

The Members of the Corporation, as charity trustees, are required to present audited financial statements for each financial year. Within the terms and conditions of the Corporation's grant funding agreements and contracts with the Education and Skills Funding Agency (ESFA), the Office for Students (OfS), and the Greater London Authority (GLA), the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 'Statement of Recommended Practice – Accounting for Further and Higher Education', the ESFA's 'College Accounts Direction', and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the Corporation and the deficit of income over expenditure for that period.

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

- a) Select suitable accounting policies and apply them consistently.
- b) Make judgements and estimates that are reasonable and prudent.
- c) State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d) Assess whether the Corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate.
- e) Prepare financial statements on the going concern basis, unless it is inappropriate to assume that the Corporation will continue in operation.

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

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

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

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

Approved by order of the Members of the Corporation on 9 December 2022 and signed on its behalf by:

Signed:



Chris Muller
Chair of
Nescot Corporation

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

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the parent College's affairs as at 31 July 2022 and of the Group's surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for Opinion

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

Conclusions Relating to Going Concern

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

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

Our responsibilities and the responsibilities of the directors 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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters On Which We are Required to Report by Exception

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

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

Responsibilities of the Corporation

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Use of Our Report

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

MHA MacIntyre Hudson
Chartered Accountants and Registered Auditor
London
United Kingdom

MHA MacIntyre Hudson

Dated: 14 December 2022



Independent Reporting Accountant's Assurance Report on Regularity

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

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

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

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

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

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

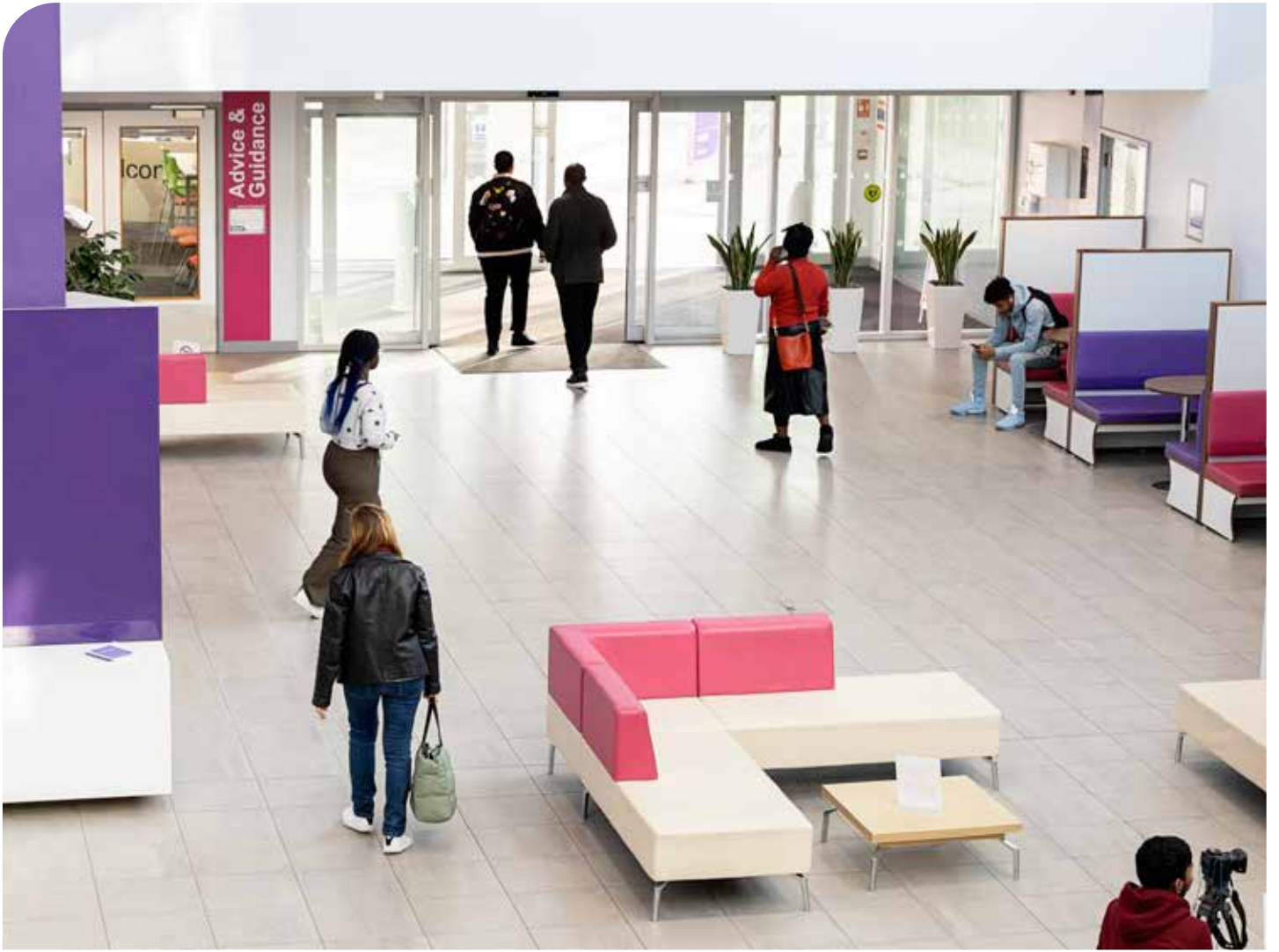
In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform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

Signed: MHA MacIntyre Hudson

Date: 14 December 2022

MHA MacIntyre Hudson
Chartered Accountants and Registered Auditor
London
United Kingdom





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Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	19,118	19,118	18,534	18,534
Tuition fees and education contracts	3	7,376	7,376	10,186	10,186
Other grants and contracts	4	1,083	1,083	1,230	1,220
Other income	5	1,692	1,648	956	989
Investment income	6	1	239	1	1
Total income		29,270	29,464	30,907	30,930
EXPENDITURE					
Staff costs	7	17,764	18,606	17,164	17,463
Other operating expenses	8	8,635	8,611	9,831	9,827
Depreciation	11	2,836	2,836	2,786	2,786
Exceptional item	8	2,471	2,471	0	0
Interest and other finance costs	9	267	267	272	272
Total expenditure		31,973	32,791	30,053	30,348
(Deficit)/surplus before other gains and losses		(2,703)	(3,327)	854	582
Gain/(loss) on disposal of assets		0	0	0	0
Gain/(loss) on investments		(67)	(67)	279	279
(Deficit)/surplus before tax		(2,770)	(3,394)	1,133	861
Taxation	10	45	0	(45)	0
(Deficit)/surplus for the year		(2,725)	(3,394)	1,088	861
Unrealised surplus on revaluation of assets		202	202	202	202
Actuarial loss in respect of pensions schemes	21	12,910	12,910	(2,197)	(2,197)
Total comprehensive income for the year		10,387	9,718	(907)	(1,134)
Represented by:					
Restricted comprehensive income		0	0	0	0
Unrestricted comprehensive income		10,387	9,718	(907)	(1,134)
		10,387	9,718	(907)	(1,134)
Surplus for the year attributable to:					
Non controlling interest		0	0	0	0
Group		(2,725)	(3,394)	1,088	861
Total Comprehensive Income for the year attributable to:					
Non controlling interest		0	0	0	0
Group		10,387	9,718	(907)	(1,134)

All items of income and expenditure relate to continuing activities.

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Consolidated and College Statement of Changes in Reserves

	Income and Expenditure Account	Revaluation Reserve	Restricted Reserves	Total
	£'000	£'000	£'000	£'000
Group				
Balance at 1st August 2020	34,567	13,190	0	47,757
Surplus/(deficit) from the income and expenditure account	1,088	0	0	1,088
Other comprehensive income	(2,197)	0	0	(2,197)
Transfers between revaluation and income and expenditure reserves	202	(202)	0	0
Balance at 31st July 2021	33,660	12,988	0	46,648
Surplus/(deficit) from the income and expenditure account	(2,725)	0	0	(2,725)
Other comprehensive income	12,910	0	0	12,910
Transfers between revaluation and income and expenditure reserves	202	(202)	0	0
Total comprehensive income	10,387	(202)	0	10,185
Balance at 31st July 2022	44,047	12,786	0	56,833
College				
Balance at 1st August 2020	34,544	13,190	0	47,734
Surplus/(deficit) from the income and expenditure account	861	0	0	861
Other comprehensive income	(2,197)	0	0	(2,197)
Transfers between revaluation and income and expenditure reserves	202	(202)	0	0
Balance at 31st July 2021	33,410	12,988	0	46,398
Surplus/(deficit) from the income and expenditure account	(3,394)	0	0	(3,394)
Other comprehensive income	12,910	0	0	12,910
Transfers between revaluation and income and expenditure reserves	202	(202)	0	0
Total comprehensive income	9,718	(202)	0	9,516
Balance at 31 July 2022	43,128	12,786	0	55,914

Balance sheets as at 31 July 2022

	Notes	Group	College	Group	College
		2022	2022	2021	2021
		£'000	£'000	£'000	£'000
Non current assets					
Tangible fixed assets	11	62,467	62,467	63,526	63,526
Investments	12	4,203	4,203	3,270	3,270
		66,670	66,670	66,796	66,796
Current assets					
Stocks		14	14	15	15
Trade and other receivables	13	1,800	1,823	2,137	2,175
Cash and cash equivalents	18	6,770	5,814	8,145	7,982
		8,584	7,651	10,297	10,172
Creditors – amounts falling due within one year	14	(4,021)	(3,949)	(3,745)	(3,859)
Net current assets		4,563	3,702	6,552	6,313
Total assets less current liabilities		71,233	70,372	73,348	73,109
Creditors – amounts falling due after more than one year	15	(11,576)	(11,634)	(11,985)	(12,043)
Provisions					
Defined benefit obligations	17	(2,505)	(2,505)	(14,223)	(14,223)
Other provisions	17	(319)	(319)	(492)	(445)
Total net assets		56,833	55,914	46,648	46,398
Restricted reserves					
Unrestricted reserves					
Income and expenditure account		44,047	43,128	33,660	33,410
Revaluation reserve		12,786	12,786	12,988	12,988
Total unrestricted reserves		56,833	55,914	46,648	46,398
Total reserves		56,833	55,914	46,648	46,398


The financial statements on pages 51 to 82 were approved and authorised for issue by the Corporation on 9 December 2022 and were signed on its behalf on that date by:

Signed:



Chris Muller
Chair

Signed:



Julie Kapsalis
Acting Accounting Officer

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Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flow from operating activities			
Surplus/(deficit) for the year		(2,725)	1,088
Adjustment for non-cash items			
Depreciation		2,836	2,786
(Increase)/decrease in stocks		1	3
(Increase)/decrease in debtors		337	26
Increase/(decrease) in creditors due within one year		298	774
Increase/(decrease) in creditors due after one year		(409)	416
Increase/(decrease) in provisions		(149)	312
Pensions costs less contributions payable		903	444
Interest on LGPS and enhanced pension		265	269
Adjustment for investing or financing activities			
Investment income		(1)	(1)
Interest payable		2	3
(Gain)/Loss, non-current investments		67	(278)
Loss on sale of fixed assets		0	0
Net cash flow from operating activities		1,425	5,842
Cash flows from investing activities			
Proceeds from sale of fixed assets		0	2
Disposal of non-current asset investments		0	0
Investment income		1	1
Withdrawal of deposits		(1,000)	(2,000)
New deposits		0	0
Payments made to acquire fixed assets		(1,776)	(2,358)
		(2,775)	(4,355)
Cash flows from financing activities			
Interest paid			
Interest element of finance lease rental payments		(2)	(3)
New unsecured loans		0	0
Repayments of amounts borrowed		0	0
Capital element of finance lease rental payments		(23)	(22)
		(25)	(25)
Increase / (decrease) in cash and cash equivalents in the year		(1,375)	1,462
Cash and cash equivalents at beginning of the year	20	8,145	6,683
Cash and cash equivalents at end of the year	20	6,770	8,145



Notes to the Financial Statements

for the Period from 1 August 2021 to 31 July 2022

1 Statement of Principal Accounting Policies

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

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the SORP); the College Accounts Direction for 2021 to 2022; and the Financial Reporting Standard 102 (FRS102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS102.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements include the College and its subsidiary Nescot Enterprises Limited, controlled by the Group, for the financial year to 31 July 2022. Control is achieved where the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Intra-group sales and profits are eliminated fully on consolidation. All financial statements are made up to 31 July 2022.

Going Concern

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

The activities of the Nescot 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 Nescot Group, its cashflow, liquidity and borrowings are described in the financial statements and accompanying Notes. The Nescot Group currently has over £6m of cash balances; £4m in investment funds; and around £56m of reserves.

The Nescot Group's forecasts and financial projections indicate that it will be able to operate for the foreseeable future. Accordingly, the Nescot Group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

Income Recognition

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

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

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

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

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

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

All income from short-term deposits is recognised in the Statement of Comprehensive Income in the period in which it is earned. Investment income is recognised within the Statement of Comprehensive Income on a receivable basis.



Donations and Endowments

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

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

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

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

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

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



Capital Grant Funding

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

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

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

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

Agency Arrangements

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

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. As stated in Note 21, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The amounts charged to the income statement are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised in the income statements and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at

the beginning of the period by the rate used to discount the benefit obligations. The difference between interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs. Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

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 on a straight-line basis over the lease term to the income statement. Any lease premiums or incentives are spread over the minimum lease term.

Foreign Currency Translation

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

Inventories

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

Non Current Assets – Tangible Fixed Assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.



Land and Buildings

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

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

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

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

Assets Under Construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2022. 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. Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

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

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

Maintenance of Premises

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

Investment Properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value where these can be publicly traded or their value can otherwise be reliably measured, with movements recognised in the Statement of Comprehensive Income. If this is not possible, investment properties will be measured at cost less impairment. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

Investments

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

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

Stock

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

Cash and Cash Equivalents

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

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

Cash flows comprise increases or decreases in cash.

Financial Liabilities and Equity

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

Provisions and Contingent Liabilities

Provisions are recognised in the financial statements when:

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

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

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

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in the Notes 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 3.5% 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 21, 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 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.



2 Funding Body Grants

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency – 14-16	79	79	0	0
Education and Skills Funding Agency – 16-18	11,494	11,494	10,768	10,768
Education and Skills Funding Agency – adult education budget	1,525	1,525	1,862	1,862
Education and Skills Funding Agency – apprenticeships	1,929	1,929	1,857	1,857
Greater London Authority - adult education budget	1,639	1,639	1,558	1,558
Office for Students	348	348	519	519
Covid-19 specific grants				
Education and Skills Funding Agency – adult education budget Covid-19 skills offer	499	499	143	143
Education and Skills Funding Agency – 16-18 High value courses for school and college leavers	(20)	(20)	63	63
Education and Skills Funding Agency – 16-19 Tuition Fund	81	81	71	71
Education and Skills Funding Agency – Covid-19 mass testing funding	20	20	27	27
Greater London Authority – London Recovery	0	0	66	66
Greater London Authority – National Skills Fund Level 3 offer	323	323	100	100
Specific grants				
Teacher Pension Scheme contribution grant	357	357	387	387
Releases of government capital grants	492	492	592	592
Other funding grants	352	352	521	521
Total	19,118	19,118	18,534	18,534
HE Income – Group				
Grant income from OfS	348	348	519	519
Fees from HE loans	5,423	5,423	7,235	7,235
Franchised income	67	67	127	127
Covid-19 hardship funding	0	0	64	64
Total HE income	5,838	5,838	7,945	7,945

Nescot did not make any claim under the provider relief scheme.

3 Tuition Fees and Education Contracts

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	430	430	354	354
Apprenticeship contracts	3	3	32	32
Fees for FE loan supported courses	181	181	855	855
Fees for HE loan supported courses	5,424	5,424	7,235	7,235
Full cost recovery fees	1,271	1,271	1,583	1,583
Total tuition fees	7,309	7,309	10,059	10,059
Education contracts	67	67	127	127
Total	7,376	7,376	10,186	10,186

4 Other Grants and Contracts

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Local authority high needs	1,064	1,064	1,124	1,124
Other grant income	15	15	32	32
Coronavirus Job Retention Scheme grant	4	4	74	64
Total	1,083	1,083	1,230	1,220

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. In the previous year, ended 31st July 2021, the Group furloughed staff in the theatre, estates, nursery, hair salon, sports hall, osteopathy and gas departments and received £74k.

5 Other Income

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	353	353	152	152
Other income generating activities	1,223	1,179	716	749
Miscellaneous income	116	116	88	88
Total	1,692	1,648	956	989

6 Investment Income

	Notes	Year ended 31 July		Year ended 31 July	
		2022	2022	2021	2021
		Group	College	Group	College
		£'000	£'000	£'000	£'000
Gift Aid received from subsidiary		0	238	0	0
Bank interest		1	1	1	1
Total		1	239	1	1
Net return on pension scheme	21	0	0	0	0
Total		1	239	1	1



7 Staff Costs – Group and College

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

	2022	2021
	No.	No.
Teaching staff	267	252
Non-teaching staff	431	416
Total	698	668

	2022	2021
	£'000	£'000
Staff costs for the above persons		
Wages and salaries	11,931	11,555
Social security costs	1,037	894
Other pension costs	3,027	2,678
Employer Levy	45	41
Payroll sub total	16,040	15,168
Contracted out staffing services	1,669	1,972
	17,709	17,140
Restructuring costs – contractual	13	24
Restructuring costs – non contractual	42	0
Total Staff Costs	17,764	17,164

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

Payments for compensation for loss of office for the year totalled £58K for four post-holders. Of these, two post-holders received payments totalling £49k in excess of contractual requirements following ACAS mediation.

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 Accounting Officer, the Deputy Principal (Curriculum and Quality) and the Chief Finance Officer. During the year both Deputy Principal and Chief Finance Officer 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. No compensation payments were made to key management personnel in 2021-22 for loss of office.

	2022	2021
	No.	No.
Emoluments of key management personnel, Accounting Officer and other higher paid staff		
The number of key management personnel including the Accounting Officer was:	5	3

The table below shows pay bands excluding employer contributions to national insurance and pensions but including benefits in kind, of all key management personnel employed during the year. Other staff who received annual emoluments in excess of £60,000 per annum are also included. A further member of part-time staff received pay which would fall into the £65,001 to £70,000 pay band if based on a whole time equivalent.

	Key management personnel		Other staff	
	2022	2021	2022	2021
	No.	No.	No.	No.
£40,001 to £45,000 p.a.	1	0		
£45,001 to £50,000 p.a.	1	0		
£50,001 to £55,000 p.a.	1	0		
£55,001 to £60,000 p.a.	0	0		
£60,001 to £65,000 p.a.	0	0	3	3
£65,001 to £70,000 p.a.	0	0	1	0
£70,001 to £75,000 p.a.	1	0	0	1
£75,001 to £80,000 p.a.	0	0	1	0
£80,001 to £85,000 p.a.	0	0	1	0
£100,001 to £105,000 p.a.	0	1	0	0
£110,001 to £110,000 p.a.	0	1	0	0
£155,001 to £160,000 p.a.	0	1	0	0
£160,001 to £165,000 p.a.	1	0	0	0
Total	5	3	6	4

Key management personnel compensation is made up as follows:

	2022	2021
	£'000	£'000
Basic salary	373	366
Payments in lieu of pension contributions	30	17
Performance related pay and bonus	0	0
Benefits in kind	2	2
Pension contributions	19	37
Total key management personnel compensation	424	422

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.

Their pay and remuneration is as follows:

	2022	2021
	£'000	£'000
Basic salary	157	154
Payments in lieu of pension contributions	30	17
Performance related pay and bonus	0	0
Other including benefits in kind	2	2
Pension contributions	0	13
	189	186

The governing body has adopted the AoC's Senior Staff Remuneration Code and assesses pay in line with its principles. The remuneration package of Senior postholders 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 Chief Executive and Principal.

The level of pay is benchmarked against the pay of similar college's 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 two deputy principal posts recruited to during the year.

In 2022, the Governing Body agreed to a 3% pay award for the Principal and Deputy Principals in line with the pay award for all staff.

	2022	2021
	£'000	£'000
Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple		
Principal's basic salary as a multiple of the median of all staff	5.9	5.7
Principal and CEO's total remuneration as a multiple of the median of all staff	6.2	5.8

8 Other Operating Expenses

	Year ended 31 July		Year ended 31 July	
	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	2,908	2,904	3,033	3,033
Non-teaching costs	3,918	3,899	5,213	5,209
Premises costs	1,809	1,808	1,585	1,585
	8,635	8,611	9,831	9,827
Exceptional item	2,471	2,471	0	0
Total	11,106	11,082	9,831	9,827

Other operating expenses include:

	2022	2021
	£'000	£'000
Auditors' remuneration:		
• Financial statements audit	41	41
• Corporation tax returns	3	0
• DFE ITT training bursaries	2	0
• Subcontracting	5	0
Internal audit fees	45	29
Other services provided by the internal auditors	4	12
Hire of assets under operating leases	82	82
ESFA return of prior year funding*	2,471	0
Subcontracted provision	2,038	2,160
Total	4,691	2,324

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

8a Access and Participation Expenditure

	2022	2021
	£'000	£'000
Access investment	149	151
Financial support to students	1	5
Disability support	21	19
Research and evaluation	162	300
Total	333	475

9 Interest and Other Finance Costs – Group and College

	Notes	2022	2021
		£'000	£'000
On finance leases		2	4
Net interest on enhanced pension liability		2	2
Net interest on defined pension liability	21	263	266
Total		267	272

10 Taxation – Group Only

	2022	2021
	£'000	£'000
Provision for deferred corporation tax in the accounts of the subsidiary company	0	45
Release of provision for deferred corporation tax in the accounts of subsidiary company	(45)	
Total	(45)	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.

11 Tangible Fixed Assets (Group and College)

	Land and Buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long Leasehold			
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2021	79,172	0	12,406	230	91,808
Transfers	136		94	(230)	0
Additions	942	0	797	37	1,776
Disposals	0	0	(2)	0	(2)
At 31 July 2022	80,250	0	13,295	37	93,582
Depreciation					
At 1 August 2021	18,402	0	9,880	0	28,282
Charge for the year	1,637	0	1,198	0	2,835
Disposals	0	0	(2)	0	(2)
At 31 July 2022	20,039	0	11,076	0	31,115
Net book value at 31 July 2022	60,211	0	2,219	37	62,467
Net book value at 31 July 2021	60,770	0	2,526	230	63,526

The net book value of equipment includes an amount of £39,162 (2021: £61,540) in respect of assets held under finance leases. The depreciation charge on these assets for the year was £22,378 (2021: £22,378).

12 Non-Current Investments

	College	College
	2022	2021
	£'000	£'000
Other non-current asset investments	4,203	3,270
Total	4,203	3,270

As at the 1st August 2021 the College had an investment of £3.27m in a fund managed by Smith and Williamson LLP. A further investment of £1m was made in September 2021. 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 degree of risk in order to seek to increase the value of the portfolio over the longer term, which assumes that a higher proportion of investments will be made in equities and alternative investments than in cash and bonds. The level of investment is set such that the day to day operations of the College will not be affected by any volatility in its value.

13 Trade and Other Receivables

	Group	College	Group	College
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	944	944	1,320	1,323
Amounts owed by Group undertakings:				
Subsidiary undertakings	0	23	0	35
Associate undertakings	0	0	0	0
Prepayments and accrued income	608	608	801	801
Amounts owed by the ESFA	244	244	0	0
Other receivables	4	4	16	16
Total	1,800	1,823	2,137	2,175



14 Creditors: Amounts Falling Due Within One Year

	Group	College		Group	College
	2022	2022		2021	2021
	£'000	£'000		£'000	£'000
Obligations under finance leases	24	24		23	23
Trade payables	621	621		279	414
Amounts owed to group undertakings:					
Subsidiary undertakings	0	0		0	0
Other taxation and social security	517	466		463	440
Accruals and deferred income	1,620	1,599		2,404	2,406
Deferred income – government capital grants	432	432		400	400
Deferred income – government revenue grants	0	0		0	0
Amounts owed to ESFA	744	744		119	119
Other payables	63	63		57	57
Total	4,021	3,949		3,745	3,859

15 Creditors: Amounts Falling Due After One Year

	Group	College		Group	College
	2022	2022		2021	2021
	£'000	£'000		£'000	£'000
Loans from subsidiaries or associates	0	58		0	58
Obligations under finance leases	14	14		38	38
Deferred income – government capital grants	11,562	11,562		11,947	11,947
Total	11,576	11,634		11,985	12,043



16 Maturity of Debt

Finance Leases

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

	Group	College	Group	College
	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
In one year or less	24	24	23	23
Between two and five years	14	14	38	38
In five years or more	0	0	0	0
Total	38	38	61	61

17 Provisions – Group and College

	Defined Benefit Obligations	Restructuring	Enhanced Pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2021	14,223	0	212	279	14,714
Expenditure in the period	0	0	0	(279)	(279)
Additions in period	(11,718)	0	(24)	131	(11,611)
At 31 July 2022	2,505	0	188	131	2,824

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in note 21.

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:

	2022	2021
Price inflation	2.75%	2.65%
Discount rate	3.3%	1.8%

18 Cash and Cash Equivalents

	At 1 August 2021	Cash flows	Other changes	At 31 July 2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents	8,145	(1,375)	0	6,770
Overdrafts	0	0	0	0
Total	8,145	(1,375)	0	6,770

19 Capital and Other Commitments

	Group and College	
	2022	2021
	£'000	£'000
Commitments contracted for at 31 July	965	868

20 Lease Obligations

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

Future minimum lease payments due

	Group and College	
	2022	2021
	£'000	£'000
Land and buildings		
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	0	0
	0	0
Other		
Not later than one year	82	82
Later than one year and not later than five years	80	100
Later than five years	0	0
	162	182
Total lease payments due	162	182

21 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 2019 and of the LGPS 31 March 2019.

		2022		2021
		£'000		£'000
Total pension cost for the year				
Teachers Pension Scheme: contributions paid		1,103		1,100
Local Government Pension Scheme:				
Contributions paid	970		1,097	
FRS 102 (28) charge	1,155		710	
Charge to the Statement of Comprehensive Income		2,125		1,807
Enhanced pension charge to Statement of Comprehensive Income		(24)		29
Total Pension Cost for Year within Staff Costs		3,204		2,936

Employer and employee contributions amounting to £124,000 (2021: £120,000) payable to the TPS and £85,000 (2021: £95,000) 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 2019. 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 2021-22 academic year.

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

The employer pension costs paid to TPS in the year amounted to £1,103,000 (2021: £1,100,000)

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 £1,199,000, of which employer's contributions totalled £970,000 and employees' contributions totalled £229,000. The agreed contribution rates for future years are 21.0% for the college and range from 5.5% to 12.5% for employees, depending on salary according to a national scale. Under the funding policy, an annual payment of £221,000 is to be made by the College in the year to July 2023 to fund the deficit in the retirement benefit plan.



Defined benefit obligations (continued)

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

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.65%	1.60%
Future pensions increases	2.75%	2.65%
Discount rate for scheme liabilities	3.50%	1.80%
Inflation assumption (CPI)	2.75%	2.65%
Commutation of pensions to lump sums (pre-April 2008 service)	25%	25%
Commutation of pensions to lump sums (post-April 2008 service)	63%	63%

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

	At 31 July 2022 Years	At 31 July 2021 Years
Retiring today		
Males	22.1	22.3
Females	24.5	24.7
Retiring in 20 years		
Males	23.1	23.4
Females	26.2	26.4

	At 31 July 2022 £'000
Sensitivity Analysis – increase in Defined Benefit Obligation	
Discount rate -0.1%	788
CPI rate +0.1%	749



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

	2022	2021
	£'000	£'000
Fair value of plan assets	40,251	40,700
Present value of plan liabilities	(42,756)	(54,923)
Net pensions (liability)/asset (note 17)	(2,505)	(14,223)

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

	2022	2021
	£'000	£'000
Amounts included in staff costs		
Current service cost	1,844	1,555
Past service cost	0	0
Total	1,844	1,555

Amounts included in interest and other costs		
Net interest costs	263	266
	263	266

Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(1,116)	6,863
Experience losses arising on defined benefit obligations	(176)	630
Changes in assumptions underlying the present value of plan liabilities	14,165	(9,680)
Amount recognised in Other Comprehensive Income	12,873	(2,187)

	2022	2021
	£'000	£'000
Movement in net defined benefit (liability)/asset during the year		
Net defined benefit (liability)/asset in scheme at 1 August	(14,223)	(11,326)
Movement in year:		
Current service cost	(1,844)	(1,555)
Employer contributions	952	1,111
Past service cost	0	0
Net interest on the defined (liability)/asset	(263)	(266)
Actuarial gain or loss	12,873	(2,187)
Net defined benefit (liability)/asset at 31 July	(2,505)	(14,223)

Asset and Liability Reconciliation

	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	54,923	44,219
Current service cost	1,844	1,555
Interest cost	995	1,024
Contributions by Scheme participants	227	261
Experience gains and losses on defined benefit obligations	176	(630)
Changes in demographic assumptions	(218)	617
Changes in financial assumptions	(13,947)	9,063
Estimated benefits paid	(1,244)	(1,186)
Past Service cost	0	0
Curtailments and settlements	0	0
Defined benefit obligations at end of period	42,756	54,923
Changes in fair value of plan assets		
Fair value of plan assets at start of period	40,700	32,893
Interest on plan assets	732	758
Return on plan assets	(1,116)	6,863
Employer contributions	947	1,111
Contributions by Scheme participants	227	261
Estimated benefits paid	(1,239)	(1,186)
Fair value of plan assets at end of period	40,251	40,700

22 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 2022, Governors did not receive any reimbursement for travel or subsistence expenses relating to College business (2021: None). No Governor has received any remuneration or waived payments from the college or its subsidiaries during the year (2021: None). The CEO and Principal received reimbursement of £667 for expenses relating to College business (2021: None), and incurred expenditure of £1,439 using the College's credit card for College business (2021: £1,791). The Deputy Principal, Curriculum and Quality received reimbursement of £89 for expenses relating to College business (2021: None). The Chief Financial Officer received reimbursement of £338 for expenses relating to College business (2021: None).

The College has a £22,000 debtor (2021: £34,000) in respect of a loan to the wholly-owned subsidiary Nescot Enterprises Ltd. The debtor is eliminated on consolidation.

23 Events after the reporting period

Post Balance Sheet Events

Following a review by the Office for National Statistics, it has been formally announced, on 29 November 2022, that FE colleges and their subsidiaries will be reclassified as forming part of the central government sector. This reclassification will change the framework in which the College operates. Having reviewed initial guidance from the Department for Education and the Association of Colleges the Governors do not believe this reclassification has an impact on the financial results prepared within these financial statements as conditions arose after the end of the reporting period. The College will continue to be funded and operate in the manner described within the members report and as such no adjustments have been made in regard to this event and any potential impacts will be recognised in future accounting periods.







NescotCollege



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