South Thames Colleges Group

Report and Financial Statements for the year ended 31 July 2021

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South Thames Colleges Group

Strategic report

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 2021.

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.

Mission and values

Governors reviewed the Group's mission during 2021 and have agreed a new strategic plan, to be published in the Autumn of this year. It builds on the previous plan and sets the Group an ambitious aim to grow in scale through innovation and development of its curriculum. The headline elements of the plan are summarised here:

Growing great futures

<u>Mission</u>

To achieve the ambitions of more students and partners than ever before.

<u>Vision</u>

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

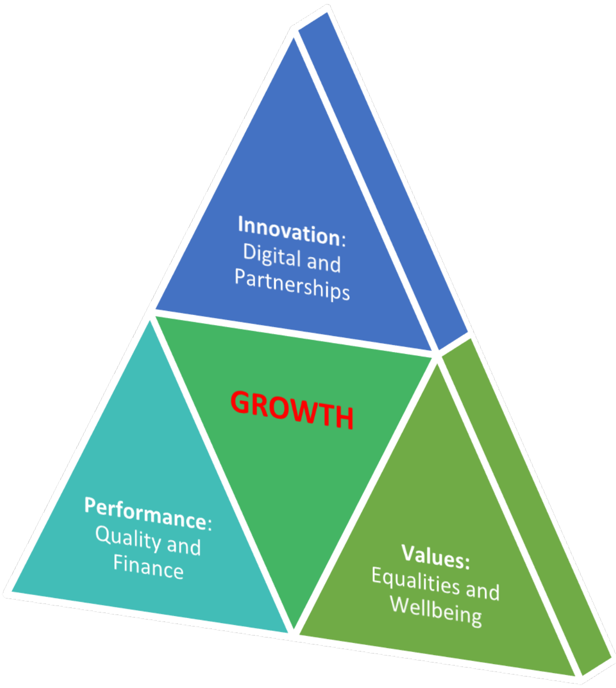
This will mean:

- Excelling in our curriculum, securing great outcomes for our students
- Growing our provision, attracting new students and developing new pathways to success
- Transforming our teaching, learning and services through digital innovation
- Establishing and sustaining effective partnerships with employers and schools across the region
- Upholding the fundamental values of our community, especially equalities and wellbeing
- Managing resources well so that we are financially robust to invest in our buildings and staff

<u>Our strategic plan</u>

This strategic plan sets the Group on an ambitious path as it helps to lead its communities through the recovery following the pandemic and building on the substantial success enjoyed by the Group since merger. It sets out to combine its existing strengths in both curriculum quality and financial management with a bold plan to grow and innovate while remaining true to its fundamental beliefs.

The core of our strategy will be:



Our strategic approach

This strategic plan restates the core purpose of the Group and directs all of our organisational capital towards growth and development, doing so in service of our communities and making sure that our regional roots stay strong throughout the process of transformation.

We aim to grow this organisation in order to ensure that more individuals and partners benefit because of our involvement.

Many of the innovations set out here are designed to deliver our mission more widely and in new ways. This includes our ambition for comprehensive digital transformation of our curriculum and services and the bold expansion of our partnership activity, seeking more integration with more employers and schools. In setting out actively to broaden and grow this Group of Colleges, we will remain true to our fundamental values.

These values span many influences and expectations from within and beyond the Group and are captured here, updated to reflect our new priorities. At South Thames Colleges Group, we

- **Aspire** to excellent outcomes for everyone, ensuring our students succeed and progress to great futures, improving our work continuously through reflection and mutual support
- **Innovate** to develop and expand the Group, with an active focus on new ways of working, digital transformation and meaningful partnerships
- **Care** about the wellbeing of our staff and students, building resilience in a challenging world, safeguarding the vulnerable and promoting happiness
- **Make equality happen**, equalising outcomes, raising diverse talent through our work and including everyone from all our communities

To secure these values in practice, we have committed to a curriculum which 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

And we wholeheartedly embrace British Values, committing the Group to:

- Democracy
- The rule of law
- Individual liberty
- Mutual respect and tolerance of different faiths and beliefs

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 23 and 24.

In setting and reviewing the Group'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.

The Group's strategic approach is to base its work around the values and ethos of public service and to provide a community-based Further Education offer firmly rooted in south-west London.

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, tackling social exclusion and supporting social mobility
- High participation rates for students with High Needs
- High rates of progression for students into further learning or employment
- Strong student support systems, with particular emphasis on mental health at this time
- Links with employers, industry and commerce
- Well-developed partnerships with local authorities, universities and other local and national agencies

The legacy organisations brought together on merger have long records of committed public service and had undertaken structural reforms before the Local Area Reviews, with South Thames College and Merton College merging and Kingston and Carshalton Colleges entering into their novel alternative to merger, an FE Federation. The Group's long-established 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 principles of which continue to underpin the efforts of the Group to deliver robust public benefit:

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 to deliver benefit to students and employers in our region. The strategic plan reaffirms the values of the Federation:

- ***V**ersatility – our and our students' ability to adapt to the world*
- ***O**pportunity – taking and making chances to progress and improve*
- ***I**nclusion – securing the best for everyone in our community*
- ***C**hoice – knowing our students and partners choose us over others*
- ***E**xcellence – 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 students, 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 eight 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 and its aftermath. The culture and focus of the Group's leadership remain strongly guided by a meaningful commitment to public service and the Group has demonstrated that its values are firmly aligned to the public bodies it partners, locally, regionally and nationally.

During the periods of the lockdown and the disruption of the pandemic, the Group has exemplified this approach through a number of positive measures:

- Sustained provision for vulnerable students from March to July 2020 and then January to March 2021 during the full national lockdowns
- Work with DWP to train job coaches to support unemployed people back into work
- Local leadership of recovery efforts to support businesses in the Royal Borough of Kingston, including a Borough jobs and careers fair delivered by the Group on-line
- Work with local schools to ensure young people leaving year eleven were able to access the FE curriculum and begin planning their next steps
- Delivery of a sub-regional ESF project to reduce the incidence of young people becoming NEET
- Developing delivery solutions and innovations that enabled it to retain its many learners and continue to support the participation and success of its students in spite of the disruptions consequent on the pandemic

Separately from the impact of the pandemic and the measures it is taking to tackle its legacy, the Group 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:

- 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 2020/21
- 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 four years from additional Government investment through its Capacity Development Fund in this area, much of which continued through the pandemic
- An active focus on the protection of students from safeguarding and radicalisation risks as well as welfare, wellbeing and mental health issues
- 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 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
- Significant investment in its buildings and resources through its evolving Estates Strategy, which has created space for a new primary school in Wandsworth, a base for a Job Centre Plus in Tooting and investment in the dilapidated building at Kingston Hall Road

Resources

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

During 2020/21, the Group employed an average of 902 permanent members of staff, of whom 529 were teaching staff.

The total number of students enrolled by the Group during 2020/21 was approximately 15,200. The college's student population includes 4,887 16-to-18-year-old students, 833 apprentices, 690 higher education students, 6,679 adult learners in directly-funded provision and 2,162 adult learners in the two adult education contracts delivered by the Group for Wandsworth and Merton Councils.

The Group has £15 million of net assets (including £60 million pension liability) and long-term debt of £7.5 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 tenth 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
- Employer and business groups, such as Kingston First, local Chambers of Commerce and the South London Partnership
- the four local borough councils in Kingston, Merton, Sutton and Wandsworth
- the Greater London Authority, now a significant funding body with the devolution of responsibility for most of our AEB activity to the GLA
- 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 £1.4 million for the year ended 31 July 2021 (2019: surplus of £0.7 million). The EBITDA generated by the Group improved for the fourth successive year to £8.1 million. The implementation of financial control measures across the

Group has delivered year on year improvement in financial performance across all of the Colleges within the Group. EBITDA generated each year since the Group was formed in August 2017 is as follows:

Year 1	Year 2	Year 3	Year 4
Year ended	Year ended	Year ended	Year ended
31/07/2018	31/07/2019	31/07/2020	31/07/2021
£2.1m	£5.3m	£6.6m	£8.1m

Based on the ESFA's financial health measures, the College is in 'Outstanding' financial health at the end 2020/21 with a financial health score of 280. The performance indicators that inform the Group's financial health assessment can be found on page 19 of this report.

The budget for 2021/22 that was approved by the Governing Body in July 2021 as well as the College Financial Forecast Return (CFFR) submitted to the Funding Body at the end of July 2021 indicate that the Group will remain in 'Good' to 'Outstanding' financial health in 2021 to 2023.

The Group'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. Parts of the estate were disposed of in July 2019 and November 2019 and the proceeds were utilised in part to fund a reduction of £5 million in long term debt during 2020/21. Of the proceeds from the disposal in 2018/19, 50% was paid in 2019/20 and the remaining balance that was included in debtors as at July 2020 was paid in 2020/21.

Developments

The Group developed its Estates Strategy for all campuses during 2017/18. The Strategy was further refined during 2018/19 and parts of the estate were put up for sale. In addition to the disposals already completed during 2018/19 and 2019/20, further disposals are planned for 2021/22 and beyond. The disposals offer the Group the opportunity to generate additional reserves for reinvestment in our poorer quality facilities, such as the building at Kingston Hall Road. The main capital projects undertaken during the financial year were part of the overall Estates Strategy, focusing on the preparation of the building in Tooting for partial disposal as well as the commencement of a windows replacement project at Kingston Hall Road. Capital investment during the year was also focused on refurbishment works and IT and other equipment purchases. The Group, as it embarks on the next phase of its major investment programme, will continue to seek to build reserves through the generation of operating cash flows as well as the disposal of surplus accommodation. Major investment will begin in 2021/22, with a comprehensive replacement and refurbishment programme at Kingston Hall Road, which is now underway after significant delays and is due for completion in Summer 2022.

Reserves

The Group has accumulated reserves of £14,927,000 (Income and expenditure reserve of £7,337,000 and revaluation reserves of £7,590,000) and cash balance of £25,108,000. The LGPS pension deficit increased by £17,257,000 last year with a significant impact on the income and expenditure reserves at the end of 2019/20. The deficit reduced by £1,780,000 in 2020/21 as the growth in pension liabilities was compensated by a higher growth in pension assets. It should be noted that the pension liability included in the balance sheet does not represent a liability which is payable because the contributions payable to the LGPS are based on the results of the triennial revaluation.

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 2020/21, the FE and HE funding bodies provided 75% of the Group's total income (75% in 2019/20).

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 £71,000 for the year ended 31 July 2021.

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
- work experience was insufficiently developed
- standards of provision at Carshalton College were generally very poor

In addition, the original silver rating for Kingston College 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. The data shown here derives from 2019/20. Some achievement data is currently available for

2020/21, especially for Diploma qualifications, and GCSEs, but, at time of writing there are some gaps and this data has not been fully included in the report:

Overall Education &Training:

College	Age Grp	Leavers Overall 17/18	Leavers Overall 18/19	Leavers Overall 19/20	%	Retained Overall 19/20	Ach Overall % 17/18	Ach Overall % 18/19	Ach Overall % 19/20	Nat Ach Overall % 18/19	Diff to National Ach %
Carshalton College	16-18	1,816	1,630	1,395	15.1	91.8	82.2	81.8	80.7	83.4	-2.7
Kingston College	16-18	5,247	5,543	4,560	49.3	94.0	85.2	84.7	88.0	83.4	4.6
Merton College	16-18	1,949	1,551	1,399	15.1	93.7	82.0	87.5	88.1	83.4	4.7
South Thames College	16-18	2,062	2,046	1,892	20.5	93.0	85.1	88.9	85.3	83.4	1.9
Group	**16-18**	**11,074**	**10,770**	**9,246**		**93.4**	**84.1**	**85.5**	**86.4**	**83.4**	**3.0**
Carshalton College	19+	532	322	261	2.2	88.5	70.9	77.6	77.4	89.9	-12.5
Kingston College	19+	1,267	1,579	2,486	20.5	98.0	89.3	91.1	93.4	89.9	3.5
Merton College	19+	1,404	1,502	1,034	8.5	95.1	88.7	91.5	89.8	89.9	-0.1
South Thames College	19+	10,707	13,857	8,346	68.8	92.7	90.3	91.6	87.0	89.9	-2.9
Group	**19+**	**13,910**	**17,260**	**12,127**		**93.9**	**89.3**	**91.3**	**88.3**	**89.9**	**-1.6**
Carshalton College	All	2,348	1,952	1,656	7.7	91.3	79.6	81.1	80.2	86.7	-6.5
Kingston College	All	6,514	7,122	7,046	33.0	95.4	86.0	86.1	90.0	86.7	3.3
Merton College	All	3,353	3,053	2,433	11.4	94.3	84.8	89.5	88.9	86.7	2.2
South Thames College	All	12,769	15,903	10,238	47.9	92.7	89.4	91.3	86.7	86.7	0.0
Group	**All**	**24,984**	**28,030**	**21,373**		**93.7**	**87.0**	**89.1**	**87.7**	**86.7**	**1.0**

The Group performed well in the first year of the pandemic, with high levels of retention and sustained achievement for 16-18 year-olds and most adults, although some adult provision showed a decline, especially in practical and craft subjects. Early data for 2020/21 shows roughly similar levels with some reductions in some curriculum areas. National averages date from pre-pandemic and are included here as a guide because there will be no formal publication of national averages for 2019/20 and 2020/21.

Apprenticeships:

College	Age Grp	Leavers Overall 17/18	Leavers Overall 18/19	Leavers Overall 19/20	%	Retained Overall 19/20	Ach Overall % 17/18	Ach Overall % 18/19	Ach Overall % 19/20	Nat Ach Overall % 19/20	Diff to National Ach %
Carshalton College	All	123	136	80	19.9	65.4	62.6	66.2	55.0	64.2	-9.2
Kingston College	All	143	89	138	34.3	66.5	73.4	80.9	59.4	64.2	-4.8
South Thames College	All	199	181	184	45.8	65.9	53.8	59.7	46.2	64.2	-18.0
Group	**All**	**465**	**406**	**402**		**65.9**	**62.2**	**66.5**	**52.5**	**64.2**	**-11.7**

The Group’s Apprenticeship provision had improved following merger, but a combination of weak internal systems and the effects of the pandemic on employment in a number of sectors in which the Group operates saw a marked decline in Apprenticeship achievement rates. The published national average showed a small decline, but not as great as that experienced by the Group.

On the basis of these improvements, as well as strong progression rates, and a strengthened approach to work placements and subcontracted provision, the Group was inspected successfully in February 2020, its grade profile being:

Further education and skills inspection report

Ofsted
raising standards
improving lives

Inspection of South Thames Colleges Group

Inspection dates: 4–7 February 2020

Overall effectiveness	**Good**
The quality of education	**Good**
Behaviour and attitudes	**Good**
Personal development	**Good**
Leadership and management	**Good**
Education programmes for young people	**Good**
Adult learning programmes	**Good**
Apprenticeships	**Good**
Provision for students with high needs	**Requires improvement**
Previous inspection grade	Not previously inspected

However, the Group's provision for High Needs Students has not yet made sufficient progress to improve consistently to a good standard in all areas. It is also a fast-growing element of the Group's provision and more work is needed here to secure whole-Group improvements and action-planning for key changes has been carried out, with a focus on raising expectations for High Needs Students and ensuring they attain and progress at rates comparable to students from across the Group.

Further improvements in:

- Apprenticeships
- Attendance
- Value-added

will also be critical to the Group's ongoing progress.

Of particular note is the progress made by the Group in the delivery of English and Maths since merger. 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

2018/19 and based on the Group's approach to the Teacher-Assessed Grades system adopted across England during the pandemic, saw sustained progress in this area, as represented in the data tables below.

Similar progress is evident in other areas in the early analysis of data derived from non-examined qualifications, but parts of this data are still incomplete at the time of writing and so firm conclusions are not drawn here on performance trends seen in 2020/21. The main focus of the Group and its curriculum teams during the challenging changes imposed by the pandemic has been to ensure students achieved in a credible and meaningful way, substantially as a platform for successful progression into work or further study.

Group GCSE English and Maths achievement rates and High Grades (4 and above) 2020/21

Group	Age Grp	Leavers Overall 17/18	Leavers Overall 18/19	Leavers Overall 19/20	Leavers Overall 20/21	Ach Overall % 17/18	Ach Overall % 18/19	Ach Overall % 19/20	Ach Overall % 20/21	Nat Ach Overall % 18/19	Diff to 18/19 National Ach %
GCSE English & Maths	16-18	2,411	2,474	2,310	2,096	86.6	87.5	92.0	93.0	82.9	10.1
GCSE English & Maths - High Grades	16-18	2,411	2,474	2,310	2,096	25.7	26.5	32.5	31.2	19.1	12.1
Functional Skills English & Maths	16-18	2,051	1,827	1,615	1,267	73.3	79.3	70.2	64.6	68.5	-3.9
GCSE English & Maths	19+	439	533	502	498	82.7	84.2	90.4	83.7	80.9	2.8
GCSE English & Maths - High Grades	19+	439	533	502	498	36.9	36.0	46.4	49.0	36.1	12.9
Functional Skills English & Maths	19+	1,005	970	923	757	73.4	72.9	67.7	50.6	79.8	-29.2

No national averages will be published for 2019/20 or 2020/21, but the Group sustained its progress in both achievement and high grades for adults and young people. Its Functional Skills performed less well with a new assessment standard and the retention of exams for these qualifications and this data reflects the challenges experienced by the Group in delivering this curriculum successfully during the pandemic.

Significant efforts are now being exerted to continue these positive trends and remedy the emerging shortcomings, by 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. This focus on CPD opportunities and the development of strong, distributed leadership capabilities has continued beyond the life of the Strategic College Improvement Fund and is one vehicle for the Group's ongoing improvement over coming years.

Two further bids for improvement funding were successful in 2020/21 and the Group is now leading two major national projects to support development and improvement in the sector as it heads into 2021/22, with over £500,000 of designated funding to manage across the sector with partner Colleges.

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 curriculum strategy for the Group was agreed 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 also reviewed its historical subcontracting activities and in 2019/20 it reprocured all of this provision in line with the Group's new curriculum strategy, focusing better on priority provision in key regions. This has proved successful and the consistency and strength of its subcontracted work have improved significantly. A further procurement exercise was run effectively in Autumn 2020, again with a strong emphasis on the quality and relevance of the provision as well as the safety and wellbeing of learners who may be at risk during the Coronavirus pandemic and the same approach has been repeated in Autumn 2021.

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 demonstrates decisively that the Group has made significant progress in achieving this, its quality of provision at inspection rated ‘good’ in 2020 and its financial health for 2020/21 rated ‘outstanding’.

Financial plan

The Group has a Financial Policy in place that sets parameters for capital investment, minimum cash balance and EBITDA generation. The Governing Body approved the Financial Policy along with Group’s budget for 2021/22 in July 2021. The budget formed the basis of the College Financial Forecast Return (CFFR) submitted to the Funding Body in July 2021. The CFFR sets out the Group’s financial objectives for the two years ending 31 July 2023.

The Group’s new Strategic Plan is the main driver for the budget for 2021/22 and the CFFR for 2021 to 2023. The Strategic Plan for 2021 to 2024 has identified growth as its main ambition and financial planning for the first two year period of the Strategy seeks to support the delivery of this ambition by funding new posts and setting a lower EBITDA target than in previous years.

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 loans of South Thames and Kingston Colleges were consolidated into one loan. The Group repaid £5m of its term loan in December 2020 and entered into a Revolving Credit Facility agreement for £5m at the same time. This has enabled the Group to reduce its debt at the same time as maintaining access to funds should a requirement for significant investment be identified at the next review of the Estates Strategy. Reducing long term borrowings has enabled the Group to set a realistic EBITDA target for 2021/22 whilst remaining compliant with its loan covenants.

No amounts were drawn down from the Revolving Credit Facility during 2020/21. Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation.

Cash flows and liquidity

The Group’s cash balance improved significantly through improved operating performance and disposal of parts of its estates. Between July 2019 and November 2019, disposals contributed £10.5m to cash reserves. Proceeds were used in part to re-accommodate activities that were previously housed in disposed parts of the estate. Of the proceeds of £4.95 million from the disposal in July 2019, 50% remained outstanding at 31 July 2020 pending completion of separation works and full handover in 2020/21. This amount was included in debtors at year-end. The estimated outstanding costs of the disposal were included in creditors at 31 July 2020. The outstanding proceeds were received in 2020/21 and all relocation works are now complete.

There were no disposals of fixed assets in 2020/21. The minor profit on disposal reported for the year refers to the release of estimated relocation costs related to the two major disposals in the previous financial years.

The net cash flow from operating activities has improved significantly in 2020/21. The net operating cash flow of £13.1m (improvement of £5.8m on 2019/20) is attributable to the following:

- EBITDA of £8.1m (improvement of £1.5m on 2019/20)

- Receipt of disposal proceeds included in debtors at the end of 2019/20 (£2.5m)
- Adult Education Budget funding receipts of £2.9m included in creditors at 31 July 2021. This is repayable in December 2021(£0.3m in 2019/20).

The improved operating cash flow meant that the Group was able to make a voluntary repayment of £5m of the term loan and capital investment of £4.2m during the year and still improve the cash balance at year end by £2.4m.

As the Group has set a lower EBITDA target for 2021/22, cash generation will not be as significant as in 2020/21. The budgets and forecasts for 2021/22 indicate that net cash flow from operating activities will be above the level required to maintain a positive debt service cover ratio. Cash balance at the end of 2021/22 is expected to remain above £20m as the Group is forecasting to dispose of surplus land in July 2022 (expected net proceeds of £5.5m) and make capital investment of £10.3m. Should the disposal be delayed beyond 2021/22, the Group will still hold a healthy cash reserve at the end of the financial year.

At the time of repaying £5m of its term loan in December 2020, the Group entered into a Revolving Credit Facility agreement for the same amount. No amounts were drawn down on the facility during 2020/21 and cash flow forecasts indicate that there will be no requirement to draw down funds during 2021/22. During 2021/22 the Group will review the desirability of converting the balance remaining on Facility B See note 15 to the financial statements) to a Revolving Credit Facility when the terms on this element of its term loan is subject to review in July 2022.

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 cash balance target of £7.5 million at year end (and an average cash balance target of £5m) 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 during the year ended 31 July 2021.

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 2020/21 was 6.05% (£3.9 million). At the time of setting the budgets, the EBITDA target for the year was moderated in view of the risk and uncertainty presented by the Coronavirus pandemic. The actual EBITDA of £8.1 million is a significant improvement on the target for the year. The income and expenditure reserve balance at 31 July 2020 was significantly affected by the increase of £17.3 million in the LGPS pension deficit at year-end. As stated above, the net LGPS deficit has improved by £1.8m this year.

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 throughout the financial year. 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

In setting its budget for 2020/21, the Group built in significant contingencies in recognition of the financial impact of the Covid-19 pandemic. The budgeted EBITDA was set at a realistically lower level than the budget for 2018/19 and 2019/20. Though significant additional costs were incurred in responding to the pandemic, the Group was able to absorb these costs. As stated earlier in this report, the EBITDA target for 2021/22 is set at 6% (lower than in pre-pandemic years) in order to fund the activities and staff posts that are required to deliver the main objective of the Strategic Plan 2021-22. The Plan has growth as its main objective with a view to arresting the trend of year on year decline in 16-19 student numbers. Repaying part of the term loan has given the Group greater freedom to set a lower EBITDA target without the risk of breaching the operational leverage covenant.

The Group had loans of £8.4 million outstanding with bankers as at 31 July 2021. The borrowings are secured and made up of facilities of £5.9 million repayable over 13 years commencing 1 August 2017 and £2.5 million repayable over 20 years commencing 1 August 2017 (with a review date in 5 years). The College met the loan covenants for the year ended 31 July 2021 and as stated above, made a voluntary repayment in December 2020 of £5 million on the Facility repayable over 20 years. The Group also entered into a Revolving Credit Facility agreement for £5 million at the same time. The forecasts and financial projections indicate that it will be able to operate within this facility and covenants for the foreseeable future. The College Financial Forecast Return submitted to the Funding Body in July 2021 indicates that the cash balance will remain above the minimum cash balance target throughout the two-year period ending 31 July 2023.

The Group has net current assets at 31 July 2021 and creditors payable within one year include a holiday pay accrual and deferred capital grants (total of £2.2 million) for which payments are not required.

Accordingly, the Group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

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 Group'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 Group and these are identified and incorporated in the Risk Register as they arise. The committees of the Governing Body own a number of the Group's risks and report on these and their levels of assurance at the end of each meeting.

The main risk factors affecting the Group are outlined below along with the action taken to minimise them. Other factors besides those listed below may also adversely affect the Group.

1. **Impact of the Coronavirus**

   The challenges of maintaining FE provision through the Coronavirus pandemic are especially important in this academic year and the Group is balancing the needs of students to achieve and progress against the high expectations that they and our staff will be kept safe. The pandemic has generated risks across all aspects of the Group's operations and, while the Group handled the difficulties of the lockdown successfully, reopening and recruiting during the Autumn of 2021 have presented more challenges. There are clear ongoing concerns about health and safety, wellbeing, achievement and the Group's ability to recruit sufficient students to earn its funding allocations across a number of funding streams.

2. **Funding and income levels**

   The Group has considerable reliance on funding for 16-18 year olds, and about 50% of total income in 2020/21 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 in16-18 recruitment over the past four 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.

   Significant opportunities exist for the Group to grow its adult provision further and there are major investment funds available to the Group from Government as it promotes engagement and supports employment across the economy. The Group has not been successful in realising these opportunities over recent years, but plans to deliver provision more in line with its funding allocations in 2021/22, relying less on subcontracted provision to achieve this.

   HE recruitment continues to be a significant concern and 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 begun to improve and appears to be stable or rising slightly. The recruitment of High Needs Students is generating growth, but contribution rates for this provision to central costs is limited. Additionally, the complexity of claiming funding from a large number of Local Authorities requires the Group to further develop its systems and capacity for this task.

   The Group has resolved to identify the decline in 16-18 recruitment as the principal strategic risk to its future over the medium-term and actions to address this form the core of its new strategic plan from 2021 onwards.

3. **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 the Group Leadership Team and Governors and the impact of these measures will be decisive in returning the Group's financial performance to a positive level.

4. **Quality improvement**

   The progress seen in student achievement rates during 2018/19 and 2019/20 are commendable. There remain a few curriculum areas within the Group where performance is not yet at an acceptable level, but the Group has been judged 'good' at inspection and finds significant reason to reduce the rating of this risk as it clearly has deployed an effective set of quality improvement measures to raise standards. Data for 2019/20 and 2020/21 shows that Apprenticeships declined and reinstates the risk of a critical opinion of this key area of work. Provision for High Needs Students is not yet of sufficient quality and it was judged to require improvement in February 2020 consequently this area will be the focus of concerted action to improve during the 2021/22 academic year.

KEY PERFORMANCE INDICATORS

Financial performance indicators

	2020/21		2019/20
	Actual	**Target**	**Actual**
Sector EBITDA as % of income	12.52%	6.05%	10.45%
Staff costs (excluding restructuring) as % of income	65.91%	65.49%	66.25%
Cash balance	£25.1M	>£7.5m	£22.7M
Cash days in hand	142.46	76.60	130.8
Adjusted current ratio	2.82	1.52	2.98
Borrowing as % of income	12.98%	<13%	22.40%
Reliance on ESFA income	75%	82.00%	75%
Financial Health Score	280	210	270
Financial Health Score	Ourstanding	Good	Outstanding

Performance against bank covenants

	Bank target	Actual
Operational leverage covenant		
Ratio of borrowings to EBITDA less than	3.0:1	1.04:1
Debt Service covenant		
Cash flow : debt servicing cost	>100%	>100%
Security cover covenant		
Property value: loan	>140%	>140%
Minimum Cash balance covenant	£5M	£25.1M

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 has adopted the IHRA definition of Anti-Semitism and is proud to make public its absolute resistance to any form of anti-semitism in the words below:

Antisemitism is a certain perception of Jews, which may be expressed as hatred toward Jews. Rhetorical and physical manifestations of antisemitism are directed toward Jewish or non-Jewish individuals and/or their property, toward Jewish community institutions and religious facilities.

The Group's senior leaders have also agreed to sign the Black FE Leadership Group's open letter committing to an active anti-racist campaign in the sector and redoubling the organisation's efforts to combat all forms of racism.

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:

a) 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;
b) 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;
c) Specialist equipment and accommodation adaptations will be provided, or made, whenever possible or practical;
d) 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;
e) 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;
f) Specialist programmes are described in programme information guides and achievements are recorded and published in the standard Group format;
g) Counselling and welfare services, which are available to all learners, are described on the Colleges' websites;
h) 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 2020 to 31 March 2021 is set out below.

Number of employees who were relevant trade union officials during the relevant period	FTE of trade union officials during the relevant period
24	21.6

Percentage of time	Number of employees
0%	0
1-50%	24
51-99%	0
100%	0

Total cost of facility time	£90,196
Total pay bill	£37,754,755
Percentage of total bill spent on facility time	0.24%

Time spent on paid trade union activities as a percentage of total paid facility time	100%

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 2020 to 31 July 2021, the College paid 98 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 9th December 2021 and signed on its behalf by:

Robert Foulston
Chair

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2020 to 31 July 2021 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 2021. This opinion is based on an internal review of compliance with the Code undertaken for the Corporation by the Head of Governance in May 2020. 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 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 1/8/20 to 31/7/21
Chair					
Mr R. Foulston	01.08.19	31.07.2023		Finance Planning & Resources, Remuneration, Estates Sub-Committee, Search and Governance	15 of 17 : 88%
Two Vice-Chairs					
Dr. J Brumwell	01.08.19	31.07.2023		Finance Planning & Resources, Remuneration, Safeguarding, Special, Estates Sub-Committee	18 of 20 : 90%
Ms K. Driver	10.07.17	31.07.2021		Audit, Search and Governance, Special	12 of 12 : 100%
Other general members					
Mr J. Azah	10.07.17	31.07.2021		Safeguarding	3 of 10 : 30%
Mr D. Cheema .	10.07.17	31.07.2021		Finance Planning & Resources, Quality Learning & Standards, Special, Remuneration, Estates Sub-Committee, HE Committee	21 of 23 : 91%
Cllr J Cook	16.10.19	31.07.2023		Audit	7 of 9 : 78%
Cllr B. Fraser	01.08.19	31.07.2023		Quality Learning & Standards, Remuneration, Search & Governance	16 of 17 : 94%

Name	Date Appointed/ Re-Appointed	End date for Term of office	Date resigned	Committees served	Corporation & Committee Meeting attendance from 1/8/20 to 31/7/21
Cllr S. Gordon	10.07.17	31.07.2021		Search & Governance, Safeguarding	12 of 12 : 100%
Cllr A. Holt	30.09.20	31.07.2024		Finance, Planning and Resources	9 of 10 : 90%
Prof H .Laville	25.5.2021	31.07.2025		HE Committee, Quality Learning & Standards	5 of 5 : 100%
Mr J. Marshall	01.08.2021	31.07.2025		Finance Planning & Resources, Estates Sub-Committee, Remuneration	N/A
Mr T. Monger-Godfrey	10.12.19	31.07.2023		Finance Planning & Resources, Estat Sub-Committee	10 of 12 : 83%
Ms M. Pottinger	01.04.2021	31.07.2025		Quality Learning & Standards	4 of 4 : 100%
Mr N. Ratnavel	10.07.17	31.07.2021		Finance Planning & Resources	12 of 12 : 100%
Dr P Reid	27.02.19	26.02.2023	08.10.20	Quality Learning & Standards	1 of 1 : 100%
Mr K. Shipman	08.07.20	31.07.2024		Safeguarding	9 of 9 : 100%
Mr M. J. Stone	14.05.19	31.05 2023		Quality Learning & Standards, HE Committee, Audit	17 of 18 : 94%
Ms J. Tatum	01.04.2021	31.07.2025		Audit	2 of 2 : 100%
Mr G Willett	01.08.19	31.07.2023		Quality Learning & Standards, Search and Governance, HE Committee	19 of 19 : 100%
Staff members					
Ms J Murphy	25.09.17	24.09.2021		Safeguarding	9 of 9 : 100%
Ms W. Miles	28.09.21	27.09.2025		Safeguarding	N/A
Ms C. Streliaev-Pivetta	28.09.21	27.09.2025		Quality Learning & Standards	N/A
Student members					
Ms B. Bah	04.11.2020	31.07.2021			3 of 5: 60%
Ms E. Redfern	01.08.2020	31.07.2021			1 of 6: 17%
Group Principal / CEO					
Mr P Mayhew-Smith	01.04.10			Finance Planning & Resources, Search, Quality Learning & Standards, Safeguarding , HE Committee,	28 of 28 : 100%

Head of Governance	
Mrs H Meredith	(appointed 1 September 2017)

The governance framework

It is the Corporation's responsibility to bring independent judgment 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, Audit and a Higher Education Committee. Full minutes of the main Committee Meetings, except those deemed to be confidential by the Corporation, are available on the Group's website at stcg.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 judgment.

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 seven 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 and may serve up to two terms of office, a maximum of eight years. This may be extended in exceptional circumstances for example where a governor is undertaking a new and more senior role, such as chair or vice-chair of the Corporation or chair of a Corporation Committee.

Corporation performance

The Corporation carried out a self assessment of its own performance for the year ended 31st July 2021 and graded itself as "good" on the Ofsted scale.

The extract from the February 2020 Ofsted Report which relates to governance is as follows:

"Following the merger of Carshalton, Kingston and South Thames colleges, governors and senior leaders have been effective in securing a clear strategic direction for the South Thames Colleges Group. They have placed a strong focus on maintaining a distinct college ethos for each of the colleges in the group. As a result, each college has maintained good local connections and continues to serve its communities well.

Governors and leaders have taken decisive action to establish a relevant curriculum in each borough. They have streamlined the courses they teach at Carshalton and Merton colleges, so that students benefit from well-resourced, high-quality provision. They have closed a declining A-level provision at Kingston College. Managers have taken effective steps to reduce the numbers of subcontractors with whom they work. They have taken appropriate action to improve the quality of the remaining subcontracted provision. As a result, most areas of the college now perform at a consistently high standard".

In 2021 the Corporation requested a review of Board effectiveness to be carried out by the ETF which found that **"***the board of STCG has some positive impact on the college's outcomes and there is strong evidence that it is proficient in many key areas."* Areas identified for improvement have been incorporated into an improvement action plan which is being implemented during 2021-22.

Remuneration Committee

Throughout the year ending 31 July 2021 the College's Remuneration Committee comprised four 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). In carrying out its responsibilities, it takes full account of The Colleges Senior Staff Remuneration Code issued by the Association of Colleges in December 2018, which it formally adopted on 25 February 2020.

Details of remuneration for the year ended 31 July 2021 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 main FE Funding Bodies as they affect the College's business.

The college's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to 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. The audit committee met three times in the year to 31 July 2021.

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 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2021 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.

Risks faced by the Corporation

The Corporation has overall responsibility for risk management.

The Group has well developed strategies for managing risk and strives to embed risk management in all that it does. 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 Group'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 Group and these are identified and incorporated in the Risk Register as they arise. The Corporation committees each 'own' a number of the Group's risks and report on these and their levels of assurance at the end of each meeting to the Audit Committee. If further assurance is required, each Committee or the Audit Committee can request that additional assurance is provided internally or commissioned externally.

The main risk factors affecting the Group are set out below along with the action taken to minimise them. Other factors besides those listed below may also adversely affect the Group.

Risk	
Impact of the Coronavirus pandemic	The Group has faced challenges of maintaining FE provision through the Coronavirus pandemic whilst balancing the needs of students to achieve and progress and the need to keep students and staff safe. Since September 2020 risks relating to the impact of Covid-19 on health and safety, wellbeing, achievement and the Group's ability to recruit sufficient students have been reviewed by the Corporation's committees.
Funding and income levels	The Corporation recognises the most significant strategic risk as the risk arising from declining student numbers and the consequential loss in income arising from this. A Curriculum Review commissioned by external consultants in summer 2019 resulted in the development of the Group Curriculum Strategy. The Corporation and Quality, Learning and Standards Committee during 2020-21 focussed on the development of the Group's new Strategic Plan for 2021-24 including the strategic theme of the Group's Growth Strategy .
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. Monthly financial performance monitoring meetings review the forecast outturn. The Finance, Planning and Resources Committee met twice each term during 2020-21 to review the reports from these meetings.
Quality improvement	The progress seen in student achievement rates were commendable as confirmed by Ofsted which judged the Group 'Good' on inspection in February 2020. There remain a few curriculum areas within the Group where performance is not yet at an acceptable level, and the Quality, Learning and Standards Committee focuses on these areas of provision. The focus during 2021-22 will be on the implementation of the Group's new Strategic Plan and Quality is one of the major strategic themes in the new Strategic Plan for 2021-24.

Control weaknesses identified

No significant control weaknesses were identified by internal audit.

Responsibilities under funding agreements

The Corporation ensures that the College's funds are used only in accordance with the corporation's powers as set out in the Further and Higher Education Act 1992 and the College's own statutory duties and other obligations. The Corporation also ensures that the College's funds are used only in accordance with the College's powers as set out in the Further and Higher Education Act 1992 and the College's Instrument and Articles of Government.

Action taken by the Corporation to ensure this includes the scrutiny undertaken by the Corporation and its committees of the work undertaken by the College including oversight of quality and financial performance, health and safety and fraud and irregularity. Examples of this include:

> The Finance, Planning and Resources Committee reviews monthly management accounts which include an assessment of financial health. The Committee meets twice a term to monitor financial performance closely.
> The Audit Committee and senior management review the Risk Register which includes assessment of risks to financial health. Under the College Board Assurance Framework each Committee reviews the assurance levels on the risks allocated to it and reports to the Audit Committee on its judgments.
> The Audit Committee reviews the risk of failing to comply with the procedures and regulations connected to learner funding (as set out by each funding body including the utilisation of expected compliance processes such as PDSAT) at its termly meetings.
> The Audit Committee receives an annual presentation on data management and compliance strategies by MIS.
> Any instances of fraud are reported to the Chair of the Audit Committee and reviewed by the Audit Committee at each meeting.

Statement from the Audit Committee

The Audit Committee has advised the Corporation that there is an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place.

The specific areas of review undertaken by the Audit Committee in 2020/21 and up to the date of the approval of the financial statements were as follows:

- STCG MIS controls – the committee received a presentation on the controls
- Annual Report on GDPR implementation- one investigation had taken place but did not amount to a data breach.
- Internal Audit Reports in relation to the following areas:
  - Risk Management – confirmed substantial assurance with 3 low level recommendations.
  - On-line Enrolment – confirmed substantial assurance with 4 low level recommendations and 2 medium level recommendations
  - Key Financial Controls confirmed substantial assurance with 3 low level recommendations.
  - Learner Number Systems – identified 2 high, 5 medium and 5 low priority actions for management. The two high priority actions related to apprenticeship provision.
  - Secure Remote working and operational resilience review - The review confirmed that a robust control framework ensures that adequate capacity is available to meet the needs of the business and that secure configurations exist for remote access. 2 medium control findings were identified resulting in 5 management actions.

Where auditors have made recommendations, management action to implement the recommendations has been followed up by a Tracker Report reviewed by the Audit Committee at following meetings and the Audit Committee is satisfied that the action taken is sufficient to address each recommendation.

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

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

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

Robert Foulston
Chair
9 December 2021

Peter Mayhew-Smith
Accounting Officer
9 December 2021

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 agreements and contracts with the ESFA.

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

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

Robert Foulston
Chair

9 December 2021

Peter Mayhew-Smith
Accounting Officer

9 December 2021

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's grant funding agreements and contracts with the ESFA and any other funding bodies, 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 S*tatement 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
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a 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 Corporation.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with 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, and any other public funds, are used only in accordance with the ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 and other public bodies are not put at risk.

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

R M Foulston

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 (together 'the group') for the year ended 31 July 2021 which comprise the group and parent college 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 2021 and of the group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- In all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

- The College's grant and fee income, as disclosed in the notes to these financial statements, has been materially misstated.

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 members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Corporation are responsible for assessing the group 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 and the College or to cease operations, or have 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.

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

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

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

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

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

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

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

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

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of Corporation meetings;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any available correspondence with HMRC and the group's and the College's legal advisors (although none was noted as being received by the group and the College).

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

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

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

Use of our report

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

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 16 December 2021

Reporting accountant's assurance report on regularity

To: The Corporation of South Thames Colleges Group and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter dated 14 June 2021 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by South Thames Colleges Group during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

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

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

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

Conclusion

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

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Date: 16 December 2021

South Thames Colleges Group
Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2021 Group £'000	2021 College £'000	Year ended 31 July 2020 Group £'000	2020 College £'000
INCOME					
Funding body grants	2	49,534	49,534	49,149	49,149
Tuition fees and education contracts	3	14,288	14,288	13,655	13,655
Other income	4	1,624	1,489	1,712	1,550
Investment income	5	33	33	92	92
Donations	6	-	71	-	149
Total income		**65,479**	**65,415**	**64,608**	**64,595**
EXPENDITURE					
Staff costs	7	46,471	46,471	44,493	44,493
Other operating expenses	8	13,607	13,593	14,470	14,457
Depreciation	10	5,412	5,369	5,399	5,399
Interest and other finance costs	9	1,721	1,714	1,873	1,873
Total expenditure		**67,211**	**67,147**	**66,235**	**66,222**
Deficit before other gains and losses		**(1,732)**	**(1,732)**	**(1,627)**	**(1,627)**
Profit on disposal of fixed assets	10	322	322	2,369	2,369
(Deficit)/surplus for the year		**(1,410)**	**(1,410)**	**742**	**742**
Actuarial gain/(loss) in respect of pension schemes	16	6,609	6,609	(14,278)	(14,278)
Total Comprehensive income/(expenditure) for the year		**5,199**	**5,199**	**(13,536)**	**(13,536)**
Represented by:					
Unrestricted Comprehensive income/(expenditure)		**5,199**	**5,199**	**(13,536)**	**(13,536)**

South Thames Colleges Group
Statements of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Group			
Balance at 1st August 2019	14,277	8,987	23,264
Surplus from the income and expenditure account	742	-	742
Other comprehensive expenditure	(14,278)	-	(14,278)
Transfers between revaluation and income and expenditure reserves	698	(698)	-
Total comprehensive expenditure for the year	(12,838)	(698)	(13,536)
Balance at 31st July 2020	1,439	8,289	9,728
Deficit from the income and expenditure account	(1,410)	-	(1,410)
Other comprehensive income	6,609	-	6,609
Transfers between revaluation and income and expenditure reserves	699	(699)	-
Total comprehensive income for the year	5,898	(699)	5,199
Balance at 31st July 2021	**7,337**	**7,590**	**14,927**
College			
Balance at 1st August 2019	14,273	8,987	23,260
Surplus from the income and expenditure account	742	-	742
Other comprehensive expenditure	(14,278)	-	(14,278)
Transfers between revaluation and income and expenditure reserves	698	(698)	-
Total comprehensive expenditure for the year	(12,838)	(698)	(13,536)
Balance at 31st July 2020	1,435	8,289	9,724
Deficit from the income and expenditure account	(1,410)	-	(1,410)
Other comprehensive income	6,609	-	6,609
Transfers between revaluation and income and expenditure reserves	699	(699)	-
Total comprehensive income for the year	**5,898**	**(699)**	**5,199**
Balance at 31st July 2021	**7,333**	**7,590**	**14,923**

South Thames Colleges Group
Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2021	**2021**	**2020**	**2020**
		£'000	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible fixed assets	10	104,538	104,236	105,747	105,747
		104,538	**104,236**	**105,747**	**105,747**
Current assets					
Stocks		10	10	10	10
Trade and other receivables	12	2,062	2,561	4,870	5,154
Cash and cash equivalents	17	25,108	24,893	22,709	22,412
		27,180	**27,464**	**27,589**	**27,576**
Less: Creditors – amounts falling due within one year	13	(11,804)	(11,790)	(11,218)	(11,209)
Net current assets		**15,376**	**15,674**	**16,371**	**16,367**
Total assets less current liabilities		**119,914**	**119,910**	**122,118**	**122,114**
Less: Creditors – amounts falling due after more than one year	14	(41,028)	(41,028)	(45,571)	(45,571)
Provisions					
Defined benefit obligations	16	(60,394)	(60,394)	(62,174)	(62,174)
Other provisions	16	(3,565)	(3,565)	(4,645)	(4,645)
Total net assets		**14,927**	**14,923**	**9,728**	**9,724**
Unrestricted reserves					
Income and expenditure account		7,337	7,333	1,439	1,435
Revaluation reserve		7,590	7,590	8,289	8,289
Total unrestricted reserves		**14,927**	**14,923**	**9,728**	**9,724**

The financial statements on pages 40 to 66 were approved and authorised for issue by the Corporation on 9 December 2021 and were signed on its behalf on that date by:

R Foulston

Robert Foulston
Chair

P. Mayhew Smith

Peter Mayhew-Smith
Accounting Officer

South Thames Colleges Group
Consolidated Statement of Cash Flows

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
(Deficit)/surplus for the year		(1,410)	742
Adjustment for non cash items			
Depreciation		5,412	5,399
Decrease in debtors		2,808	2,160
Increase/ (decrease) in creditors due within one year		880	(1,990)
Increase/ (decrease) in creditors due after one year		1,333	(406)
Decrease in provisions		(936)	(275)
Pension costs less contributions payable		3,668	2,268
Adjustment for investing or financing activities			
Investment income		(33)	(92)
Interest payable		1,721	1,873
Profit on sale of fixed assets		(322)	(2,369)
Net cash flow from operating activities		**13,121**	**7,310**
Cash flows from investing activities			
Investment income		33	92
Proceeds from sale of fixed assets		-	7,428
Payments made to acquire fixed assets		(4,203)	(1,808)
		(4,170)	**5,712**
Cash flows from financing activities			
Interest paid		(704)	(738)
Repayments of amounts borrowed		(5,848)	(815)
		(6,552)	**(1,553)**
Increase in cash and cash equivalents in the year		**2,399**	**11,469**
Cash and cash equivalents at beginning of the year		22,709	11,240
Cash and cash equivalents at end of the year	17	**25,108**	**22,709**

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

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

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the 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 Kingston and Sutton Educational Partnership 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 2021.

Going concern

The activities of the Group, 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 Group, its cash flow and liquidity are presented in the financial statements and accompanying notes.

In setting its budget for 2021/22, the Group has built in significant contingencies in recognition of the ongoing financial impact of the Covid-19 pandemic. The budgeted EBITDA was set at a realistically lower level for 2020/21 and 2021/22 compared to the years before the pandemic. In addition to the cash generated from operations, outstanding proceeds from a disposal completed in 2018/19 has also contributed to the increase in the Group's cash reserves during 2020/21. Cash generated through disposals completed in the two previous financial years enabled the Group to reduce its loan by £5 million during 2020/21 and ensure that covenant compliance does not drive its operational target setting.

The Group had loans of £8.4 million outstanding with bankers as at 31 July 2021. The borrowings are secured and made up of facilities of £5.9 million repayable over 13 years commencing 1 August 2017 and £2.5 million repayable over 20 years commencing 1 August 2017 (with a review date in 5 years). The Group met the loan covenants for the year ended 31 July 2021 with a comfortable margin following the voluntary repayment of £5 million of its term loan during the year. At the time of repaying the loan in December 2020, the Group also entered into a Revolving Credit Facility for the same amount. No amounts were drawn down on the Revolving Credit Facility during

2020/21 and the forecasts indicate that there will be no requirement to utilise the Facility during 2021/22. The Group's forecasts and financial projections indicate that it will be able to operate within the existing facilities and covenants for the foreseeable future. The College Financial Forecast Return (CFFR) submitted to the Funding Body in July 2021 includes monthly cash flow forecasts up to 31 July 2023. The CFFR indicates that the Group's cash balance will remain above the minimum cash balance target throughout the two-year period.

The Group has net current assets at 31 July 2021 and creditors payable within one year include a holiday pay accrual and deferred capital grants (total of £2.2 million) for which payments are not required. The early forecasts contained within the management accounts to date for 2021/22 do not indicate significant additional costs or reductions in income.

Accordingly, the Group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

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.

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.

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 adoption of FRS102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. 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.

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

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.

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

Borrowing costs

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

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 companies are 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.

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 judgement:

- 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 20, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the 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		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	1,264	1,264	2,489	2,489
Education and Skills Funding Agency - 16 - 18	32,649	32,649	30,964	30,964
Education and Skills Funding Agency - apprenticeships	2,319	2,319	2,833	2,833
Greater London Authority - Adult	9,718	9,718	10,000	10,000
Office for Students	371	371	370	370
Specific Grants				
Releases of government capital grants	1,114	1,114	1,114	1,114
16-19 Tuition Fund	732	732	-	-
Teachers Pension Scheme contribution grant	1,367	1,367	1,379	1,379
Total	**49,534**	**49,534**	**49,149**	**49,149**

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2021	2021	2020	2020
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees (including full cost)	1,317	1,317	1,671	1,671
Apprenticeship fees and contracts	77	77	122	122
Fees for FE loan supported courses	1,084	1,084	1,199	1,199
Fees for HE loan supported courses	2,441	2,441	2,765	2,765
International students fees	164	164	283	283
Total tuition fees	**5,083**	**5,083**	**6,040**	**6,040**
Education contracts	9,205	9,205	7,615	7,615
Total	**14,288**	**14,288**	**13,655**	**13,655**

4 Other income

	Year ended 31 July 2021 Group £'000	2021 College £'000	Year ended 31 July 2020 Group £'000	2020 College £'000
Catering and residences	395	395	579	578
Other income generating activities	937	802	922	761
Other Grant income	284	284	112	112
Coronavirus Job Retention Scheme grant	5	5	50	50
Miscellaneous income	3	3	49	49
	1,624	**1,489**	**1,712**	**1,550**

The Corporation furloughed the staff employed within the on-site Crèche at Carshalton for one month during the year. The funding claimed of £5,000 (2020: £50,000) relates to expenditure that is included within staff costs (note 7)

5 Investment income

	Year ended 31 July 2021 Group £'000	2021 College £'000	Year ended 31 July 2020 Group £'000	2020 College £'000
Interest receivable	33	33	92	92
	33	**33**	**92**	**92**

6 Donations - College only

	Year ended 31 July 2021 £'000	2020 £'000
Unrestricted donations (Gift Aid from subsidiary company KCTC Ltd)	71	149
Total	**71**	**149**

South Thames Colleges Group
Notes to the Accounts (continued)

7 Staff costs - Group and College

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

	2021 No.	2020 No.
Teaching staff	505	529
Non teaching staff	397	405
	902	**934**

South Thames Colleges Group pays a number of sessional staff throughout the year based on actual hours delivered. The sessional staff have no contracted hours of teaching or other duties and are not included above.

Staff costs for the above persons

	2021 £'000	2020 £'000
Wages and salaries	29,097	29,600
Social security costs	2,764	2,875
Other pension costs	9,203	7,854
Payroll sub total	**41,064**	**40,329**
Contracted out staffing services	5,139	3,862
	46,203	44,191
Fundamental restructuring costs (contractual)	268	302
Total Staff costs	**46,471**	**44,493**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College.

The College defines key management personnel 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

	2021 No.	2020 No.
The number of key management personnel including the Accounting Officer was:	5	5

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	
	2021 No.	**2020 No.**	**2021 No.**	**2020 No.**
£60,000 to £65,000 p.a		-	7	9
£65,001 to £70,000 p.a		-	10	7
£70,001 to £75,000 p.a		-	2	1
£75,001 to £80,000 p.a		-	2	1
£80,001 to £85,000 p.a		-	3	2
£85,001 to £90,000 p.a		-	2	2
£90,001 to £95,000 p.a		-	1	1
£95,001 to £100,000 p.a		-	-	1
£100,001 to £105,000 p.a		-	1	-
£115,001 to £120,000 p.a		1	-	-
£120,001 to £125,000 p.a	2	1	-	-
£135,001 to £140,000 p.a.	-	1	-	-
£145,001 to £150,000 p.a.	1	-		
£155,001 to £160,000 p.a.	1	-		
£165,001 to £170,000 p.a.	-	1	-	-
£210,001 to £215,000 p.a	1	1	-	-
	5	**5**	**28**	**24**

Including part time workers grossed up to full time equivalent, two further members of other staff received emoluments of £60,000 or more in 2021. They were paid in the £60,000 to £65,000 (1) and £85,001 to £90,000 (2) bandings (2020: 2 in £80,001 to £85,000). Of these staff, two received actual emoluments below £60,000 and are not included above (2020: 1) and one is included in the £70,001 to £75,000 banding. The emoluments of staff who left during the year have not been disclosed if this is below £60,000.

Based on basic pay only, the numbers disclosed above will change for a number of pay bands as follows :

	2021 No.	**2020 No.**	**2021 No.**	**2020 No.**
£90,001 to £95,000 p.a	-	-	2	2
£95,001 to £100,000 p.a	-	-	-	-
£140,001 to £145,000 p.a.	1	-	-	-
£145,001 to £150,000 p.a.	1	-	-	-
£155,001 to £160,000 p.a.	-	-	-	-
£160,001 to £165,000 p.a.	-	1	-	-
£165,001 to £170,000 p.a.	-	-	-	-

Key management personnel compensation is made up as follows:

	2021 £'000	**2020 £'000**
Salaries	745	743
Employers National Insurance	97	104
Benefits in kind	15	10
	857	**857**
Pension contributions	73	91
Total key management personnel compensation	**930**	**948**

South Thames Colleges Group
Notes to the Accounts (continued)

7 Staff costs - Group and College (continued)

The pension contributions in respect of key management personnel are employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as that for other employees. No pension contributions were made in respect of the Accounting Officer in 2021 or 2020.

The Group Principal and CEO waived salary of £5,600 in the year. There were no salary sacrifice arrangements in place for key management personnel. The above compensation includes amounts payable to Group Principal and CEO who is also the Accounting Officer (highest paid officer) of:

	2021 £'000	2020 £'000
Salaries	210	204
Benefits in kind	-	-
	210	204
Pension contributions	-	-

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

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

	2021	2020
Group Principal and CEO's basic salary as a multiple of the median of all staff	5.7	6.1
Group Principal and CEO's total remuneration as a multiple of the median of all staff	5.2	5.5

There were no payments of compensation for loss of office paid to former key management personnel or higher paid staff in the year.

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.

South Thames Colleges Group
Notes to the Accounts (continued)

8 Other operating expenses

	Year ended 31 July 2021 Group £'000	Year ended 31 July 2021 College £'000	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000
Teaching costs	3,359	3,359	3,828	3,828
Non teaching costs	4,731	4,717	4,841	4,828
Premises costs	5,517	5,517	5,801	5,801
Total	**13,607**	**13,593**	**14,470**	**14,457**

Other operating expenses include:	**2021 £'000**	**2020 £'000**
Auditors' remuneration:		
Financial statements audit*	49	51
Internal audit**	53	62
Other services provided by the financial statements auditors***	3	20
Hire of asset under operating leases	140	105

* includes £49,000 in respect of the College (2020 £51,000)
** includes £53,000 in respect of the College (2020 £62,000)
*** includes £0 in respect of the College (2020 £18,000)

9 Interest payable

	Year ended 31 July 2021 Group £'000	Year ended 31 July 2021 College £'000	Year ended 31 July 2020 Group £'000	Year ended 31 July 2020 College £'000
On bank loans, overdrafts and other loans:	704	697	738	738
	704	697	738	738
Enhanced pension provision finance costs (note 16)	51	51	75	75
Net interest on defined pension liability (note 20)	966	966	1,060	1,060
Total	**1,721**	**1,714**	**1,873**	**1,873**

South Thames Colleges Group
Notes to the Accounts (continued)

10 Tangible fixed assets (Group)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2020	219,030	2,615	27,537	249,182
Additions	2045	237	1,921	4,203
At 31 July 2021	**221,075**	**2,852**	**29,458**	**253,385**
Depreciation				
At 1 August 2020	117,495	224	25,716	143,435
Charge for the year	4,192	42	1,178	5,412
At 31 July 2021	**121,687**	**266**	**26,894**	**148,847**
Net book value at 31 July 2021	**99,388**	**2,586**	**2,564**	**104,538**
Net book value at 31 July 2020	**101,535**	**2,391**	**1,821**	**105,747**

There were no fixed asset disposals in the year ended 31 July 2021. The profit on disposal for the year of £322,000 represents savings on the costs estimated in the previous two years for the relocation of services when parts of the Group's accommodation were disposed of.

Tangible fixed assets (College)

	Land and buildings		Equipment	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2020	219,030	2,615	27,537	249,182
Additions	2,045	237	1,576	3,858
At 31 July 2021	**221,075**	**2,852**	**29,113**	**253,040**
Depreciation				
At 1 August 2020	117,495	224	25,716	143,435
Charge for the year	4,192	42	1,135	5,369
At 31 July 2021	**121,687**	**266**	**26,851**	**148,804**
Net book value at 31 July 2021	**99,388**	**2,586**	**2,262**	**104,236**
Net book value at 31 July 2020	**101,535**	**2,391**	**1,821**	**105,747**

South Thames Colleges Group
Notes to the Accounts (continued)

11 Non current Investments

	College 2021 £	College 2020 £
Investments in subsidiary companies	200	200
Total	**200**	**200**

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.

KCTC Ltd
Statement of Comprehensive Income

	2021 £'000	2020 £'000
Turnover	135	162
Cost of Sales	-	-
Gross profit	135	162
Administration expenses	(15)	(13)
Depreciation	(43)	-
Operating profit	77	149
Interest payable	(6)	-
Profit for the year before taxation	71	149
Profit for the year	**71**	**149**

South Thames Colleges Group
Notes to the Accounts (continued)

12 Trade and other receivables

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Amounts falling due within one year:				
Trade receivables	881	852	1,662	1,662
Amounts owed by Subsidiary undertakings	-	528	-	286
Prepayments and accrued income	748	748	586	584
Proceeds due on sale of fixed assets	275	275	2,425	2,425
Amounts owed by the ESFA	158	158	197	197
Total	**2,062**	**2,561**	**4,870**	**5,154**

13 Creditors: amounts falling due within one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans and overdrafts	874	874	846	846
Trade payables	1,438	1,438	2,156	2,156
Other taxation and social security	78	74	1,445	1,445
Accruals and deferred income	4,194	4,184	4,297	4,288
Holiday pay accrual	976	976	842	842
Deferred income - government capital grants	1,200	1,200	1,114	1,114
Amounts owed to the ESFA	3,044	3,044	518	518
Total	**11,804**	**11,790**	**11,218**	**11,209**

14 Creditors: amounts falling due after one year

	Group 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
Bank loans (note 15)	7,476	7,476	13,352	13,352
Deferred income - government capital grants	33,552	33,552	32,219	32,219
Total	**41,028**	**41,028**	**45,571**	**45,571**

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 2021 £'000	College 2021 £'000	Group 2020 £'000	College 2020 £'000
In one year or less	874	874	846	846
Between one and two years	901	901	874	874
Between two and five years	2,902	2,902	2,801	2,801
In five years or more	3,673	3,673	9,677	9,677
Total	**8,350**	**8,350**	**14,198**	**14,198**

The College has two secured term loans from Barclays Bank. A fixed rate loan of £7.7m (Facility A) is repayable in instalments falling due monthly over a 13 year period commencing August 2017 and a loan of £8.9m (Facility B) 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. An additional voluntary repayment of £5m was made in December 2020 to reduce the balance on Facility B.

16 Provisions

	Defined benefit obligation £'000	Restructuring £'000	Enhanced pensions £'000	Dilapidation provision £'000	Total £'000
At 1 August 2020 (Group and College)	**62,174**	**86**	**3,909**	**650**	**66,819**
Payments in the period	(2,025)	-	(286)	(278)	(2,589)
Charge to expenditure:					
Provision released	-	-	-	(372)	(372)
Current service cost	5,693	-	-	-	5,693
Net interest on pension liability	966	-	51	-	1,017
Actuarial (gains)/losses	(6,414)	-	(195)	-	(6,609)
At 31 July 2021 (Group and College)	**60,394**	**86**	**3,479**	-	**63,959**

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

The enhanced pension provision relates to the cost of staff who have already left the Group's employment and commitments for reorganisation costs from which the Group 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:

	2021	2020
Price inflation	2.60%	2.20%
Discount rate	1.60%	1.30%

17 Cash and cash equivalents (Group)

	At 1 August 2020 £'000	Cash flows £'000	At 31 July 2021 £'000
Cash and cash equivalents	22,709	2,399	25,108
Total	**22,709**	**2,399**	**25,108**

18 Capital commitments

There were no capital commitments at 31 July 2021 or 2020.

19 Lease Obligations

At 31 July 2021 and 2020 the College had total minimum lease payments under non-cancellable operating leases as follows:

	Group and College	
	2021 £'000	**2020 £'000**
Total future minimum lease charges payable:		
Equipment		
Not later than one year	140	280
	140	**280**

20 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the 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 2019.

Total pension cost for the year

		2021 £'000		2020 £'000
Teachers Pension Scheme: contributions paid		3,510		3,478
Local Government Pension Scheme:				
Contributions paid	2,025		2,108	
FRS 102 (28) charge	3,668		2,268	
Charge to the Statement of Comprehensive Income		5,693		4,376
Total Pension Cost for Year		**9,203**		**7,854**

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 Regulations. 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.

20 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 £196 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 23.68% during 2018/9). DfE paid a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year and will also fund the costs in 2021-22.

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 £3,510,300 (2020: £3,478,000).

20 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 2021 was £2,749,000 of which employer's contributions totalled £2,025,000 (The Group was not required to make deficit reduction payments) and employees' contributions totalled £724,000. 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 made a separate, lump-sum contribution into the pension scheme during the year to reduce the deficit. No deficit reduction payments will be made in the year ending 31 July 2022.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by Barnett Waddingham LLP.

	At 31 July 2021	**At 31 July 2020**
Rate of increase in salaries	2.80%	2.25%
Rate of increase for pensions in payment / inflation	2.80%	2.25%
Discount rate for scheme liabilities	1.60%	1.35%

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 2021 years	**At 31 July 2020 years**
Retiring today		
Males	21.70	21.20
Females	24.40	24.10
Retiring in 20 years		
Males	22.60	22.60
Females	25.80	25.60

Sensitivity analysis	**At 31 July 2021 £'000**	**At 31 July 2020 £'000**
Discount rate +0.1%	(3,760)	(3,559)
Discount rate -0.1%	3,845	3,640
Mortality assumption - 1 year increase	8,359	5,667
Mortality assumption - 1 year decrease	(7,971)	(6,023)
Long term salary increase rate +0.1%	289	275
Long term salary increase rate -0.1%	(286)	(272)

The above sensitivities refer to the present value of total obligations and show the increase/(decrease) in the total obligations if rates change.

20 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The College's share of the assets in the plan at the balance sheet date was:

	Fair Value at 31 July 2021 £'000	Fair Value at 31 July 2020 £'000
Equities	66,958	58,661
Target return Portfolio	26,116	24,302
Infrastructure	10,702	7,383
Property	10,081	9,902
Cash	4,708	6,560
Total market value of assets	**118,565**	**106,808**
Actual return on plan assets	**12,497**	**3,809**

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

	2021 £'000	2020 £'000
Fair value of plan assets	118,565	106,808
Present value of plan liabilities	(178,959)	(168,982)
Present value of defined benefit liabilities (note 16)	**(60,394)**	**(62,174)**
Present value of unfunded liabilities (note 16)	(3,479)	(3,909)
Net pension liability	**(63,873)**	**(66,083)**

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

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost	(5,693)	(4,374)
Past service cost	-	(2)
Total	**(5,693)**	**(4,376)**
Amounts included in interest payable		
Net interest payable	**(966)**	**(1,060)**
Amounts recognised in Other Comprehensive expenditure		
Return on pension plan assets	11,059	1,625
Experience gains arising on defined benefit obligations	3,246	582
Changes in assumptions underlying the present value of plan liabilities	(7,891)	(16,136)
Amount recognised in Other Comprehensive expenditure	**6,414**	**(13,929)**

South Thames Colleges Group
Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2021	**2020**
	£'000	**£'000**
Deficit in scheme at 1 August	(62,174)	(44,917)
Movement in year:		
Current service cost	(5,693)	(4,374)
Past Service costs	-	(2)
Employer contributions	2,025	2,108
Net interest on the defined liability	(966)	(1,060)
Actuarial loss	6,414	(13,929)
Net defined benefit liability at 31 July	**(60,394)**	**(62,174)**

Asset and Liability Reconciliation

	2021	**2020**
	£'000	**£'000**
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	168,982	150,171
Current Service cost	5,693	4,374
Past Service costs	-	2
Interest cost	2,265	3,107
Contributions by Scheme participants	724	724
Experience gains and losses on defined benefit obligations	(3,246)	(582)
Changes in financial assumptions	7,882	16,540
Estimated benefits paid	(3,341)	(5,354)
Defined benefit obligations at end of period	**178,959**	**168,982**

Reconciliation of Assets

	2021	**2020**
Fair value of plan assets at start of period	106,808	105,254
Interest on plan assets	1,299	2,047
Return on plan assets	11,059	1,625
Other actuarial gains/(losses)	(9)	404
Employer contributions	2,025	2,108
Contributions by Scheme participants	724	724
Estimated benefits paid	(3,341)	(5,354)
Assets at end of period	**118,565**	**106,808**

The estimated value of employer contributions for the year ending 31 July 2022 is £2,001,000
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.

Deficit Contributions

Following the most recent valuation of the scheme, the College is no longer required to make additional contributions for deficit reduction until the next full valuation at which point the situation will be reviewed again.

21 Related party transactions

The total expenses paid to or on behalf of the Governors during the year was £744 in respect of five Governors (2020: £512; four Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2020: None).

22 Amounts disbursed as agent

Learner support funds

	2021 £'000	2020 £'000
Funding bodies grants - 16-19 Bursary	698	708
Advanced Learning Loan Bursary	640	801
Other Funding body grants	122	217
	1,460	1,726
Disbursed to students	(1,274)	(1,557)
Administration costs	(44)	(64)
Balance unspent as at 31 July, included in creditors	**142**	**105**

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.

23 Access and participation expenditure

	2021 £'000	Restated 2020 £'000
Access investment	10	8
Financial Support	52	18
Support for Disabled Students	30	37
	82	**63**