

South Thames Colleges Group

Report and Financial Statements For the year ended 31 July 2019

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South Thames Colleges Group

Strategic report

Report of the Governing Body

Nature, Objectives and Strategies

The governing body present their annual report together with the financial statements and auditor's report for South Thames Colleges Group for the year ended 31 July 2019.

Legal status

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

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

At the point of merger, Kingston and Sutton Educational Partnership Ltd (joint venture company that provided services to Kingston and Carshalton Colleges under a shared services agreement up to 31 July 2017) became a wholly owned subsidiary of the College. All staff employed by the Company transferred to the parent College on 1 August 2017, and the Company ceased trading on the same date.

Mission and values

Governors reviewed the College's mission during 2018/19 and in December 2018 adopted a revised mission statement and vision as follows, also setting in place new targets for the Group:

Mission

To ensure all our students and partners succeed and progress, making their prospects better.

Vision

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

We will do this by excelling at what we do every day: delivering great outcomes for young people and adults of all backgrounds and abilities to make sure their life chances are improved. This will require exemplary teaching, learning and support, close partnership across the region and very well-managed resources with sustainable finances.

We will base our work around our commitment to public service and all the values that come with it.

We will make sure that people from all walks of life and all ability levels are welcome here and can thrive. We expect them all to commit to their learning, to achieve and then progress to the future of their choice. We will provide great resources, teaching and support to help them to do so.

... act as an effective partner, working with our stakeholders across South London to help them flourish, developing their work and expanding their businesses with us alongside them. We will engage with opportunities to grow, nationally, regionally and in our local neighbourhoods.

And we will commit to high standards of employment practice, working closely with our colleagues to improve and develop the organisation, promoting wellbeing while we strengthen the Group's performance.

Six key targets

We will measure the success of this strategy over its three-year life-span. By the end of 2021, we will have achieved:

1. Consistently good or better outcomes across the Group
2. A proactive approach to wellbeing for staff and students
3. Effective and comprehensive support for students' development and progression
4. Active engagement with partners, innovations and opportunities
5. A review of our curriculum, with paths to growth and innovation identified
6. Good or better financial health combined with substantial investment in our buildings

Public Benefit

South Thames Colleges Group is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15 and 16.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. 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.

As stated above, the College's current Mission provides that "We will base our work around our commitment to public service and all the values that come with it."

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

- High-quality teaching and excellent student outcomes
- Widening participation and tackling social exclusion
- High rates of progression for students into further learning or employment
- Strong student support systems
- Links with employers, industry and commerce

The College's historic approach to the delivery of public benefit is set out below in an extract from the Kingston/Carshalton 2013-16 Strategic Plan, 'Better Together':

The Federation of Kingston College and Carshalton College is committed to the delivery of tangible public value in its work.

The Federation's mission is to underpin employment, social mobility and economic inclusion through high quality Further and Higher Education. We understand that the provision of learning to the public has a distinct moral purpose and should make a difference to the

futures of the people who study with us. We therefore see it as our duty to uphold this responsibility and make sure that all of our business operations are yoked to this purpose.

We will achieve this through two sets of practices:

- *Ethical, values-based work guided by clear principles of operation to ensure that we make choices that will lead to social benefit*
- *Management of resources and curriculum that has direct economic benefit to the Federation's institutions, our students, our partners and the wider community*

The first of these approaches is set out at the beginning of our new strategic plan, in which the Federation commits itself to managing the current challenges of the time in a way that continues deliver benefit to students and employers in our region. The strategic plan reaffirms the values of the Federation:

- *Versatility – our and our students' ability to adapt to the world*
- *Opportunity – taking and making chances to progress and improve*
- *Inclusion – securing the best for everyone in our community*
- *Choice – knowing our students and partners choose us over others*
- *Excellence – doing what we do very very well*

We wish to be held accountable for our adherence to these values in our work. The impact of these principles on our behaviour and decisions will be assessed by our Governors. Our own reviews of our activity will also focus on these attributes and we will now report on our success in securing these values in our self-assessment report each year.

The second approach is to ensure that we can quantify the financial through-put of public and private finances in enhancing the skills of our student, securing jobs and delivering meaningful capital investment to improve facilities for our stakeholders. It is our intention to secure good value for both public and private expenditure through the Federation and to demonstrate the worth of the Colleges' activities.

This way of working will enable us to measure the values of different streams of income coming into the Federation and those of its outputs, allowing us to consider issues of efficiency and student destinations in a more transparent way. It will also help us to understand where we can potentially secure greater value and improve the outcomes for the people using our services. We will also use satisfaction ratings gathered for us by the Government to evaluate the qualitative impact of our work.

In order to share this information with the Federation's stakeholders in a transparent and clear way, we will develop a scorecard to depict the Federations' success in attracting income and then using that income to generate progression and employment for our students. We will publish this as part of our self-assessment process in 2013 and link it to work in this and other public sectors in developing scorecards for our activity.

Despite dating six years from its original adoption and the reduced emphasis for explicit and separate public benefit statements, the spirit of this statement has held true for the Group during the period of the merger. It will be timely to review and update this approach during 2019/20.

Since this statement was made, the College has worked on a number of projects to develop measures and examples of public value and social benefit, continuing through the merger to

influence the operations of the Group and drawing on the work of the other colleges becoming part of the merged Group:

- Participation in the national MIDES project designed to ascribe an economic value to the achievements delivered each year (the first experimental data from this process sets the College's Net Present Value at £138,821,000 and this will be reported on and analysed in more detail as the reporting for this measure becomes more refined, although no new data has been made available at the time of writing)
- Increased focus on learner destinations and detailed metrics developed to report on students' economic participation post-College. This approach was noted and praised by Ofsted and is being developed further for 2019/20; 2018 data shows the proportion of students with a positive destination at 91.7% for the merged South Thames Colleges Group, up from the previous year's score of 91%
- Strong emphasis on our enrichment curriculum to diversify students' experience and provide opportunities for volunteering, project activity and community engagement; the Group has also placed particular emphasis on the expansion and development of work experience opportunities, especially for younger students and has benefited for the past two years from additional Government investment through its Capacity Development Fund in this area
- An active focus on the protection of students from safeguarding and radicalisation risks
- Contribution to significant public projects, such as the establishment of the new Free School in North Kingston, The Kingston Academy, in partnership with Kingston University and the Royal Borough of Kingston-upon-Thames
- Participation in skills competitions, such as World Skills
- Project activity, such as the pilot of the new T Level industrial placement scheme and significant European Social Fund projects, such as the Careers Cluster initiative, both led by South Thames College from before the merger
- The merger itself has generated public benefit by creating a consolidated institution, better able to reduce cost and invest in its key priorities and making for a more resilient organisation in the context of straitened public finances

Resources

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

The Group employs 859 people (expressed as full-time equivalents), of whom 511 are teaching staff.

During 2018/19, the Group enrolled approximately 32,000 students. The college's student population includes 5,200 16-to-18-year-old students, 1,100 apprentices, 1,300 higher education students, 17,000 adult learners in directly-funded provision and 7,000 adult learners in the two adult education contracts delivered by the Group for Wandsworth and Merton Councils.

The Group has £23 million of net assets (including £45 million pension liability) and long-term debt of £14.2 million. Tangible resources include six main sites across South London.

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

Stakeholders

The College has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions;
- the employers it works with;
- the professional organisation in the sectors where it works;
- its partner schools, especially the school of which it is a sponsor, The Kingston Academy
- its partner universities, especially Kingston University
- the wider college community through various associations and memberships, such as the AoC and Collab Group
- the four local borough councils in Kingston, Merton, Sutton and Wandsworth
- the Greater London Authority
- Government offices, such as the DfE and ESFA, with which the Group works closely
- regulatory bodies, such as Ofsted

DEVELOPMENT AND PERFORMANCE

Financial Results

The College generated a deficit of £3.7 million for the year ended 31 July 2019 (2018: restated deficit of £7.4 million). The EBITDA of £5.3 million for the year ended 31 July 2019 is a significant improvement on the £2.1 million achieved in the year ended 31 July 2018.

The implementation of financial control measures across the Group during the first year of operations as a merged College (2017/18) has delivered improved financial performance across all of the Colleges within the Group in 2018/19. At the end of the first year, the College underwent a major institutional review in order to align staffing to activity levels. As a result, the staff cost ratio improved from 66.01% in 2017/18 to 62.72% in 2018/19. Based on the ESFA's financial health measures, the College is in 'Good' financial health with the financial health score for 2018/19 falling only marginally below 240 and 'outstanding' financial health. The embedding of these financial control measures is expected to maintain good financial health throughout the current two-year financial plan period. The results for the year ended 31 July 2019 are stated after restructuring costs of £0.7 million.

The College's Estates Strategy seeks to improve the quality of accommodation and facilities as well as align capacity to the space requirement and reduce operating costs. At the end of 2018/19, the College disposed of 20% of the Wandsworth campus. As the proceeds are payable in 2019/20, these are included in debtors at 31 July 2019. The book value of the property was significantly overstated as at 31 July 2017, because major refurbishment costs of £100 million incurred between 2009 and 2011 capitalised at the time did not represent an increase in market value. A valuation carried out in 2016/17 confirmed the overstatement and an impairment loss in 2016/17 has been recognised as a prior year adjustment in 2018/19. Note 20 provides details of the prior year adjustment. The net impact of impairment is a net reduction of £29.5 million in net assets at 1 August 2018 reported last year.

Developments

The College developed its Estates Strategy for all sites across the Group during 2017/18 and this was refined further during 2018/19, during which parts of the estate were put up for sale, with these transactions due to be completed during 2019/20. No major capital projects

undertaken during the financial year and the College will seek to build reserves through the generation of operating cash flows as well as the disposal of surplus accommodation before it embarks on the next phase of its major investment programme. Capital investment during the year was mainly limited to refurbishment works and IT and other equipment purchases.

Reserves

The Group has accumulated reserves of £23,264,000 (Income and expenditure reserves of £14,277,000 and revaluation reserves of £8,987,000) and cash balance of £11,240,000. The Group seeks to continue to accumulate reserves and cash balances in order to retain a safety net as well as to fund future capital development.

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2018/19, the FE and HE funding bodies provided 73% of the Group's total income (69% in 2017/18).

Group companies

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

Any surpluses generated by the subsidiary companies are gift aided to the parent College. KCTC Limited generated a surplus of £120,000 for the year ended 31 July 2019.

KSEP Ltd previously employed a number of staff who provided business support services to Kingston and Carshalton Colleges. The Company was a joint venture between the two Colleges, neither of which had a controlling interest in the Company. All staff employed by the Company transferred to South Thames Colleges Group on 1 August 2017 and the Company ceased trading on this date.

Academic performance

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

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

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

- results across the different Colleges in the Group were too disparate
- English and Maths achievement and high grades were too low
- the quality of teaching and learning was too variable

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

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

Overall Education & Training:

College	Hybrid End	Starts	Leavers Overall	Ach Overall	Ach Overall %	Nat Ach Overall %	Ach % - Nat %
STC	18/19	16,058	15,915	14,506	91.1	84.4	6.7
MER	18/19	3,125	3,053	2,730	89.4	84.4	5.0
KIN	18/19	7,209	7,122	6,134	86.1	84.4	1.7
CAR	18/19	2,078	1,954	1,583	81.0	84.4	-3.4
		28,470	28,044	24,953	89.0	84.4	4.6

16-19:

College	Hybrid End	Starts	Leavers Overall	Ach Overall	Ach Overall %	Nat Ach Overall %	Ach % - Nat %
STC	18/19	2,073	2,048	1,820	88.9	81.5	7.4
MER	18/19	1,566	1,551	1,357	87.5	81.5	6.0
KIN	18/19	5,625	5,543	4,696	84.7	81.5	3.2
CAR	18/19	1,725	1,632	1,333	81.7	81.5	0.2
		10,989	10,774	9,206	85.4	81.5	3.9

Adult:

College	Hybrid End	Starts	Leavers Overall	Ach Overall	Ach Overall %	Nat Ach Overall %	Ach % - Nat %
STC	18/19	13,985	13,867	12,686	91.5	87.9	3.6
MER	18/19	1,559	1,502	1,373	91.4	87.9	3.5
KIN	18/19	1,584	1,579	1,438	91.1	87.9	3.2
CAR	18/19	353	322	250	77.6	87.9	-10.3
		17,481	17,270	15,747	91.2	87.9	3.3

However, the Group's Apprenticeship provision has not made such consistent progress and elements of this work have failed to improve significantly over the past year, especially at South Thames College and through our subcontracted activity. More work is needed here to secure whole-Group improvements and there will be significant reductions in our sub-contracted Apprenticeship activity in 2019/20 as well as a concerted intervention in areas where standards of delivery are not yet good enough:

Apprenticeships:

College	Hybrid End	Leavers	Fwrk Ach	Fwrk Ach %	Nat Ach Overall %	Ach % - Nat %
-	18/19	27	16	59.3	69.1	-9.8
CAR	18/19	132	90	68.2	69.1	-0.9
KIN	18/19	87	72	82.8	69.1	13.7
MER	18/19	6	0	0.0	69.1	-69.1
STC	18/19	154	91	59.1	69.1	-10
		406	269	66.3	69.1	-2.8

Of particular note is the progress made by the Group in the delivery of English and Maths. This is a requirement on all colleges and a condition of funding for their 16-18 Study Programmes, meaning that all young people attending an FE College must retake their English and Maths if they don't already have a grade C or grade 4 in the new grading methodology introduced in 2016. Most colleges struggle to do this well and the national average for the proportion of young people retaking their English and Maths and achieving a grade 4 or above is between 20% and 30%; the four Colleges drawn together in the merger are no exception, but continued improvement, building on the progress in 2017/18 and combining changes in teaching methods and stricter approaches to exam attendance saw a further move forward, both in raw achievement rates and in high grades:

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

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

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

The Group has also reviewed its historical subcontracting activities and in 2019/20 will significantly reduce or eliminate this work; any residual subcontracted delivery will be repurchased in line with the Group's new curriculum strategy.

FUTURE PROSPECTS

Developments

The Group has invested in its facilities over a number of years, and engaged proactively with the Area Review Process that led to the merger of Kingston, South Thames and Carshalton Colleges on 1 August 2017. The merger was intended to secure a strategic solution to the sectoral challenges faced by all three Colleges and eliminate some over-supply in the local FE marketplace. In particular, the duplication in the curriculum provision spanning both Merton and Carshalton Colleges, so very near each other, was eliminated during the Summer of 2018. The merged College is continuously seeking to improve efficiency and resource utilisation across all its campuses and performance to date indicates that the College is on route to achieving this.

Financial plan

The College governors approved a two year financial plan in July 2019 which sets objectives for the two years ending 31 July 2021.

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

At the point of merger on 1 August 2017, the existing borrowings of South Thames and Kingston Colleges were consolidated into one loan. Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

The timing of the property disposal has distorted the operating cash flow for the year. The contract for disposal was exchanged on 30 July 2019, but funds were transferred after 31 July. The proceeds due at year-end are included in debtors and the costs of disposal are included in creditors. Excluding the impact of the disposal, the net cash flow from operating activities was £3.82 million. This is a 125% improvement on the £1.7 million achieved in the first year of trading as a merged entity (2017/18). The budgets and forecasts for 2019/20 indicate that the cash flow from operating activities will improve to £4.5 million next year.

The Group has not entered into any new loan agreements during the year. The Loan facility agreement for the long term debt requires the Group to maintain a minimum cash balance of £5 million at the end of each year throughout the life of the loan. The Group has set its own minimum average cash balance target of £7.5 million in order to provide a safety net against cash flow risks.

The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. This margin was maintained comfortably during the year.

Reserves

The Group has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The Group's Financial Policy sets parameters for capital investment, minimum cash balance and EBITDA generation. A minimum percentage

target for EBITDA (percentage of income) is set each year as part of the budget setting process.

The EBITDA target for 2018/19 was 7.5% (£4.97 million). The actual EBITDA of £5.33 million was a 7% improvement on the target for the year. The income and expenditure reserve balance at 31 July 2019 was significantly affected by the loss on disposal of part of the Wandsworth campus and the impairment loss on the remaining asset. This is set out in detail under 'financial results' above.

The Financial Policy also requires the Group to maintain a minimum year end cash reserves of £7.5 million and an average cash balance of £5 million. The Group takes a risk based approach to its reserves target each year and environmental volatility or poor financial performance may increase the minimum average cash balance by up to 75% from the base requirement of £5 million. The purpose of this target is to build up sufficient reserves to enable further investments in accommodation and teaching resources.

Going concern

After making appropriate enquiries, the Corporation considers that the 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.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management

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

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

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

1. Funding and income levels

The Group has considerable reliance on funding for 16-18 year olds, and about 50% of total income in 2018-19 was derived from this student cohort. The Group recognises the risk that recruitment will be affected by competition from other

providers including schools, and insufficient internal progression and retention. The risk is mitigated through curriculum planning, internal delivery targets set above funding targets, internal marketing targeted at improving progression and the development of curriculum clusters aimed at maintaining quality and reputation. The Group has seen gentle but constant decline in 16-18 recruitment over the past three years and this has given the Group a considerable challenge in consolidating to a level of activity that is affordable and based on reliable and stable student numbers. HE recruitment continues to be a significant concern, but this pressure has been mitigated successfully in 2017/18 through efficiency measures and contingency planning, although the withdrawal of some key collaborative programmes from Autumn 2018 has created further pressure on the Group to reduce costs and find growth elsewhere. Apprenticeship recruitment has also proven to be unreliable as the new levy system establishes itself slowly. The recruitment of High Needs Students is generating growth, but the profitability of this work is limited and stronger Group systems to manage and claim funding for these students are needed to make this area fully effective.

2. Cost efficiency

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

3. Quality improvement

The progress seen in student achievement rates during 2018/19 are commendable. There remain a few curriculum areas within the Group where performance is not yet at an acceptable level and the Group faces a small and diminishing risk of an adverse judgement from an inspection or other external review if this weak performance is not effectively and decisively addressed. Data for 2018/19 shows that Apprenticeships improved and mitigated the risk of a critical opinion of this area of work.

KEY PERFORMANCE INDICATORS

Financial performance indicators

	2018/19		2017/18
	Actual	Target	Actual
Sector EBITDA as % of income	8.12%	7.50%	3.10%
Staff costs (excluding restructuring) as % of income	62.72%	62.10%	66.01%
Cash balance	£11.2M	>£7.5M	£10.4M
Cash days in hand	62.5	41.3	57.3
Adjusted current ratio	1.75	1.28	1.14
Borrowing as % of income	22.9%	<25%	23.8%

Reliance on ESFA income	72.1%	76.6%	67.5%
Financial Health Score	230	>180	150

Performance against bank covenants

	Bank target	Actual
Operational leverage covenant Ratio of borrowings to EBITDA less than	3.75:1	2.82:1
Debt Service covenant Cash flow : debt servicing cost	>100%	>100%
Security cover covenant Property value: loan	140%	>140%
Minimum Cash balance covenant	£5 million	£11.2 million

OTHER INFORMATION

Equality

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

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

- equality of opportunity is embedded in all policies, practices, decision making and evaluation processes;
- we actively promote access to learning programmes and services for all our learners and potential clients to enable them to improve their skills, to make progress and be successful in realising their ambitions;
- we create a visibly diverse environment which values and celebrates difference and raises the aspiration of existing and potential learners;
- we develop a staff profile, management team and governing body which are commensurate with the above;
- we provide services which are effective in recognising and assessing the specific needs of individuals and ensuring that the right kinds of support and interventions are provided to meet these needs;
- we tackle discrimination, whether direct or indirect, and ensure that we have well understood and well used procedures for challenging all forms of discrimination, harassment, bullying and other unacceptable behaviour;
- we promote an ethos within the Group whereby all learners and members of staff respect the views, values, culture and beliefs of others - regardless of ethnicity, national origin, gender, sexual orientation, marital status, religious beliefs, political affiliation, age, social class, disability, trade union membership or non-membership, employment status, role as a parent, guardian or carer, or whether someone has a criminal record;
- all governors and staff are clear about the Group's standards and strategies to meet diverse learner needs and are equipped to respond effectively;
- we undertake rigorous and open monitoring of learner and staff performance and experience to identify and act on equality gaps;
- we develop comprehensive feedback systems to capture the views and perceptions of learners, staff, governors and stakeholders about how well we do things and what we could

improve. We will remain alert to patterns of inequality and related concerns which are not identified through statistical monitoring tools;

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

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

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

DISABILITY STATEMENT

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

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

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the Group to publish information on facility time arrangements for trade union officials at the Group. The trade union facility time for 1 April 2018 to 31 March 2019 is set out below.

Numbers of employees who were relevant period	FTE employee number
24	22.6

Percentage of time	Number of employees
--------------------	---------------------

0%	0
1-50%	24
51-99%	0
100%	0

Total cost of facility time	75,675
Total pay bill	35,764,141
Percentage of total bill spent on facility time	0.22%

Time spent on paid trade union activities as a percentage of total paid facility time	100
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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 2018 to 31 July 2019, the College paid 96 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

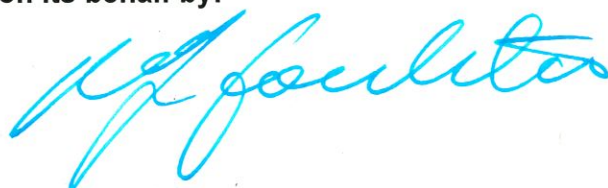
EVENTS AFTER THE REPORTING PERIOD

There are no significant post balance sheet events to report.

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 10th December 2019 and signed on its behalf by:



Robert Foulston
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 July 2019 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2016.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they 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 Corporation					
The governors who served on the Corporation during the year and up to the date of signature of this report were as listed in the table below.					
Name	Date Appointed/ Re-Appointed	End date for Term of office	Date resigned	Committees served	Corporation & Committee Meeting attendance from 1/8/18 to 31/7/19
Chair (until 31.7.19)					
Mr G. Allen	10.7.17	31.07.2020		Finance Planning & Resources, Search & Governance , (attends Remuneration) , Estates Sub-Committee	19 of 19 : 100%
Chair (from 01.08.19)					
Mr R. Foulston (Vice-Chair until 31.7.19)	01.05.16	31.07.2023		Audit	6 of 9 : 67%
Two Vice-Chairs					
Dr. J Brumwell	01.04.17	31.07.2023		Finance Planning & Resources, Remuneration, Special, Safeguarding, Estates Sub-Committee	19 of 22 : 86%
Ms K. Driver (from 01.08.19)	10.7.17	31.07.2021		Audit	7 of 9 : 78%
Other general members					
Mr J. Azah	01.04.17	31.07.2021		Safeguarding, Quality Learning & Standards	2 of 13 : 15%

The Corporation

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

Name	Date Appointed/ Re-Appointed	End date for Term of office	Date resigned	Committees served	Corporation & Committee Meeting attendance from 1/8/18 to 31/7/19
Mr M. Bristow	10.7.17	31.07.2021		Quality Learning & Standards	7 of 10 : 70%
Mr T. Byrne-Price	10.7.17	31.07.2021		Audit, Special	4 of 9 : 44%
Mr D. Cheema	06.07.14	31.07.2021		Finance Planning & Resources, Quality Learning & Standards, Special, Remuneration, Estates Sub-Committee	14 of 20 : 70%
Cllr J Cook	16.10.19	31.07.2023		Audit	Appointed 16.10.19
Cllr B. Fraser	10.7.17	31.07.2023		Quality Learning & Standards, Remuneration	11 of 12 : 92%
Mr E. Gilbert	01.04.16	31.07.2019		Finance Planning & Resources	8 of 12 : 67%
Cllr S.Gordon	10.7.17	31.07.2021		Search & Governance, Safeguarding	10 of 12 : 83%
Mr J. Hick	10.7.17	31.07.2020	04.09.19	Finance Planning & Resources, Search & Governance, Estates Sub-Committee	15 of 16 : 94%
Mr K. Hossain	10.7.17	31.07.2021	07.05.19	Finance Planning & Resources, Search	1 of 11 : 9%
Dr J. McSherry	01.04.18	31.03.2022		Safeguarding	5 of 9 : 56%
Mr N. Ratnaveil	10.7.17	31.07.2021		Audit	8 of 9 : 89%
Dr P Reid	27.02.19	26.02.2023		Quality Learning & Standards	2 of 5 : 40%
Mr M. J. Stone	14.05.19	31.05.2023		Quality Learning & Standards, Audit	4 of 4 : 100%
Dr C. Wilks	29.09.17	28.09.2021	21.12.18	Quality Learning & Standards,	2 of 5: 40%
Mr G Willett	01.05.16	31.07.2023		Quality Learning & Standards	10 of 10 : 100%
Staff member					
Ms J Murphy	25.09.17	24.09.2021		Safeguarding	8 of 9 : 89%
Student member					
Vacancy					
Group Principal / CEO					
Mr P Mayhew-Smith	01.04.10			Finance Planning & Resources, Search, Quality Learning & Standards, Safeguarding	23 of 24 : 96%

Head of Governance

Mrs H Meredith (appointed 1 September 2017)

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and

safety and environmental issues. The Corporation meets each term – usually more often than once a term.

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

Kingston College
Kingston Hall Road
Kingston upon Thames
KT1 2AQ

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

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

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent 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 apart from the elected positions for staff and student governors. The Corporation has a Search and Governance committee, consisting of six members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Corporation performance

The Corporation carried out a self assessment of its own performance for the year ended 31st July 2019 and graded itself as "good" on the Ofsted scale

Remuneration Committee

Throughout the year ending 31 July 2019 the College's Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post holders (some of who are also the College's key management personnel).

Details of remuneration for the year ended 31 July 2019 are set out in note 7 to the financial statements.

Audit Committee

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

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

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

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

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Thames Colleges Group for the year ended 31 July 2019 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

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

Review of effectiveness

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

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the reporting accountant for regularity assurance, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

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

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and

other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2019.

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"*.

Going concern


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

The College achieved Earning before Interest, Tax, Depreciation and Amortisation (EBITDA) of £5,329,000 (2018: £2,070,000) and 'Good' financial health for the year ended 31 July 2019. The cash balance at year end is healthy at £11.2 million. Following the merger between Kingston, Carshalton and South Thames Colleges and KSEP Ltd on 1 August 2017, the College continues to embed consistent financial management processes and controls across all areas of the Group and financial performance has improved. The forecasts for 2019/20 indicate that a financial health grade of at least 'Good' will be maintained.

Approved by order of the members of the Corporation on 10 December 2019 and signed on its behalf by:



Robert Foulston
Chair
10 December 2019



Peter Mayhew-Smith
Accounting Officer
10 December 2019

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 College's grant funding agreement and contract with the ESFA. As part of our consideration we have had due regard to the requirements of the funding agreement.

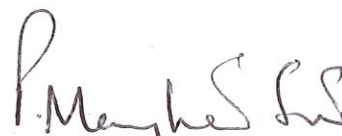
We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's funding agreement and contract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

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



Robert Foulston
Chair

10 December 2019



Peter Mayhew-Smith
Accounting Officer

10 December 2019

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education*, ESFA's *College Accounts Direction* and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and the result for that period.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation including 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 in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 10 December 2019 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'R Foulston', written in a cursive style.

Robert Foulston
Chair

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

Opinion

We have audited the financial statements of South Thames Colleges Group (the 'College') and its subsidiaries (the 'group') for the year ended 31 July 2019 which comprise the group statement of comprehensive income, the group and parent college statement of changes in reserves and balance sheets, the group statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the College's affairs as at 31 July 2019 and of the group's deficit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the members of the Corporation

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

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

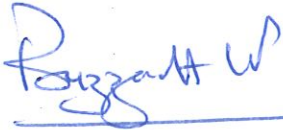
Auditor's responsibilities for the audit of the financial statements

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



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

18 December 2019

Reporting Accountant's Assurance report on Regularity to the Corporation of South Thames Colleges Group and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 16 June 2018 and further to the requirements of the funding agreement with the ESFA 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 South Thames Colleges Group during the period 1 August 2018 to 31 July 2019 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 Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

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

Respective responsibilities of the Corporation of South Thames Colleges Group and the reporting accountant

The Corporation of South Thames Colleges Group is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received 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 2018 to 31 July 2019 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 Department. We performed a limited assurance engagement as defined in that framework.

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

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

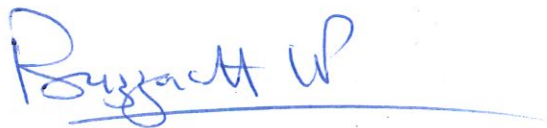
Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the College's income and expenditure.

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP

Chartered Accountants
130 Wood Street
London
EC2V 6DL

18 December 2019

South Thames Colleges Group
Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July		Restated Year ended 31 July	
		2019	2019	2018	2018
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	49,159	49,159	46,989	46,989
Tuition fees and education contracts	3	14,605	14,605	17,194	17,194
Other income	4	3,061	2,927	3,534	3,399
Investment income	5	19	19	3	3
Donations	6	-	120	-	121
Total income		66,844	66,830	67,720	67,706
EXPENDITURE					
Staff costs	7	44,901	44,901	48,254	48,254
Other operating expenses	8	18,394	18,380	18,446	18,432
Depreciation	10	5,893	5,893	6,178	6,178
Interest and other finance costs	9	1,996	1,996	2,205	2,205
Total expenditure		71,184	71,170	75,083	75,069
Deficit before other gains and losses		(4,340)	(4,340)	(7,363)	(7,363)
Profit on disposal of assets	10	660	660	-	-
Deficit for the year		(3,680)	(3,680)	(7,363)	(7,363)
Actuarial (loss)/gain in respect of pension schemes	16	(3,291)	(3,291)	9,130	9,130
Total Comprehensive (expenditure)/Income for the year		(6,971)	(6,971)	1,767	1,767
Represented by:					
Unrestricted Comprehensive(expenditure)/Income		(6,971)	(6,971)	1,767	1,767

The depreciation charge and deferred capital grants released to income (Funding body grants) in the year ended 31 July 2018 have been restated based on revised values after accounting for an impairment loss as at 31 July 2017 (note 20).

South Thames Colleges Group
Statements of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2017 as previously stated	46,841	11,781	58,622
Prior year adjustment (note 20)	(28,756)	(1,398)	(30,154)
Balance at 1st August 2017 restated	<u>18,085</u>	<u>10,383</u>	<u>28,468</u>
Deficit from the income and expenditure account	(7,363)	-	(7,363)
Other comprehensive income	9,130	-	9,130
Transfers between revaluation and income and expenditure reserves	698	(698)	-
Total comprehensive income/(expenditure) for the year	<u>2,465</u>	<u>(698)</u>	<u>1,767</u>
Balance at 31st July 2018 restated (note 20)	<u>20,550</u>	<u>9,685</u>	<u>30,235</u>
Deficit from the income and expenditure account	(3,680)	-	(3,680)
Other comprehensive expenditure	(3,291)	-	(3,291)
Transfers between revaluation and income and expenditure reserves	698	(698)	-
Total comprehensive expenditure for the year	<u>(6,273)</u>	<u>(698)</u>	<u>(6,971)</u>
Balance at 31st July 2019	<u><u>14,277</u></u>	<u><u>8,987</u></u>	<u><u>23,264</u></u>
College			
Balance at 1st August 2017 as previously stated	49,650	11,781	61,431
Prior year adjustment (note 20)	(28,756)	(1,398)	(30,154)
Balance at 1st August 2017 restated	<u>20,894</u>	<u>10,383</u>	<u>31,277</u>
Deficit from the income and expenditure account	(7,363)	-	(7,363)
Other comprehensive income	9,130	-	9,130
Transfer of pension liability brought forward by subsidiary	(2,813)		(2,813)
Transfers between revaluation and income and expenditure reserves	698	(698)	-
Total comprehensive expenditure for the year	<u>(348)</u>	<u>(698)</u>	<u>(1,046)</u>
Balance at 31st July 2018 restated (note 20)	<u>20,546</u>	<u>9,685</u>	<u>30,231</u>
Deficit from the income and expenditure account	(3,680)	-	(3,680)
Other comprehensive expenditure	(3,291)	-	(3,291)
Transfers between revaluation and income and expenditure reserves	698	(698)	-
Total comprehensive expenditure for the year	<u>(6,273)</u>	<u>(698)</u>	<u>(6,971)</u>
Balance at 31st July 2019	<u><u>14,273</u></u>	<u><u>8,987</u></u>	<u><u>23,260</u></u>

South Thames Colleges Group
Balance sheets as at 31 July

	Notes	Restated (note 20)			
		Group	College	Group	College
		2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible fixed assets	10	114,397	114,397	124,234	124,234
		114,397	114,397	124,234	124,234
Current assets					
Stocks		10	10	10	10
Trade and other receivables	12	7,030	7,268	3,089	3,921
Cash and cash equivalents	17	11,240	10,990	10,435	9,543
		18,280	18,268	13,534	13,474
Less: Creditors – amounts falling due within one year	13	(13,166)	(13,158)	(14,932)	(14,916)
Net current assets/(liabilities)		5,114	5,110	(1,398)	(1,442)
Total assets less current liabilities		119,511	119,507	122,836	122,792
Less: Creditors – amounts falling due after more than one year	14	(46,834)	(46,834)	(51,065)	(51,065)
Provisions					
Defined benefit obligations	16	(44,917)	(44,917)	(37,601)	(37,601)
Other provisions	16	(4,496)	(4,496)	(3,935)	(3,895)
Total net assets		23,264	23,260	30,235	30,231
Unrestricted reserves					
Income and expenditure account		14,277	14,273	20,550	20,546
Revaluation reserve	20	8,987	8,987	9,685	9,685
Total unrestricted reserves		23,264	23,260	30,235	30,231

The financial statements on pages 29 to 56 were approved and authorised for issue by the Corporation on 10 December 2019 and were signed on its behalf on that date by:


Robert Foulston
Chair


Peter Mayhew-Smith
Accounting Officer

South Thames Colleges Group
Consolidated Statement of Cash Flows

	Notes	2019 £'000	Restated 2018 £'000
Cash flows from operating activities			
Deficit for the year		(3,680)	(7,363)
Adjustment for non cash items			
Depreciation		5,893	6,178
Increase in debtors		(3,941)	(702)
(Decrease)/increase in creditors due within one year		(1,775)	1,518
Decrease in creditors due after one year		(910)	(2,239)
Increase/(decrease) in provisions		233	(120)
Pension costs less contributions payable		4,353	3,657
Adjustment for investing or financing activities			
Investment income		(19)	(3)
Interest payable		777	802
Profit on sale of fixed assets		(660)	-
Net cash flow from operating activities		<u>271</u>	<u>1,728</u>
Cash flows from investing activities			
Investment income		19	3
Proceeds from sale of fixed assets		3,380	-
Payments made to acquire fixed assets		(1,295)	(2,464)
		<u>2,104</u>	<u>(2,461)</u>
Cash flows from financing activities			
Interest paid		(777)	(802)
Repayments of amounts borrowed		(793)	(660)
		<u>(1,570)</u>	<u>(1,462)</u>
Increase in cash and cash equivalents in the year		805	(2,195)
Cash and cash equivalents at beginning of the year	17	10,435	12,630
Cash and cash equivalents at end of the year		<u>11,240</u>	<u>10,435</u>

South Thames Colleges Group

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018 to 2019* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, KCTC Limited and KSEP Ltd. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2019.

Going concern

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

The College had loans of £15 million outstanding with bankers as at 31 July 2019. The borrowings are secured and made up of facilities of £6.8 million repayable over 13 years and £8.2 million over 20 years (with a review date in 5 years) commencing 1 August 2017.

The College met the loan covenants for the year ended 31 July 2019 and the forecasts and financial projections indicate that it will be able to operate within this facility and covenants for the foreseeable future. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

The College has net current assets at 31 July 2019 and creditors payable within one year include a holiday pay accrual and deferred capital grants (total of £2.7 million) for which payments are not required.

South Thames Colleges Group

Recognition of income

Revenue Grant funding

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

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

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

Capital Grant Funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. The College does not have any capital grants from non-government sources. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee Income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment Income

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

Agency arrangements

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

Accounting for post-employment benefits

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

South Thames Colleges Group

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

London Pension Fund Authority Local Government Pension Scheme (LGPS)

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

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

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the college annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years, a charge is made to the statement of comprehensive income using the enhanced pension spreadsheet provided by the Funding Body.

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

South Thames Colleges Group

Land and buildings

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life as follows

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

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to expenditure in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Equipment

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

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

Motor vehicles– 4 years on a straight-line basis

Computer equipment – 4 years on a straight-line basis

Other equipment – 6 years on a straight-line basis

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

South Thames Colleges Group

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. The College has no finance leases or hire purchase agreements

Investments in subsidiaries

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

Inventories

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

Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The college's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when

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

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

South Thames Colleges Group

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

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following 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 College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

South Thames Colleges Group
Notes to the Accounts (continued)

2 Funding Body grants

	Year ended 31 July		Restated Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	13,466	13,466	12,817	12,817
Education and Skills Funding Agency - 16 - 18	30,839	30,839	29,762	29,762
Education and Skills Funding Agency - apprenticeships	2,779	2,779	2,274	2,274
Other Funding Body Grants	201	201	-	-
Office for Students	643	643	878	878
Specific Grants				
Releases of government capital grants (see note 20)	1,231	1,231	1,258	1,258
Total	49,159	49,159	46,989	46,989

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees (including full cost)	2,507	2,507	3,067	3,067
Apprenticeship fees and contracts	122	122	-	-
Fees for FE loan supported courses	1,295	1,295	1,621	1,621
Fees for HE loan supported courses	3,303	3,303	4,231	4,231
International students fees	407	407	534	534
Total tuition fees	7,634	7,634	9,453	9,453
Education contracts	6,971	6,971	7,741	7,741
Total	14,605	14,605	17,194	17,194

South Thames Colleges Group
Notes to the Accounts (continued)

4 Other income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	944	944	883	883
Other income generating activities	1,453	1,319	1,563	1,428
Other Grants	604	604	724	724
Miscellaneous income	60	60	364	364
	<hr/>		<hr/>	
Total	3,061	2,927	3,534	3,399
	<hr/>		<hr/>	

5 Investment income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Interest receivable	19	19	3	3
	<hr/>		<hr/>	
	19	19	3	3
	<hr/>		<hr/>	

6 Donations - College only

	Year ended 31 July	
	2019	2018
	£'000	£'000
Unrestricted donations (Gift Aid from subsidiary company KCTC Ltd)	120	121
	<hr/>	
Total	120	121
	<hr/>	

South Thames Colleges Group Notes to the Accounts (continued)

7 Staff costs - Group and College

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

	2019 No.	2018 No.
Teaching staff	511	590
Non teaching staff	348	384
	859	974

Staff costs for the above persons

	2019 £'000	2018 £'000
Wages and salaries	30,088	33,109
Social security costs	2,920	3,262
Other pension costs	7,415	7,060
Payroll sub total	40,423	43,431
Contracted out staffing services	3,748	2,855
	44,171	46,286
Fundamental restructuring costs (contractual)	730	1,968
	44,901	48,254

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College. In 2018, the College defined Key Management Personnel as Senior Post holders.

The College defines key management personnel in 2019 as the CEO and Group Principal, Deputy CEO and three College Principals. The College has undergone significant structural change following merger in August 2017 and has sought to clearly define responsibility for key decisions. The key management personnel have adopted a matrix approach to distinguishing between accountability and responsibility for key functions within the Group and accountable staff have been defined as key management personnel.

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	5	9

South Thames Colleges Group
Notes to the Accounts (continued)

7 Staff costs - Group and College (continued)

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

	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£20,001 to £25,000 p.a	-	1	n/a	n/a
£25,001 to £30,000 p.a	-	1	n/a	n/a
£45,001 to £50,000 p.a	-	1	n/a	n/a
£60,000 to £65,000 p.a	-	-	8	7
£65,001 to £70,000 p.a	-	-	6	1
£70,001 to £75,000 p.a	-	-	2	4
£75,001 to £80,000 p.a	-	-	5	3
£80,001 to £85,000 p.a	-	1	2	1
£85,001 to £90,000 p.a	-	-	-	2
£90,001 to £95,000 p.a	-	-	3	1
£95,001 to £100,000 p.a	-	1	1	-
£100,001 to £105,000 p.a	-	1	-	-
£105,001 to £110,000 p.a	-	1	-	-
£110,001 to £115,000 p.a	1	-	-	-
£120,001 to £125,000 p.a	1	-	-	-
£150,000 to £155,000 p.a	-	1	-	-
£175,000 to £180,000 p.a	1	-	-	-
£180,001 to £185,000 p.a.	-	1	-	-
£185,001 to £190,000 p.a	2	-	-	-
	<u>5</u>	<u>9</u>	<u>27</u>	<u>19</u>

The emoluments of staff who left during the year have been disclosed in bands representing the full year equivalent. Of the 27 other higher paid staff in 2018/19, 4 were not employed for the whole year.

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries	768	817
Employers National Insurance	100	104
Benefits in kind	13	3
	<u>881</u>	<u>924</u>
Pension contributions	66	78
Total key management personnel compensation	<u>947</u>	<u>1,002</u>

The pension contributions in respect of key management personnel are employer's contributions to the Teachers' Pension Scheme and the LGPS and are paid at the same rate as that for other employees. No pension contributions were made in respect of the Accounting Officer in 2019 or 2018.

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above compensation includes amounts payable to Group Principal and CEO who is also the Accounting Officer (highest paid officer in 2018) of:

	2019 £'000	2018 £'000
Salaries	185	182
Benefits in kind	-	-
	<u>185</u>	<u>182</u>
Pension contributions	-	-

The above compensation also includes amounts payable to the highest paid officer of:

	2019 £'000	2018 £'000
Salaries	170	182
Benefits in kind	5	-
	<u>175</u>	<u>182</u>
Pension contributions	28	-
	<u>203</u>	<u>182</u>

The compensation payable to the highest paid officer in 2019 includes back dated pay. The Group Principal and CEO is normally the highest paid officer and the 2018 compensation refers to the Group Principal and CEO.

South Thames Colleges Group Notes to the Accounts (continued)

7 Staff costs - Group and College (continued)

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

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

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

Relationship of Group Principal and CEO pay and remuneration expressed as a multiple

	2019	2018
Group Principal and CEO's basic salary as a multiple of the median of all staff	5.5	5.5
Group Principal and CEO's total remuneration as a multiple of the median of all staff	4.9	4.9

Compensation for loss of office paid to former key management personnel and higher paid staff:

	2019 No.	2018 No.
Number of key management personnel	-	2
Number of higher paid staff	2	4
	<hr/>	<hr/>
	2019 £	2018 £
Compensation paid to former key management personnel	-	49,566
Estimated value of other benefits, including provisions for pension benefits	-	-
	<hr/>	<hr/>
Compensation paid to former higher paid staff	98,206	130,172
Estimated value of other benefits, including provisions for pension benefits	106,000	10,000
	<hr/>	<hr/>

The severance payments to key management personnel were approved by the College's Remuneration Committee.

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

8 Other operating expenses

	Year ended 31 July 2019		Year ended 31 July 2018	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	4,292	4,292	4,228	4,228
Non teaching costs	7,461	7,447	7,710	7,696
Premises costs	6,641	6,641	6,508	6,508
	<hr/>	<hr/>	<hr/>	<hr/>
Total	18,394	18,380	18,446	18,432

Other operating expenses include:

	2019 £'000	2018 £'000
Auditors' remuneration:		
Financial statements audit*	46	48
Internal audit**	61	58
Other services provided by the financial statements auditors***	13	22
Hire of asset under operating leases	219	456
	<hr/>	<hr/>

* includes £46,000 in respect of the College (2017/18 £45,000)

** includes £58,000 in respect of the College (2017/18 £58,000)

*** includes £11,000 in respect of the College (2017/18 £18,000)

South Thames Colleges Group
Notes to the Accounts (continued)

9 Interest payable - Group and College

	2019	2018
	£'000	£'000
On bank loans, overdrafts and other loans:	<u>777</u>	<u>802</u>
	777	802
Enhanced pension provision finance costs (note 16)	84	126
Net Interest on defined pension liability (note 21)	<u>1,135</u>	<u>1,277</u>
Total	<u>1,996</u>	<u>2,205</u>

South Thames Colleges Group
Notes to the Accounts (continued)

10 Tangible fixed assets (Group and College)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2018 (restated)	244,566	3,101	26,415	274,082
Additions	671	-	624	1,295
Disposals	(21,077)	(486)	(35)	(21,598)
At 31 July 2019	224,160	2,615	27,004	253,779
Depreciation				
At 1 August 2018 (restated)	126,274	647	22,927	149,848
Charge for the year	4,311	41	1,541	5,893
Eliminated on disposal	(15,838)	(486)	(35)	(16,359)
At 31 July 2019	114,747	202	24,433	139,382
Net book value at 31 July 2019	109,413	2,413	2,571	114,397
Net book value at 31 July 2018 (Restated)	118,292	2,454	3,488	124,234

The College's policy is to carry all assets at historic cost, except for inherited assets which are included on the balance sheet based on a valuation existing at 31 July 1999 when the College first implemented FRS15.

The College disposed of 20% of its Wandsworth campus in July 2019 for £4,950,000. The disposed area was part of the asset inherited in 1993 and subsequent investment in the property was partly funded by capital grants. Capital grants of £2,519,000 associated with the disposal site were released on disposal and contribute to the profit on disposal. The disposal costs of the property amounted to £1,570,000.

The proceeds due on disposal are included in debtors at 31 July 2019. Proceeds of £2,525,000 were received in August 2019 with the balance due in July 2020.

The Wandsworth campus was valued at £27,500,000 in May 2017 but the impairment in value was not recognised in South Thames College's accounts for 2016/17.

A prior year adjustment has therefore been made to account for the impairment loss as at 1 August 2017 as a merger adjustment and an adjustment has also been made to release capital grants in line with the diminution in book value of the grant funded asset (note 20).

South Thames Colleges Group
Notes to the Accounts (continued)

11 Non current Investments

	Group 2019 £	College 2019 £	Group 2018 £	College 2018 £
Investments in subsidiary companies	200	200	200	200
Total	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

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

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

South Thames Colleges Group
Notes to the Accounts (continued)

12 Trade and other receivables

	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	1,250	1,250	1,685	1,677
Amounts owed by Subsidiary undertakings	-	238	-	843
Prepayments and accrued income	647	647	957	954
Disposal proceeds due (see note 10)	4,950	4,950	-	-
Amounts owed by the ESFA	183	183	447	447
Total	7,030	7,268	3,089	3,921

13 Creditors: amounts falling due within one year

	Group	College	Group	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	804	804	795	795
Trade payables	1,905	1,905	1,691	1,691
Other taxation and social security	1,486	1,486	1,456	1,456
HMRC - Lennartz Agreement	199	199	939	939
Accruals and deferred income	5,748	5,740	5,770	5,754
Holiday pay accrual	923	923	1,112	1,112
Deferred income - government capital grants	1,780	1,780	1,987	1,987
Amounts owed to the ESFA	321	321	1,182	1,182
Total	13,166	13,158	14,932	14,916

14 Creditors: amounts falling due after one year

	Group	College	Restated	Restated
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Bank loans	14,209	14,209	15,011	15,011
Deferred income - government capital grants (note 20)	32,625	32,625	36,054	36,054
Total	46,834	46,834	51,065	51,065

South Thames Colleges Group Notes to the Accounts (continued)

15 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	804	804	795	795
Between one and two years	1,608	1,608	1,590	1,590
Between two and five years	2,412	2,412	2,385	2,385
In five years or more	10,189	10,189	11,036	11,036
Total	15,013	15,013	15,806	15,806

The College has two secured term loans from Barclays Bank. A fixed rate loan of £7.7m is repayable in instalments falling due monthly over a 13 year period commencing August 2017 and a loan of £8.9m is repayable monthly, with a 20 year repayment profile commencing August 2017 and has a review date of July 2022. The loans are secured on a portion of the freehold land and buildings of the College.

16 Provisions

	Defined benefit obligation £'000	Restructuring £'000	Enhanced pensions £'000	Dilapidation provision £'000	Total £'000
At 1 August 2018 (Group and College)	37,601	94	3,641	200	41,536
Payments in the period	(1,724)	(8)	(293)	-	(2,025)
Charge to expenditure:					
Increase in provision	-	-	-	450	450
Current service cost	4,044	-	-	-	4,044
Past Service costs	898	-	-	-	898
Net interest on pension liability	1,135	-	84	-	1,219
Actuarial losses	2,963	-	328	-	3,291
At 31 July 2019 (Group and College)	44,917	86	3,760	650	49,413

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 employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.20%	1.30%
Discount rate	2.00%	2.30%

South Thames Colleges Group
Notes to the Accounts (continued)

17 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	10,435	805	11,240
Total	10,435	805	11,240

18 Capital commitments

There were no capital commitments at 31 July 2019 or 2018.

19 Lease Obligations

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

	Group and College	
	2019 £'000	2018 £'000
Total future minimum lease charges payable:		
Land and buildings		
Not later than one year	-	116
	-	116

20 Prior year adjustments

The Wandsworth campus was valued at £27,500,000 in May 2017 but the impairment in value was not recognised in South Thames College's accounts for 2016/17.

A prior year adjustment has therefore been made to account for the impairment loss as at 1 August 2017 as a merger adjustment and an adjustment has also been made to release capital grants in line with the diminution in book value of the grant funded asset. The revaluation reserve created when the Wandsworth campus was inherited was also released in full when recognising the impairment.

The balances brought forward on 1 August 2017 have been adjusted to account for the impairment loss as follows:

	Group and College £'000
Net book value of Wandsworth estate as at 31 July 2017	(85,815)
Valuation report issued at the end of 2016/17	27,500
Impairment in value of freehold land and buildings	(58,315)
Release of deferred capital grants in line with increased depreciation	28,161
Revaluation reserves transferred	1,398
Prior year adjustment to income and expenditure reserves on 31 July 2017	(28,756)

South Thames Colleges Group
Notes to the Accounts (continued)

20 Prior year adjustments (continued)

The 2017/18 balances and income and expenditure have been restated as follows after accounting for an impairment in 2016/17

	Group and College
	£'000
Depreciation charge 2017/18 as previously stated	7,537
Depreciation charged on Wandsworth land & buildings in 2017/18	(2,012)
Revised charge based on remaining useful life after impairment	653
Depreciation charge for 2017/18 as restated	<u>6,178</u>
Deferred capital grants released 2017/18 as previously stated	1,987
Capital grant funding for Wandsworth land & buildings released in 2017/18	(1,071)
Deferred capital grant release based on depreciation after impairment	342
Deferred capital grants released in 2017/18 as restated	<u>1,258</u>
Net book value of freehold land and buildings 31 July 2018 as previously stated	175,248
Impairment in value of Wandsworth estate	(58,315)
Restatement of 2017/18 depreciation charge	1,359
Net book value of freehold land and buildings at 31 July 2018 as restated	<u>118,292</u>
Deferred capital grant balance at 31 July 2018 as previously stated	(65,473)
Released on impairment in value of Wandsworth estate	28,161
Restatement of 2017/18 deferred capital grant release	(729)
Deferred capital grant balance at 31 July 2018 as restated	<u>(38,041)</u>
Revaluation reserve at 31 July 2018 as previously stated	11,036
Asset impairment recognised in 2016/17	(1,398)
Wandsworth revaluation reserve transfer in 2017/18 reversed	47
Revaluation reserve at 31 July 2018 as restated	<u>9,685</u>

	Group	College
	£'000	£'000
Income and expenditure reserves at 31 July 2017 as previously stated	46,841	49,650
Prior year adjustment (above)	(28,756)	(28,756)
Income and expenditure reserves at 31 July 2017 as restated	<u>18,085</u>	<u>20,894</u>

	Group	College
	£'000	£'000
Income and expenditure reserves at 31 July 2018 as previously stated	48,723	48,719
Prior year adjustment (above)	(28,756)	(28,756)
Restatement of 2017/18 deferred capital grant release	(729)	(729)
Restatement of 2017/18 depreciation charge	1,359	1,359
Wandsworth revaluation reserve transfer in 2017/18 reversed	(47)	(47)
Income and expenditure reserves at 31 July 2018 as restated	<u>20,550</u>	<u>20,546</u>

South Thames Colleges Group Notes to the Accounts (continued)

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. Both are multi-employer defined-benefit plans.

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

Total pension cost for the year

	2019 £'000	2018 £'000
Teachers Pension Scheme: contributions paid	2,473	2,830
Local Government Pension Scheme:		
Contributions paid	1,724	1,850
FRS 102 (28) charge	<u>3,218</u>	<u>2,380</u>
Charge to the Statement of Comprehensive Income	4,942	4,230
Total Pension Cost for Year	<u>7,415</u>	<u>7,060</u>

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.

South Thames Colleges Group

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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

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

The pension costs paid to TPS in the year amounted to £2,473,000 (2018: £2,830,000).

South Thames Colleges Group

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by the London Pensions Fund Authority (LPFA). The total contribution made for the year ended 31 July 2019 was £2,449,000 of which employer's contributions totalled £1,724,000 (including capital contributions of £37,000) and employees' contributions totalled £725,000. The agreed contribution rate for future years is 15.2% for employers. Employee contribution rates will vary from 5.5% to 7.5% depending on salary. In addition to the employer contribution that is calculated as a percentage of salary, the College also makes a separate, lump-sum contribution into the pension scheme each year to reduce the deficit. The amount payable for the year ending 31 July 2019 is £37,000

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.90%	3.85%
Rate of increase for pensions in payment / inflation	2.40%	2.35%
Discount rate for scheme liabilities	2.10%	2.65%

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 2019 years	At 31 July 2018 years
<i>Retiring today</i>		
Males	21.00	21.90
Females	23.60	24.70
<i>Retiring in 20 years</i>		
Males	22.70	24.30
Females	25.50	27.00

Sensitivity analysis

	At 31 July 2019 £'000	At 31 July 2018 £'000
Discount rate +0.1%	(4,448)	(3,889)
Discount rate -0.1%	4,664	4,079
Mortality assumption - 1 year increase	4,700	4,110
Mortality assumption - 1 year decrease	(4,414)	(3,860)
CPI rate +0.1%	9,219	8,062
CPI rate -0.1%	(9,003)	(7,872)

South Thames Colleges Group
Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Fair Value at 31 July 2019 £'000	Fair Value at 31 July 2018 £'000
Equities	57,350	58,274
Target return Portfolio	26,731	21,277
Infrastructure	6,032	4,780
Property	9,589	7,378
Cash	5,552	4,409
Total market value of assets	<u>105,254</u>	<u>96,118</u>

Actual return on plan assets	<u>9,518</u>	<u>5,484</u>
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The amount included in the balance sheet in respect of the defined benefit pension plan and enhanced pensions benefits is as follows:

	2019 £'000	2018 £'000
Fair value of plan assets	105,254	96,118
Present value of plan liabilities	(150,171)	(133,719)
Present value of defined benefit liabilities (Note 16)	<u>(44,917)</u>	<u>(37,601)</u>
Present value of unfunded liabilities (note 16)	(3,760)	(3,641)
Net pension liability	<u>(48,677)</u>	<u>(41,242)</u>

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	(4,044)	(4,230)
Total	<u>(4,044)</u>	<u>(4,230)</u>

Amounts included in interest payable

Net interest payable	<u>(1,135)</u>	<u>(1,277)</u>
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Amounts recognised in Other Comprehensive Income

Return on pension plan assets	6,940	3,040
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	(9,903)	6,223
Amount recognised in Other Comprehensive Income	<u>(2,963)</u>	<u>9,263</u>

South Thames Colleges Group

Notes to the Accounts (continued)

21 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2019 £'000	2018 £'000
Deficit in scheme at 1 August	(37,601)	(43,207)
Movement in year:		
Current service cost	(4,044)	(4,230)
Past Service costs	(898)	-
Employer contributions	1,724	1,850
Net interest on the defined liability	(1,135)	(1,277)
Actuarial (loss)/gain	(2,963)	9,263
Net defined benefit liability at 31 July	(44,917)	(37,601)

Asset and Liability Reconciliation

	2019 £'000	2018 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	133,719	133,527
Current Service cost	4,044	4,230
Past Service costs	898	-
Interest cost	3,554	3,604
Contributions by Scheme participants	760	767
Experience gains and losses on defined benefit obligations	(36)	-
Changes in financial assumptions	9,975	(6,315)
Estimated benefits paid	(2,743)	(2,094)
Defined benefit obligations at end of period	150,171	133,719

Reconciliation of Assets

Fair value of plan assets at start of period	96,118	90,320
Interest on plan assets	2,419	2,327
Return on plan assets	6,940	3,040
Other actuarial (losses)/gains	36	(92)
Employer contributions	1,724	1,850
Contributions by Scheme participants	760	767
Estimated benefits paid	(2,743)	(2,094)
Assets at end of period	105,254	96,118

The movements in the unfunded pension provision has been disclosed separately under note 16.
The fund was valued using the EPP calculator provided by the Funding Body.
The estimated value of employer contributions for the year ended 31 July 2020 is £1,760,000

Deficit Contributions

Following the most recent valuation of the scheme, the College has entered into an agreement with the LGPS to make additional contributions of £37,000 per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

South Thames Colleges Group
Notes to the Accounts (continued)

22 Related party transactions

The total expenses paid to or on behalf of the Governors during the year was £478 in respect of four governors (2018 restated: £828; one governor). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2018: None).

23 Amounts disbursed as agent

Learner support funds

	2019 £'000	2018 £'000
Funding bodies grants - 16-19 Bursary	654	649
Advanced Learning Loan Bursary	708	792
Other Funding body grants	255	189
	<u>1,617</u>	<u>1,630</u>
Disbursed to students	(1,250)	(1,347)
Administration costs	(46)	(47)
Balance unspent as at 31 July, included in creditors	<u><u>321</u></u>	<u><u>236</u></u>

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

