



Annual Report and Financial Statements
Year ended 31 July 2020

East Sussex College Group

Contents

Reference and Administrative Details	3
Strategic Report	4
Operating and Financial Review	4
Statement of Corporate Governance and Internal Control	14
Statement on Regularity, Propriety and Compliance	21
Statement of the Responsibilities of the Members of the Board	22
Independent Auditor's Report to the Board of East Sussex College Group	23
Reporting Accountants' Report on Regularity to the board of East Sussex College Group	25
Consolidated and College Statements of Comprehensive Income	27
Consolidated and College Statement of Changes in Reserves	28
Consolidated and College Balance Sheets	29
Consolidated Statement of Cash Flows	30
Notes to the Accounts	31-55

Reference and Administrative Details

Key management personnel are defined as members of the College Senior Leadership Team and were represented by the following in 2019/20

Clive Cooke	- Principal and CEO; Accounting officer (Resigned 14 February 2020)
Rebecca Conroy	- Principal, East Sussex College Eastbourne; Acting Principal, CEO and Accounting Officer from 15 February 2020
Biram Desai	- Chief Financial Officer (Resigned 30 April 2020)
Martin Penny	- Chief Financial Officer from 01 May 2020
Dan Shelley	- Executive Director, Strategic Partnerships and Engagement
James Sharpe	- Principal, East Sussex College Hastings (Resigned 03 July 2020)
Fred Carter	- Principal, East Sussex College Lewes (Retired 30 June 2020)
Tim Hulme	- Executive Director Resources and Organisational Development
Becky Cooke	- Director of Human Resources & Organisational Development

Board of Governors

A full list of Governors is given on pages 14-16 of these financial statements. Mrs S Connerty, Director of Governance, acted as Clerk to the Corporation from 01 August 2019 to 24 September 2019, and Mia Bryden, Director of Governance, acted as Clerk to the Corporation from 25 September 2019 to the date of the signing of these financial statements.

Professional advisers

Financial statements auditor and regularity reporting accountants:

Mazars LLP
6 Sutton Plaza, Sutton Court Road,
Sutton, Surrey, SM1 4FS

Internal auditors

RSM UK
2nd floor, Springpark House, Basing View,
Basingstoke, RG21 4HG

Solicitors

Veale Wasbrough Vizards LLP
24 King William Street,
London EC4R 9AT

Bankers

Barclays Bank plc,
1 Churchill Place, London E14 5HP

Strategic Report

Operating and Financial Review

OBJECTIVES AND STRATEGY

The members present their report and the audited financial statements for the year ended 31 July 2020.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Sussex Coast College Hastings. On 29 March 2018 the assets and liabilities of Sussex Downs College were transferred to Sussex Coast College Hastings on the merger of the two organisations. The name change to East Sussex College Group was approved by the Department of Education with effect from 16 April 2018.

East Sussex College Group is an exempt charity for the purposes of the Charities Act 2011.

Mission, Vision, Strategy and Objectives

The College's vision and mission are contained in the Strategic Plan 2018-21 as follows -

The vision is: "Be the undisputed centre of excellence for education and skills in East Sussex, renowned for leading transformation and innovation in pedagogy, inspiring people and employers to perform to their full potential and prosper with confidence in any community worldwide."

The mission is: "Provide outstanding, responsive and viable A level, professional and technical learning enabling excellent progression opportunities for people and communities to achieve their ambitions and aspire to new challenges."

In March 2020 the board scrutinised the College's response to the COVID-19 crisis. The board heard from the CEO about how the most vulnerable learners were being kept safe, including those with safeguarding needs and special educational needs and disability. The board also approved an Academic Business Continuity Plan including how students were being supported to mirror their college schedule at home and how levels of engagement and support to disadvantaged learners are being monitored. The board was also provided with details of the support available to staff to help them to look after their health and wellbeing during this time.

The College strongly supported community action during the COVID-19 crisis and continues to do so. A new web page was set up on the College website that contained all the latest information on the Coronavirus and how all stakeholders can protect themselves and others. This continues to be updated as at the date of the signing of these accounts.

The board also approved the creation of a Short-Term Board Focus Group. This group oversees the College business, discusses any matters for urgent consideration and ensures that Governors are kept informed during the 'crisis period'.

Implementation of strategic plan

The current strategic plan covers the period 2018-21 and the Board monitors the performance of the College against this plan. The College's strategic priorities are:

1. Standards - Improve dramatically the quality of the learning experience, stimulating students to excel in their studies irrespective of their starting point, and ensuring exceptional progression to university, higher levels of study or sustainable employment regionally or nationally.

2. Sustainability – Achieve financial strength, enabling maximum investment in passionate and high performing people, great resources and innovative buildings and ensuring the capability for rapid growth.

3. Strategic Partnerships - Boost participation in world class education and skills training, designing exciting programmes and 21st century career pathways for our distinctive and diverse communities. To co-create with key partners new, inspiring buildings with cutting-edge resources. To pursue strategic options for federation, merger and new campus development with post- 16 providers, and acquisition within the private sector.

In March 2020 the board agreed for a Strategic Plan Steering Group to be established. The group consists of the Chair, Vice-Chairs, CEO and the Director of Governance, with a remit to oversee the refresh of the College's Strategic Plan. This review began with a Strategy Day on 24 June 2020 followed by a full board Strategic Planning session on 8 July 2020.

Public Benefit

East Sussex College Group is an exempt charity under the Part 3 of the Charities Act 2011 and from 9 November 2016 is regulated by the Secretary of State for Education as Principal Regulator for all FE Boards in England (previously Secretary of State for Business, Innovation and Skills). The members of the Governing Body, who are trustees of the charity, are disclosed on pages 14 to 16. In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit. In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce.

Financial objectives

The College Group continues to focus on delivering financial outcomes in line with the Strategic Priorities and Objectives noted above. This is accompanied by the delivery of quarterly returns to the Transaction Unit (and other conditions set out in the associated grant and loan agreements), alongside maintaining relationships with key financial stakeholders such as the ESFA, Barclays Bank, auditors etc. Other Financial Objectives include:

- a) Providing financial and non-financial returns on time and in the agreed format.
- b) Ensuring all returns requiring certification by auditors are unqualified.
- c) Providing advice, guidance and training to staff, management and governors on funding, funding methodologies, budgeting and the College's financial position.
- d) Providing adequate information to ensure that staff, management and governors are kept up to date with the financial position of the College.
- e) Generating sufficient funds to ensure that the College can invest in the new technologies and equipment required to support learning programmes and College administration.
- f) Generating sufficient funds to ensure that the College's specified programme of planned maintenance can be undertaken.
- g) Ensure adequate procedures are in place to protect assets from loss, theft and neglect.

These objectives are consistent with and support the strategic plan.

Performance indicators

Income growth:

As shown on page 27, the College earned over £50 million of income during the year, a decrease of 12.1% over the previous year. This reflects the impact of COVID-19 and is against a backdrop of a reducing reliance on ESFA funding, from 72.5% of total income last year to 68.7% this year. The College monitors all of its funding and other income monthly and is focussed on gaining high quality growth wherever possible.

Learner Success rates:

Headline achievement rates for 16-18 for 2019-20 stands at 83.2% compared to 79.7% in the previous year, whilst headline achievement rates for 19+ for 2018-19 stand at 86.1% compared to 90.3% in the previous year. Success for adults has been impacted by COVID-19.

Teacher qualifications:

The College requires all teaching staff, whether established or sessional, to be appropriately qualified. The policy for unqualified staff joining the College in a teaching role is to support them in the achievement of a Post-Graduate Certificate in Education (PGCE) within two years of commencing work with the College.

Employer engagement:

The College focuses on employer engagement and tailors educational provision to meet employer needs. One of the main funding streams is in relation to Apprenticeships. The College views this area as vital for the UK economy and skills for the future. It therefore continues to focus on achieving growth in this area, with targeted growth in the internal delivery of apprenticeships, but a significant proportion of the allocation is also delivered via our sub-contract partners.

The College works with over 500 local employers across East Sussex in providing Apprenticeships and customised bespoke training. Links with local businesses are strong and, for example, the College continues to chair key employer groups in construction and engineering on behalf of the countywide Employment and Skills Board.

Commercial activities continue to form a small but important part of the overall plan to deal with potential reductions in, and hence reliance on, grant funding. The College and its subsidiary company, Plaza Trading Hastings Limited, continue to operate outlets such as a Subway franchise, coffee shops and a gym and event business, raising revenue and giving work opportunities to students.

The College works with a number of partners to deliver funded provision during 2019-20, with the focus on retaining those high-quality partners from the previous legacy colleges who had demonstrated the best academic and financial performance. The highest standards of due diligence and controls over delivery continue to be applied.

COVID-19 has had a serious negative impact on employer engagement and on commercial activities since March 2020.

KEY PERFORMANCE INDICATORS

The Corporation receives regular reports tracking the key performance indicators for the College as agreed as part of the Business review process. The final KPI's for 2019/20 are shown in the table below with appropriate RAG ratings, in many instances the achievement of the KPI has been impacted by the lockdown in March 2020. These KPI's are monitored throughout the year and inform action planning for the following year:

Critical KPI's	Target 2019/2020	July 2020	R A G
Number of 16-18 students	5,063	4,937	Yellow
Total income	£51,910k	£50,863k	Red
Staff costs excluding redundancy	£26,186k	£29,879k	Red
Non-Pay Costs	£21,644k	£19,848k	Green

EBITDA	£2,080k	£565k	
Cash £000's	£709k	£2,739k	
Other PI's			
Staff costs /income	65.00%	66.22%	
Current Ratio	0.63	0.44	
Creditor Days	45.00	39.00	
Financial Health	Requires Improvement	Inadequate	

Trade union facility time

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

Numbers of employees who were relevant in the period	FTE employee number
12	11.3

Percentage of time	Number of employees
0%	0
1-50%	12
51-99%	0
100%	0

Total cost of facility time	£31.9k
Total pay bill	£30,450k
Percentage of total bill spent on facility time	0.10%

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

The Group generated an operating deficit before other gains/(losses) in the year of £3,677k (2018/19 deficit £5,301k).

Included in the final result is a charge of £2,521k in respect of accounting for defined benefit pensions (2018/19 £2,451k) - see note 7, 10 and 25.

On 31 July 2020 the Group's general reserve, including pension reserve, stood at deficit £22,824k (2018/19 deficit £5,528k). The bank and cash balances totalled £2,739k (2018/19 £629k).

Tangible fixed asset additions during the year amounted to £202k (2018/19 £2,316k).

The College continues to operate a wholly owned limited company subsidiary called Plaza Trading Hastings Limited which was incorporated in August 2011. These accounts have been prepared on a consolidated basis.

Treasury policies and objectives

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

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements were restricted by limits in the Financial Memorandum with the ESFA dated 1 April 2012. All other borrowing requires the authorisation of the Board and shall comply with the requirements of the Financial Memorandum with the ESFA.

Creditors payment policy

It is the College's policy to pay all of its suppliers within 30 days (or per other agreed credit terms) of the later of the date of supplier invoice or supply of goods or services, provided that the College is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions of a proper authorised purchase order. The College does not follow any code or standard on payment practice, but does strive to adhere to the Government guidelines whenever possible.

Taxation

The College's trading activities within Plaza Trading Hastings Limited are eligible to be charged to Corporation tax but no charge is applicable for 2019-20 as the company had no taxable profits.

Cash flows

Operating cash flow was a £1,735k inflow (2018/19: £1,438k inflow) for the year. This increase in cash generated from operating activities reflects an improvement in the management of working capital during the year.

Liquidity

Loans of £8,817k are outstanding at the year end. Of this total, £3,875k relates to commercial debt with Barclays Bank, £4,807k relates to loans from the Transaction Unit (subsequently renamed Provider Market Oversight) arising from the merger, and £135k relates to a loan from the University of Brighton.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds no restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve including pension reserve stands at deficit £22,824k (2018/19: deficit £5,528k) and the revaluation reserve stands at surplus £8,369k (2018/19: £8,606k). It is the Board's intention to increase reserves by the generation of annual operating surpluses.

Curriculum developments

The College is a major provider of post-16 further education, higher education and apprenticeships training across East Sussex. The College has three main campuses and works closely with the local authorities of East Sussex County Council. There are approximately 4,553 students aged 16-18 following full time study programmes; 537 studying up to level 1, 1,156 studying up to level 2 and the remainder at level 3. There are 5,266 adult students mainly at level 3 with the majority being part time. The College works with employers and makes a significant contribution to the communities that it serves.

The leadership of the College promotes social inclusion and sees lifelong learning as a vital contributor to personal fulfilment and progression of its students into jobs, apprenticeships or higher education. Governor's and Senior leaders have a clear ambitious vision for providing high-quality inclusive education, placing the needs and experience of students at the centre of everything they do.

The College has clear ambitions to be outstanding and understands the importance of honest and accurate self-assessment as a way to enable and accelerate this. It uses the self-assessment process to evaluate its performance and measure its progress on its journey to outstanding. Leaders ask managers to be really clear about their strengths and transparent about their areas for improvement.

It is important to the College that it celebrates its progress and achievements and recognises those people who really do an outstanding job for the students, community stakeholders and the College. It is equally important that there is an understanding of what it needs to do to improve, carefully identifying actions to ensure they move us forward. The College uses the Education Inspection Framework (EIF), as set out by Ofsted, as a guide for self-assessment judgements. Managers from different provision types are asked to make a judgement on their performance against the various elements in this framework, ensuring that these judgements are evidence-based and accurate. The Quality Improvement plan is derived from this self-assessment report and is a working document that aims to bring together the wide-ranging initiatives, procedures and arrangements which are in place and being developed continuously to improve students' chances of success.

Leaders provide a varied curriculum for Study Programme, Adult, HE, Traineeship & Apprenticeship students, which develops the knowledge, skills and behaviours that students need to prepare them for their next stage in education, training or employment. Students are included in every step of their learning journey, through evaluations of their teaching and feedback sessions. The 'Student Voice' is powerful and student representatives give feedback to Senior Leaders and Governors and have their say in developments. The Student Voice shapes the College Community and the evolving offer to its College population and the wider community.

The Coronavirus pandemic has profoundly changed the lives of staff and students across the College group. For some it has been very stressful with uncertainty and fears about the impact of health, current education, and future careers. The College approached the challenges of the pandemic with unity, innovation and action going the extra mile to ensure as many students as possible remained engaged in education and training and were able to achieve their qualifications and progress.

The College also reached out to the wider community and supported the local community through this unprecedented time. For example frozen meals were delivered to families entitled to free school meals, PPE equipment was designed and manufactured in the Engineering workshop, College buildings were handed over to the District General Hospital in Eastbourne for sole use so that a Chemotherapy Unit could be relocated.

At the point of lockdown the College swiftly moved to remote and online delivery and continued to deliver to students until the end of the College academic year. Student's safety and well-being were at the forefront of the response. The College continued to support over 150 high risk students remotely through the Well-Being support team for a range of issues including mental health or financial concerns. Students without devices or access to the internet were identified and 240 students were provided with devices and dongles to enable them to continue their studies remotely. Detailed and extensive virtual tracking of students wellbeing and progress were crucial in responding to evolving needs. For example paper-based work packs and telephone support for students with barriers to using technology or in response to awarding body criteria for adapted assessments.

The College is a vibrant place to work and study and leaders encourage all staff and students to be the best they can be. The leadership team understand that they play a critical role in shaping the College culture and the vision, purpose, values and strategic priorities help to steer the College to make sure that the focus is on helping students to achieve the very best. The leadership team understand the importance of visible leadership and interact regularly within the college community.

Events after the balance sheet date

Following on from an ESFA investigation into a subcontractor who worked with the pre-merger legacy Sussex Coast College Hastings, a clawback of Apprenticeship funding totalling £1.1m has been provided in these accounts. The activity related to historic apprenticeship delivery mainly relating to the 2011/12 academic year. The College has now reached agreement with the ESFA in relation to the timing of this payback, which has been factored into future cash-flows.

The College has also received £1.8m of funding from the ESFA for the improvement of the College property portfolio to improve the condition of the College estate.

Future developments

Work has commenced on the implementation of a financial recovery plan that is linked to the Business Planning Cycle for 2021-22, and the College continues to gain assistance from the National Leaders in FE programme to help enhance and update the business planning systems and processes for a multi-site College.

The College is also focussed on reducing the use of sub-contracting for the delivery of its Apprenticeship and AEB provision. This has been agreed by the Corporation and will be implemented over the next 3 years.

The College is focused on enacting an innovative Estates Strategy that will ultimately redevelop the Lewes and Eastbourne campuses, reducing the space required but ensuring that these campuses are improved to the standard of the new builds in Hastings and Ore Valley, which were completed in 2010. The College is working with all our stakeholders and potential partners to realise this ambition, using the first phase of the FECA funding to make an immediate impact on the estate and freeing up resources to provide capital receipts for future investment.

The College is committed to delivering a new Estates, Digital and People Strategy to develop a 21st Century outstanding learning organisation to meet the needs of East Sussex and the surrounding areas.

Impact of Brexit

The terms of the future relationship between the UK and the EU are still unknown and, at the date of this report, it is impossible to assess in detail the opportunities and threats that Brexit could present. The governors are managing these risks by closely monitoring developments, and are confident that the College will be able to amend and modify its procedures to remain fully compliant with any new rules and regulations.

RESOURCES

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

Tangible fixed asset additions during the year amounted to £202k (2018/19 £2,316k).

Financial

The College has £14.455 million of net liabilities (incorporating a £42.650 million pension liability) (2018-19: £3.078m net assets incorporating a £26.27m pension liability).

People

The College employs 700 people (expressed as full-time equivalents), of whom 306 are teaching staff (2018-19: 687 people of whom 304 were teaching staff).

Going Concern

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

As a result of COVID-19 the College would have breached its bank covenant with Barclays Bank as at 31 July 2020. The College has received a COVID-19 waiver letter from the bank dated July 2020 and the breach is not expected to reoccur in the coming financial year; subject to any further impact of the pandemic.

Reputation

The College continues to strive to build its reputation locally and nationally. Achieving and maintaining a quality brand is essential for the College's success at attracting students, thereby maintaining and wherever possible growing income, alongside developing and enhancing external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College has embedded a system of internal controls, including financial, operational and risk management which is designed to protect the College's assets and reputation. The College operates an online system for recording and reporting Risk which formalises this process across all the areas of the College.

The system comprises a strategic risk register with 14 key risks. The register assists the College in documenting the identification of 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.

Outlined below is a description of the 14 Strategic risks identified in the Risk Register that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College. The number of risks has been increased as a result of COVID-19 which has been included as a separate risk as well as impacting on other areas. The key risks are:

1. Quality

East Sussex College fails to provide a consistently good experience and students do not achieve their potential.

2. Student Recruitment

East Sussex College's curriculum offer and recruitment actions fail to attract sufficient students.

3. Safeguarding and Prevent systems and processes

East Sussex College's Safeguarding and Prevent processes fail to keep students and staff safe.

4. Staff Morale and Organisational Culture

East Sussex College fails to ensure that there is an effective organisational culture.

5. Cash flow

East Sussex College fails to ensure that it has sufficient cash to enable it to remain viable.

6. Subcontracting

East Sussex College fails to achieve sufficient adult/apprentice growth to replace reductions in subcontracted provision.

7. Resource Management

East Sussex College fails to adequately manage pay and non-pay resources in line with the business plan.

8. Estates Strategy

East Sussex College fails to deliver a new estate strategy.

9. Digital Capacity

East Sussex College fails to ensure that there is an adequate IT infrastructure to facilitate all aspects of the College including teaching and learning, business systems and staff needs.

10. Cyber Attack

East Sussex College fails to protect against a cyber-security attack.

11. Leadership and Governance

East Sussex College fails to ensure that there is strong and secure leadership and governance.

12. COVID-19

East Sussex College COVID-19 mitigating preparations fails to be effective

13. Health and Safety

East Sussex College fails to ensure that safe working practices keep staff and students safe from harm.

14. External environment

East Sussex College fails to respond with agility to the changing local environment such as government policy and BREXIT.

The College has put in place mitigating actions against each of these risks that aim to reduce the Gross Risk Assessment from High to at least medium. The uncertainties still remain about the long-term impact of COVID-19 and the external environment impacts from BREXIT and changing government policy.

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, East Sussex College Group has many stakeholders. These include:

- Students
- Funding agencies
- Staff
- Local employers (with specific links)
- Local Authorities
- Government Offices/ Local Enterprise Partnerships
- The local community
- Other FE institutions
- Trade unions
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Equality, Diversity and Inclusion

The College is committed to ensuring equality of opportunity for all who learn and work at the College. The College Group's values support the principle of equal opportunities and opposes discrimination on the basis of age, sex, marriage and civil partnership, gender reassignment, race, disability, sexual orientation, religion or belief, pregnancy and maternity and part-time or fixed-term employment (defined as Protected Characteristics). The College Group will take every possible step to ensure that students and prospective students are treated equally and fairly. All policies and

practices will conform with the principle of equal opportunities particularly in terms of recruitment, admission, selection and discipline.

Being a committed equal opportunities employer, the College Group will take every possible step to ensure that employees are treated equally and fairly. All policies and practices will conform with the principle of equal opportunities in terms of recruitment, selection, training, promotion, career development, discipline, redundancy and dismissal. In some situations, the College Group may be at risk of being held responsible for the acts of individual members of staff and will not tolerate any discriminatory practices or behaviour.

The Group is committed to ensuring a working environment where equalities and fairness is integral to everything they do and is embedded in all policies and practices. The College values each individual within the workforce and will challenge all forms of inequality.

The College operates a Single Equality Scheme to comply with the Public Equality Duty which became law in April 2011.

Disability statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005:

- a. The capital build programme completed in 2010 which delivered the buildings at Station Plaza (Hastings) and Ore Valley are fully compliant with all relevant legislation.
- b. There is a list of specialist equipment across Eastbourne, Lewes and Hastings, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- c. The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
- d. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
- e. Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- f. Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

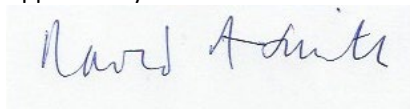
Staff and student involvement

Termly staff development days and other events are held to ensure effective communication with staff on College strategy and direction. Students attend course boards and focus groups to provide feedback on curriculum to the College. Formal systems are in place to collect student views and deliver them to the Board and executive management of the College. Staff and students are represented on the Board.

Disclosure of Information to Auditor

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 auditor is 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 auditor is aware of that information.

Approved by order of the members of the Board on 07 December 2020 and signed on its behalf by:



David Smith
Chair of Governors

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 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"), and
- iii. having due regard to the UK Corporate Governance Code insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the board has complied with The Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Further Education Sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31st July 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 issued by the Association of Colleges in March 2015 including the Senior Post Holder Remuneration Code adopted by the Board in February 2019.

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 Board of Governors

The governors who served the Board during the year and up to the date of signature of this report are listed below:

Name	Date of appointment	Term of Office	Date of resignation / end of office	Status of appointment	Committees served	Individual attendance
Clive Cooke	26.03.12	N/A	14.02.20	CEO (Ex officio)	All committees (except Audit, Transformation and Remuneration)	100%
Henry Ball	01.09.13 (CT as Chair) 29.03.18	2 nd	28.03.20	Independent Governor	Finance, Search and Governance, Quality and Standards, Remuneration, Eastbourne College Board, Capital and Infrastructure	100%

Tony Campbell	07.07.10 (CT as Vice-Chair) 29.03.18	2nd + 2 as Vice-Chair	28.03.20	Independent Governor	Quality and Standards, Remuneration, Hastings College Board	100%
Pat Farmer	27.03.02 (CT) 26.03.14 Extension to 30.08.20	4 th	27.04.20	Independent Governor	Finance, Transformation	100%
Derek Stevens	04.07.12 (CT) 04.06.16	2 nd	03.06.20	Independent Governor	Audit	100%
Simon Hubbard	02.05.12 (CT) 2.05.16	2 nd	01.05.20	Independent Governor	HR, Hastings College Board	100%
David Smith	02.10.19 (as Independent Governor) 28.03.20 (as chair)	1 st	-	Independent Governor /Chair	Finance, Search and Governance, Quality and Standards, Remuneration, HR, Transformation	100%
Rebecca Conroy	14.02.20	N/A	-	Acting CEO (Ex officio)	All committees (except Audit, Transformation and Remuneration)	100%
Mark Fisher	18.09.17	1 st	-	Independent Governor	Finance	100%
Jo Rogers	29.03.18 Vice Chair (26.02.20)	1 st	-	Independent Governor (Vice-Chair)	HR, Remuneration, Transformation, Eastbourne Local College Board	100%
Gill Short	1.10.15	2 nd	-	Independent Governor	Quality and Standards, Lewes College Board	100%
Kevin Cowley	09.03.18 – 24.06.19 (Co-opted Member) 24.06.19 (Independent Governor)	1 st	-	Independent Governor	HR, Search & Governance, Remuneration	100%
Angela Smith	26.3.19 – 10.12.19 (Co-opted Member) 10.12.19 (Independent Governor)	1 st	-	Independent Governor	Audit	100%

Ian Mehrtens	24.06.19 Vice-Chair (26.02.20)	1 st	-	Independent Governor (Vice-Chair)	Transformation, Remuneration, Audit	100%
Catherine Manning	01.06.20	1 st	-	Independent Governor	Search & Governance, Quality and Standards	100%
Sue Maynard	01.06.20	1 st	-	Independent Governor	Audit, Transformation	100%
Suzanne Green	01.06.20	1 st	16.11.20	Independent Governor	Quality and Standards & HR	100%
Graham Cook	01.06.20	1 st	-	Independent Governor	Finance and Transformation	100%
Andy Vincent	08.07.20	1 st	-	Independent Governor	Search & Governance, Transformation	100%
Ian Jungius	17.12.03 (CT) 17.12.15	4 th	16.12.19	Independent Governor	Quality and Standards, Lewes College Board	50%
Leo Hunnisett	26.02.20	1 year	-	Student Governor		50%
Aleksandra Figat	26.02.20	1 year	-	Student Governor		0%
Josef Groves	26.02.20	1 year	-	Student Governor		0%
Marie Sangster	07.10.19	4 years	-	Staff Governor (support)	HR	80%
Steve Hedges	07.10.19	4 years	-	Staff Governor (Teaching)	Quality and Standards	100%
Robert Mee	29.03.18	2 nd	-	Co-opted Member	HR	100%
Madina Tash	26.03.19	1 st		Co-opted Member	Finance	66.67%
Tom Sanderson	29.03.18	2 nd		Co-opted Member	Finance	66.67%
Charles Dudley	08.06.20	1 st		Co-opted Member	Transformation	
Sue Walton	29.03.18	1 st	25.02.20	Co-opted Member	Finance	66.67%
Roger Dennard	29.03.18	1 st	28.03.20	Co-opted Member	Audit	100%
Steve Baldry	29.03.18	1 st	14.10.19	Co-opted Member	HR	84%

Governance Framework

Mrs S Connerty, Director of Governance, acted as Clerk to the Corporation from 01 August 2019 to 24 September 2019, and Mia Bryden, Director of Governance, acted as Clerk to the Corporation from 25 September 2019 to the date of the signing of these financial statements.

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

The Board 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 Board meets each term.

A new Chair took office in February 2020 and the board approved two new Vice Chairs at the March full board meeting. Alongside the departure of the previous Chair and Vice Chair, five further governors left the board at the end of their terms of office during Spring 2020 and a successful, multi-channel recruitment drive was pursued, enabling five new, independent governors to be appointed and the gender balance and age profile of the board to be significantly improved.

The new governors bring a variety of relevant skills and experiences to the board, including risk and audit and financial acumen, mental health knowledge and experience, capital project management and national further education professional development engagement. Alongside the new independent governors, specialist co-optees have been recruited to serve on key committees and key influencers have been recruited to the three local boards.

The East Sussex College Group board committee structure has been overhauled, with all but one of the committees now under new Chair and Vice Chair arrangements, new full and co-opted members and all of the terms of reference refreshed after significant research into best FE sector practice.

The Board conducts its business through a number of Committees. Each Committee has terms of reference, which have been approved by the Board. There are reviewed annually and were last reviewed on 8 July 2020.

In July 2019 the following Committees were amended:

- Audit became Audit and Risk
- Quality and Standards became Curriculum and Standards
- Capital and Infrastructure became Transformation
- Search and Governance became Governance Development
- Remuneration became Remuneration and Performance

In July 2020 the Committees were amended as follows:

- Audit and Risk became Audit, Risk and Compliance
- Remuneration and Performance became Performance and Remuneration

Full minutes of all meetings, except those deemed to be confidential by the Board are available on the College's website or from the Director of Governance.

In the months of board refresh and restructure since March 2020, the Chair and the Board has been directly supported by a National Leader of Governance (NLG), through arrangements made by the FE Commissioner, and the Director of Governance has also been supported by a further NLG. With the support and input of the NLGs and through a rigorous self-assessment process (in summer 2020) and research and comparison, led by the Director of Governance, against sector best governance practice (AoC Good Governance Framework), the ESCG board has set a robust governance development plan that focuses on:

- Improving student voice representation in governance
- Streamlining committee structures and rebalancing board/committee decision making
- Gaining assurance about internal controls, harmonisation of College policies, compliance, and risk management
- Ensuring Equality and Diversity statutory requirements are met, and exceeded
- Re-setting the trust and relationship between the board and the executive following the new CEO appointment
- Pursuing a tailored governance training and development plan arising from the self and external assessment processes above mentioned
- Reviewing and streamlining agenda setting, board paperwork and the use of digital 'boardpacks' as a repository 'knowledge area' to improve decision making

During the extremis of Covid 19 and in the context of inevitable impact on College income and functions, the board implemented exceptional arrangements, including a weekly, minuted and communicated to full board, 'focus group'

meeting of Chair, Vice Chairs and Chairs of key committees, with the acting CEO. This provided a pivotal forum for support and challenge to the executive on vital decision making in a highly volatile context. The ESFA NTI monitoring arrangements, the FEC 'stocktake visit' and the subsequent OFSTED 'interim visit' have all recognised the effectiveness of the governance refresh and the positive momentum for change.

The Director of Governance maintains a register of financial and personal interests of the governors. This register is available for inspection from:

Director of Governance
East Sussex College Group
Cross Levels Way
Eastbourne
BN21 2UF

The Board self-assesses its performance annually and provides an assessment on its own effectiveness. The Governance Development Committee is responsible for oversight and analysis of Board self-assessments. Each Committee is responsible for annually reviewing its terms of reference and monitoring its performance against these criteria.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director 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 Director of Governance are matters for the Board as a whole.

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

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

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

Appointments to the Board

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board has a Governance Development Committee comprising six members which is responsible for the selection and nomination of any new member (save the staff and student governors, and Accounting Officer) for the Board's consideration. The Board is responsible for ensuring that appropriate induction and ongoing training is provided as required. Governors are appointed for a term of office not exceeding four years and going forward will not normally serve more than two terms of office.

Performance and Remuneration Committee

Throughout the year ending 31 July 2020, the College's Remuneration Committee comprised three members. 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. Details of remuneration for the year ended 31 July 2020 are set out in notes 7 and 8 to the financial statements.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee comprises three members of the Board (who exclude the Accounting Officer, Chair and members of the Finance Committee). The Committee operates in accordance with written terms of reference approved by the Board and consistent with the Audit Code of Practice. Its purpose is to advise the Board on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes. The Audit, Risk and Compliance Committee meets on a termly basis and provides a forum for reporting by the College's internal, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The College's internal

auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit, Risk and Compliance Committee. Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit, Risk and Compliance Committee also advises the Board on the appointment of internal, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Board. The Committee also receives and considers reports from the Education and Skills Funding Agency, as they affect the College's business.

Internal Control

Scope of responsibility

The Board 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 Board 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 they are personally responsible, in accordance with the responsibilities assigned to them in the Financial Memorandum between the College and the Education and Skills Funding Agency. They are also responsible for reporting to the Board any material weaknesses or break-downs 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 East Sussex College Group for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Board 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 Board 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 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board.

The risk and control framework

The system of internal control is based on a framework of regular management information, administration 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 Board
- Regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate.

The College has an internal audit service, which operates in accordance with requirements of the ESFA 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 Board on the recommendation of the Audit Committee.

Review of effectiveness

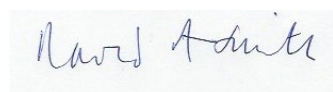
As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. The Accounting Officer's review of the effectiveness of the system of internal control is informed by:

- 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 and regularity auditors in their management letters and other reports.

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

The Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Team and Audit, Risk and Compliance Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit, Risk and Compliance Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Executive Team and the Audit, Risk and Compliance Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit, Risk and Compliance Committee and the Accounting Officer, the Board 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".



David Smith
Chair of Governors
07 December 2020



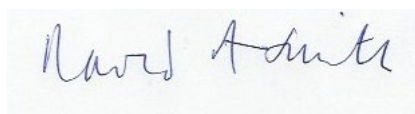
Rebecca Conroy
Accounting Officer
07 December 2020

Statement of Regularity, Propriety and Compliance

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

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

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



David Smith
Chair of Governors
07 December 2020



Rebecca Conroy
Accounting Officer
07 December 2020

Statement of Responsibilities of the Members of the Board

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

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

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

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

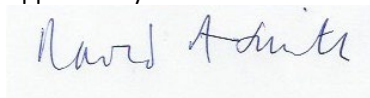
The corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

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

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

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended 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 to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economical, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA and other public bodies are not put at risk.

Approved by order of the members of the corporation on 07 December 2020 and signed on its behalf by:



David Smith
Chair of Governors

Independent auditor's report to the Board of East Sussex College Group

Opinion

We have audited the financial statements of East Sussex College Group ("the College") for the year ended 31 July 2020 which comprise the Consolidated and College Statements of Comprehensive Income, the Consolidated and College Statements of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the Statement of Responsibilities of the Governors of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

As explained more fully in the Statement of Responsibilities of the Members of the Board set out on page 22, the corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Other required reporting

Opinion on other matters prescribed in the OfS Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds provided by the OfS and UK Research and Innovation (including Research England) have been applied in accordance with the relevant terms and conditions attached to them; and
- the requirements of OfS's accounts direction have been met.

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 OfS Audit Code of Practice requires us to report to you if, in our opinion:

- the provider's grant and fee income, as disclosed in the notes to the financial statements, has been materially misstated; or
- the provider's expenditure on access and participation activities, as disclosed in the financial statements, has been materially misstated.

Use of the audit report

This report is made solely to the Corporation as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Mazars LLP

Mazars LLP

Chartered Accountants and Statutory Auditor

6 Sutton Plaza

Sutton Court Road

Sutton

Surrey

SM1 4FS

Date: 26 February 2021

Reporting Accountants' Report on Regularity to the Board of East Sussex College Group and the Chief Executive of the Education and Skills Funding Agency (ESFA)

To: The Board of East Sussex College Group and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by East Sussex College Group during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post 16 Audit Code of Practice ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Department has other assurance arrangements in place.

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

Respective responsibilities of East Sussex College Group and the reporting accountant

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

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

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Reviewed all payments to senior post holders on termination of employment or in respect of claims made in the year
- Reviewed approved policies and procedures operating during the year for each funding stream that has specific terms attached
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

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

Signed:

Mazars LLP

Mazars LLP
6 Sutton Plaza
Sutton Court Road
Sutton
Surrey
SM1 4FS

Date: 26 February 2021

East Sussex College Group
Consolidated and College statements of comprehensive income
For year ended 31 July 2020

	Notes	2020 £'000 Group	2020 £'000 College	2019 £'000 Group	2019 £'000 College
INCOME					
Funding body grants	2	36,884	36,884	41,368	41,368
Tuition fees and education contracts	3	10,289	10,289	10,711	10,711
Other grants and contracts	4	280	255	1,346	1,346
Other income	5	3,408	3,289	4,013	3,590
Investment income	6	2	2	7	7
Total income		50,863	50,719	57,445	57,022
EXPENDITURE					
Staff costs	7	30,450	30,327	32,944	32,678
Other operating expenses	9	19,848	20,306	25,525	25,269
Depreciation	12	3,482	3,460	3,584	3,564
Interest and other finance costs	10	757	757	693	693
Total expenditure		54,537	54,850	62,746	62,204
Deficit before other gains and losses		(3,674)	(4,131)	(5,301)	(5,182)
Loss on disposal of assets		(3)	(3)	-	-
Deficit before tax		(3,677)	(4,134)	(5,301)	(5,182)
Taxation	11	-	-	-	-
Deficit for the year retained within general reserves		(3,677)	(4,134)	(5,301)	(5,182)
Actuarial loss in respect of defined benefit pension schemes	25	(13,856)	(13,856)	(6,073)	(6,073)
Total comprehensive expenditure for the year		(17,533)	(17,990)	(11,374)	(11,255)

The income and expenditure account is in respect of continuing activities

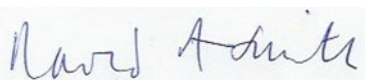
East Sussex College Group
Statement of Changes in Reserves
For year ended 31 July 2020

	Revaluation reserve £'000	I&E account £'000	Total £'000
Group			
Balance at 1 August 2018	8,843	5,609	14,452
Deficit from I&E	-	(5,301)	(5,301)
Other comprehensive income:			
Actuarial gain on defined benefit pension scheme	-	(6,073)	(6,073)
Transfer between revaluation reserve and Income & Expenditure reserves	(237)	237	-
Total comprehensive income for the year	(237)	(11,137)	(11,374)
Balance at 31st July 2019	8,606	(5,528)	3,078
Deficit from I&E	-	(3,677)	(3,677)
Other comprehensive income:			
Actuarial loss on defined benefit pension scheme	-	(13,856)	(13,856)
Transfer between revaluation reserve and Income & Expenditure reserves	(237)	237	-
Total comprehensive expenditure for the year	(237)	(17,296)	(17,533)
Balance at 31 July 2020	8,369	(22,824)	(14,455)
	Revaluation reserve £'000	I&E account £'000	Total £'000
College			
Balance at 1 August 2018	8,843	5,880	14,723
Deficit from I&E	-	(5,182)	(5,182)
Other comprehensive income:			
Actuarial gain on defined benefit pension scheme	-	(6,073)	(6,073)
Transfer between revaluation reserve and Income & Expenditure reserves	(237)	237	-
Total comprehensive income for the year	(237)	(11,018)	(11,255)
Balance at 31st July 2019	8,606	(5,138)	3,468
Deficit from I&E	-	(4,134)	(4,134)
Other comprehensive income:			
Actuarial loss on defined benefit pension scheme	-	(13,856)	(13,856)
Transfer between revaluation reserve and Income & Expenditure reserves	(237)	237	-
Total comprehensive expenditure for the year	(237)	(17,753)	(17,990)
Balance at 31 July 2020	8,369	(22,891)	(14,522)

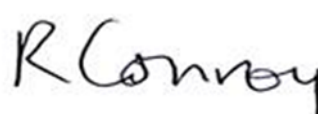
East Sussex College Group Balance sheets as at 31st July 2020

	Notes	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Fixed assets					
Tangible assets	12	114,806	114,751	118,104	118,056
Total fixed assets		114,806	114,751	118,104	118,056
Current assets					
Stocks	14	21	20	32	21
Trade and other receivables	15	1,992	1,938	3,610	4,013
Cash at bank and in hand		2,739	2,739	629	634
Total current assets		4,752	4,697	4,271	4,668
Less: Creditors – amounts falling due within one year	16	(10,548)	(10,505)	(11,199)	(11,158)
Net current liabilities		(5,796)	(5,808)	(6,928)	(6,490)
Total assets less current liabilities		109,010	108,943	111,176	111,566
Less: Creditors – amounts falling due after more than one year	17	(80,250)	(80,250)	(81,295)	(81,295)
Less: Provisions for liabilities	18	(565)	(565)	(530)	(530)
Net assets excluding pension liability		28,195	28,128	29,351	29,741
Net pension liability	25	(42,650)	(42,650)	(26,273)	(26,273)
NET ASSETS INCLUDING PENSION LIABILITY		(14,455)	(14,522)	3,078	3,468
Reserves					
Income and expenditure account including pension reserve		(22,824)	(22,891)	(5,528)	(5,138)
Revaluation reserve		8,369	8,369	8,606	8,606
TOTAL RESERVES		(14,455)	(14,522)	3,078	3,468

The financial statements on pages 27 to 55 were approved by the Corporation and authorised for issue on 07 December 2020 and were signed on its behalf on that date by:



David Smith
Chair



Rebecca Conroy
Accounting Officer

East Sussex College Group
Consolidated Statement of Cash Flows
For year ended 31 July 2020

	2020	2019
Cash flow from operating activities		
Deficit after tax for the year	(3,677)	(5,301)
Adjustment for non-cash items:		
Depreciation	3,482	3,584
Decrease in stocks	11	29
Decrease / (Increase) in debtors	1,618	(124)
(Decrease) / increase in creditors due within one year	(2,271)	1,838
Decrease in creditors due after one year	(170)	(1,242)
Pension costs less contributions payable	2,525	2,451
Adjustment for investing or financing activities:		
Interest receivable	(2)	(7)
Increase in provision	35	36
Interest payable	184	174
Cash generated from operations	1,735	1,438
Investing activities		
Purchase of tangible assets	(202)	(2,316)
Interest received	2	7
Net cash used in investing activities	(200)	(2,309)
Financing activities		
Interest paid	(184)	(174)
New loans	1,500	1,000
Repayments of loans	(741)	(700)
	575	126
Net increase/(decrease) in cash and cash equivalents	2,110	(745)
Cash and cash equivalents at beginning of year	629	1,374
Cash and cash equivalents at end of year (i)	2,739	629
(i) Cash and cash equivalents at end of year	£'000	£'000
Cash and cash equivalents	2,739	629
	2,739	629

Notes

(forming part of the financial statements)

1 Accounting policies

General information

East Sussex College Group is a corporation established under the Further and Higher Education Act 1992 as an English general college of further education. The address of the College's principle place of business is given on page 18. The nature of the College's operations is set out in the Members' Report.

Basis of accounting

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in sterling which is also the functional currency of the College.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Plaza Trading Hastings Limited. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. 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 2020.

All intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used into line with those used by other members of the Group.

Notes (continued)

1 Statement of accounting policies (continued)

Going Concern

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

The College notes that the Balance Sheet at 31 July 2020 shows current liabilities exceeding current assets by £5,796k. This position is not expected to cause any financial short-term issues as worst case cash flow forecasts, prepared out to July 2022, indicate that the College has sufficient funding to pay all liabilities as they fall due.

The College has long term loan facilities agreed with its finance providers. These were approved at merger and comprise £5.0m of commercial debt with Barclays, and £5.3m of loans from the ESFA PMO Team. These loans are repayable over a 10 year period. The College also has a revolving credit facility with Barclays of £2.5m. The College has prepared cash flow forecasts for the period to 31 July 2022 and on the basis of these forecasts the College has concluded that it can continue to operate within the terms of the agreed facilities for the foreseeable future.

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

Recognition of Income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Any under achievement of the adult skills budget allocation outside of the permitted tolerance level is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. This process may involve negotiations in respect of over achievement or adjustment to clawback in respect of underachievement, however where negotiations are subsequent to the year end, they are not reflected in the income recognised. 16-18 learner-responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments, the income recognised is the allocation for the year.

Other discrete Education and Skills Funding Agency (ESFA) funds received during the year are taken to income as expenditure is incurred, in line with the specific terms and conditions attached to each fund by the organisation.

The recurrent grant from the Office for Students (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.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds.

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. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is recognised in the period for which it is receivable and includes all fees payable by students or their sponsors, for example the National Health Service.

Notes (continued)

1 Statement of accounting policies (continued)

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.

Accounting for post-retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS), which are multi-employer defined benefit plans.

The TPS is an unfunded pension scheme and contributions 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 quinquennial valuations using a projected unit method. As stated in Note 25, 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 scheme and the contributions recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The LGPS is a funded scheme and the assets are held separately from those of the College in separate trustee administered funds. Pension scheme assets are measured using closing fair values and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on 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. The net interest cost on the net defined benefit liability is charged to comprehensive income and included within finance costs. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other 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.

Non-current Assets – Tangible fixed assets

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

Land and buildings

Freehold land is not depreciated. Each freehold building is depreciated on a straight-line basis over the estimated useful life to the College (currently up to sixty years for some buildings). Building improvements are depreciated over a 3 or 10-year period.

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.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the costs of those assets. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Notes (continued)

1 Statement of accounting policies (continued)

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

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets certain criteria, in which case it is capitalised and depreciated on the relevant basis.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account 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:

Computer equipment	-	3 years
Motor vehicles and general equipment	-	5 years
Furniture and fittings	-	7 years
Short Life accommodation	-	10 years
Plant	-	15 years

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1st August 2014.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases. Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Investments

Fixed asset endowment investments are carried at valuation on the basis of depreciated replacement cost. The building concerned is depreciated on a straight line basis over its estimated useful life.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instruments legal form.

All loans, investments and short term deposits held by the Group as classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised costs, however the College has calculated that the difference between historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Provisions

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.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Cash and cash equivalents

Cash includes cash in hand, deposits which have a maturity of less than three months and overdrafts. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Foreign currency translation

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

Notes (continued)

1 Statement of accounting policies (continued)

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

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

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Learner Support Funds. Related income received from the Main Funding Body and subsequent disbursements to students and other further education colleges are excluded from the income and expenditure account (and are shown separately in note 27), except for the 5% of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

- Tangible fixed assets

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

Notes (continued)

1 Statement of accounting policies (continued)

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, 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 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

East Sussex College Group
Notes to the Accounts (continued)
For year ended 31 July 2020

2a Funding body grants

	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	5,305	5,305	5,305	5,305
Education and Skills Funding Agency 16-18	22,495	22,495	23,761	23,761
Education and Skills Funding Agency - apprenticeships	6,466	6,466	7,353	7,353
Office for Students	275	275	440	440
Specific Grants				
Education and Skills Funding Agency non recurrent grant	811	811	3,000	3,000
Release of Government deferred capital grants	1,533	1,533	1,509	1,509
Total	36,884	36,884	41,368	41,368

2b OFS - Grant Income and Fees

	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Grant income from the Office for Students	275	275	440	440
Grant income from other bodies	23	23	28	28
Fee income for taught awards (exclusive of VAT)	4,339	4,339	2,762	2,762
Total	4,637	4,637	3,230	3,230

3 Tuition fees and education contracts

	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Tuition fees	8,986	8,986	9,877	9,877
Education contracts	1,303	1,303	834	834
Total	10,289	10,289	10,711	10,711

4 Other grants and contracts

	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Erasmus	-	-	300	300
Other	-	0	1,046	1,046
Corona Virus - JRS	280	255	-	-
Total	280	255	1,346	1,346

5 Other Income

	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Catering operations	163	18	1,094	647
Other income	3,246	3,272	2,919	2,943
Total	3,408	3,289	4,013	3,590

6 Investment income

	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Other interest receivable	2	2	7	7
Total	2	2	7	7

East Sussex College Group

Notes to the Accounts (continued)

For year ended 31 July 2020

7 Staff costs - Group

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

	2020 No.	2019 No.
Teaching staff	306	304
Non-teaching staff	394	383
	700	687

The numbers above do not include estimates of the staff numbers employed through contracting out arrangements. Non-teaching FTEs include 45 classroom based teaching support staff (2019 - 48).

Staff costs for the above persons

	2020 £'000	2019 £'000
Wages and salaries	21,105	22,269
Social security costs	1,715	1,821
Other pension costs (including defined benefit pension scheme adjustments of £1,948,000 - 2019 £1,932,000)	5,937	5,239
Payroll sub total	28,757	29,329
Contracted out staffing services	1,125	2,403
	29,882	31,732
Restructuring Costs - contractual	0	0
- non contractual	568	1,212
Total Staff costs	30,450	32,944

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises Clive Cooke (the Principal & Chief Executive Officer - Resigned), Rebecca Conroy (Acting CEO), Biram Desai (Chief Financial Officer - Resigned), Martin Penny (Chief Financial Officer), Tim Hulme (Executive Director Resources and Organisational Development), Dan Shelley (Executive Director Strategic Partnerships and Engagement), James Sharpe (Principal Hastings - Resigned), Fred Carter (Principal Lewes - Resigned).

All members of the Leadership Team (above) fall within the remit of the Remuneration Committee to determine their remuneration package.

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

East Sussex College Group
Notes to the Accounts (continued)
For year ended 31 July 2020

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

	2020	2019
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>8</u>	<u>7</u>

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

	Key Management personnel		Other staff (> £60,000)	
	2020	2019	2020	2019
	No.	No.	No.	No.
£65,001 to £70,000				2
£70,001 to £75,000	1			
£75,001 to £80,000				
£80,001 to £85,000				
£85,001 to £90,000	2			
£90,001 to £95,000		4		
£95,001 to £100,000		1		
£100,001 to £105,000	2			
£105,001 to £110,000	2	1	2	
£130,001 to £135,000	1			
£175,001 to £180,000		1		
	<u>8</u>	<u>7</u>	<u>2</u>	<u>2</u>

East Sussex College Group Notes to the Accounts (continued) For year ended 31 July 2020

8 Emoluments of Key Management Personnel

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Basic salary	746	770
Benefits in kind	5	4
Pension contributions	125	130
Total key management personnel compensation	876	904

The above emoluments include amounts payable to the previous CEO to 14 February 2020 and then to the Acting CEO from 15 February 2020 to 31 July 2020. They were the College accounting officer and the highest paid members of staff. Their pay and remuneration is as follows:

	2020 £'000	2019 £'000
Basic salary - Previous CEO	131	180
Basic salary - Interim CEO	57	-
Benefits in kind - Previous CEO	-	1
Pension contributions - Previous CEO	20	30
Pension contributions - Interim CEO	9	-
	217	211

The board of governors adopted AoC's Senior Post Holder Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of Key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the board of governors who use benchmarking information to provide objective guidance.

The Principal and Chief Executive reports to the Chair of the Board of Governors, who undertakes an annual review of his performance against the college's overall objectives using both qualitative and quantitative measures of performance.

East Sussex College Group
Notes to the Accounts (continued)
For year ended 31 July 2020

All Key management staff are contractually required to have written consent to undertake any employment or engagement outside the College, including earning any additional remuneration.

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

	2020	2019
Principal's basic salary as a multiple of the median of all staff	7.08	9.36
<i>Comparative College data</i>	<i>5.80</i>	<i>5.70</i>
Principal and CEO's total remuneration as a multiple of the median of all staff	8.16	10.91

The variation to comparative college data reflects the salary paid to the previous CEO who resigned in January 2020. It is expected FY21 college data will closely reflect the comparative college.

Compensation for loss of office paid to former key management personnel

	2020 £'000	2019 £'000
Compensation paid to 4 (2019 = 1) former key management personnel	64	16
Estimated value of other benefits, including provisions for pension benefits	75	-

The severance payments were approved by the full board.

East Sussex College Group
Notes to the Accounts (continued)
For year ended 31 July 2020

9 Other operating expenses

	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	8,897	8,897	11,573	11,573
Non teaching costs	6,921	7,401	9,374	9,132
Premises costs	4,030	4,008	4,578	4,564
Total	19,848	20,306	25,525	25,269

Other operating expenses include:

	2020	2019
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	43	43
Internal audit**	66	49
Other services provided by financial statements auditors (Teachers' Pension Scheme assurance report + certification of restructuring facility grant)	4	3
Hire of plant and machinery – operating leases	206	369
Hire of other assets – operating leases	86	53

* includes £40,000 in respect of the College (2018/19 £38,000)

** includes £52,000 in respect of the College (2018/19 £49,000)

9a. Access and participation spending

	2020
	£'000
Access	11
Student Success	54
Progression	9
Total	74

10 Interest and other finance costs

	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than five years	184	174
	184	174
Net interest on defined pension liability (note 25)	573	519
Total	757	693

11 Taxation

The members believe that the College and Group was not liable for any Corporation Tax arising out of its activities during the year.

East Sussex College Group
Notes to the Accounts (continued)
For year ended 31 July 2020

12 Tangible fixed assets (Group)

	Freehold Land and buildings £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 August 2019	150,020	11,830	478	162,328
Additions	87	115	-	202
Transfer	478	-	(478)	-
Disposals	-	(73)	-	(73)
At 31 July 2020	150,585	11,872	0	162,457
Depreciation				
At 1 August 2019	33,676	10,548	-	44,224
Charge for the year	2,779	703	-	3,482
Eliminated on disposal	-	(55)	-	(55)
At 31 July 2020	36,455	11,196	0	47,651
Net book value at 31 July 2020	114,130	676	0	114,806
Net book value at 31 July 2019	116,344	1,282	478	118,104

12 Tangible fixed assets (College only)

	Freehold Land and buildings £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 August 2019	149,858	11,735	478	162,071
Additions	87	86	-	173
Transfer	478	-	(478)	-
Disposals	-	(73)	-	(73)
At 31 July 2020	150,423	11,748	0	162,171
Depreciation				
At 1 August 2019	33,551	10,464	-	44,015
Charge for the year	2,763	697	-	3,460
Eliminated on disposal	-	(55)	-	(55)
At 31 July 2019	36,314	11,106	0	47,420
Net book value at 31 July 2020	114,109	642	0	114,751
Net book value at 31 July 2019	116,307	1,271	478	118,056

East Sussex College Group

Notes to the Accounts (continued)

For year ended 31 July 2020

13 Non-current investments

In August 2011 the Sussex Coast College Hastings acquired 100% of Plaza Trading Hastings Limited on incorporation for £100. The principal activity of Plaza Trading Hastings Limited is the operation of commercial activities on behalf of the College. The activities of Plaza Trading Hastings Limited are consolidated in these accounts.

14 Stock

Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
21	20	32	21

15 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade debtors	1,015	1,015	2,179	2,179
Amounts owed by group undertakings	-	-	-	405
Prepayments and accrued income	649	649	711	709
Amounts owed by the Education and Skills Funding Agency	266	266	658	658
Other debtors	62	8	62	62
Total	1,992	1,938	3,610	4,013

Amounts owed by group undertakings includes £20,000 (2019: £40,000) that is due in more than one year.

16 Creditors: amounts falling due within one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Bank loans and overdrafts	2,000	2,000	500	500
Other loans	375	375	255	255
Trade creditors	695	686	1,419	1,401
Other taxation and social security	1,327	1,316	894	882
Accruals and deferred income	3,690	3,667	5,120	5,109
Deferred income - government capital grants	1,329	1,329	1,572	1,572
Amounts owed to Education and Skills Funding Agency	577	577	658	658
Payments received on account	555	555	781	781
Total	10,548	10,505	11,199	11,158

East Sussex College Group

Notes to the Accounts (continued)

For year ended 31 July 2020

17 Creditors: amounts falling due after one year

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Deferred Income	5,226	5,226	4,220	4,220
Deferred income - government capital grants	67,082	67,082	68,258	68,258
Bank loans	3,375	3,375	3,875	3,875
Other loans	4,567	4,567	4,942	4,942
Total	80,250	80,250	81,295	81,295

18 Provisions for Liabilities

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Defined Benefit obligation	42,650	42,650	26,273	26,273
Enhanced pension	565	565	530	530
	43,215	43,215	26,803	26,803

19 Maturity of debt

a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	2,000	2,000	500	500
Between one and two years	500	500	500	500
Between two and five years	1,500	1,500	1,500	1,500
In five years or more	1,375	1,375	1,875	1,875
Total	5,375	5,375	4,375	4,375

The current loan structure is as follows:

College Lender	Loan Principal £'000	Interest rate	Final payment date
Barclays Bank	5,000	LIBOR + 2.05%	2028
Secured on the College's Eastbourne Campus.			

East Sussex College Group

Notes to the Accounts (continued)

For year ended 31 July 2020

19 Analysis of Borrowings (continued)

b) Other Loans

- (i) ESFA Provider Market Oversight Team 5,297 PWLB 1 year fixed rate 2028
Secured on the College's Hastings Campus.

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	360	360	240	240
Between one and two years	452	452	360	360
Between two and five years	2,184	2,184	1,908	1,908
In five years or more	1,811	1,811	2,539	2,539
Total	4,807	4,807	5,047	5,047

- (ii) University of Brighton

The College also has an interest free unsecured loan of £150k from the University of Brighton, repayable in ten equal annual tranches from March 2020.

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
In one year or less	15	15	15	15
Between one and two years	15	15	15	15
Between two and five years	45	45	45	45
In five years or more	60	60	75	75
Total	135	135	150	150

20 Financial instruments

The Group has the following financial instruments:

Financial assets

Debt instruments measured at amortised cost

Financial liabilities

Financial liabilities measured at amortised cost

Group 2020 £'000	Group 2019 £'000
1,343	2,899
11,287	12,353

East Sussex College Group
Notes to the Accounts (continued)
For year ended 31 July 2020

21 Capital and other commitments

	Group and College	
	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	<u>0</u>	<u>38</u>

22 Financial commitments

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

	Group and College	
	2020	2019
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	58	60
Later than one year and not later than five years	58	115
	<u>116</u>	<u>175</u>
Other		
Not later than one year	69	79
Later than one year and not later than five years	47	116
	<u>116</u>	<u>195</u>

23 Contingent liabilities

The College had no contingent liabilities as at 31 July 2020.

24 Events after the reporting period

Details of any relevant post balance sheet events are given in the report of the members of the Corporation.

East Sussex College Group Notes to the Accounts (continued) For year ended 31 July 2020

25 Retirement benefits

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

Total pension cost for the year	2020 £'000	2019 £'000
Teachers Pension Scheme: contributions paid	2,263	1,643
Local Government Pension Scheme:		
Contributions paid	1,668	1,522
FRS 102 (28) charge	<u>1,948</u>	<u>1,932</u>
Charge to the Statement of Comprehensive Income	3,616	3,454
Enhanced pension charge to Statement of Comprehensive income	34	78
Total Pension Cost for Year within staff costs	<u>5,913</u>	<u>5,175</u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2019.

Contributions amounting to £442,609 (2019: £384,680) were payable to the schemes at 31st July and are included within creditors.

Teachers' Pension Scheme - Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. 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.

The Teachers' Pension Budgeting and Valuation Account

Not less than every four years the Government Actuary ("GA"), using normal actuarial principals, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors.

East Sussex College Group
Notes to the Accounts (continued)
For year ended 31 July 2020

25 Retirement benefits (continued)

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019.

The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/-/media/documents/member/documents/news-items/teachers-pension-scheme-actuarial-valuation-2016.ashx?rev=1d463cd3f4344c199ca0c2bcf193>

The total pension costs paid to TPS in the year amounted to £3,077,000 (2019: £2,480,000).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

East Sussex College Group Notes to the Accounts (continued) For year ended 31 July 2020

25 Retirement benefits (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by East Sussex County Council. The total contribution made for the year ended 31 July 2020 was £2,065,000 of which employer's contributions totalled £1,529,000 and employees' contributions totalled £536,000.

Principal Actuarial Assumptions

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

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	2.2%	2.8%
Rate of increase for pensions in payment / inflation	2.2%	2.4%
Discount rate for scheme liabilities	1.4%	2.1%
Inflation assumption (CPI)	2.2%	2.4%
Commutation of pensions to lump sums - pre-April 2008 service	50.0%	50.0%
Commutation of pensions to lump sums - post-April 2008 service	75.0%	75.0%

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

	At 31 July 2020	At 31 July 2019
<i>Retiring today</i>		
Males	21.6	21.2
Females	23.9	23.5
<i>Retiring in 20 years</i>		
Males	22.5	22.1
Females	25.3	24.9

**East Sussex College Group
Notes to the Accounts (continued)
For year ended 31 July 2020**

25 Retirement benefits (continued)

Local Government Pension Scheme (Continued)

The college's share of the assets in the plan at the balance sheet were:

	Fair Value of assets	
	2020	2019
	£'000	£'000
Equity instruments	51,896	50,817
Debt instruments	12,796	14,946
Property	5,687	6,726
Cash	711	2,242
Total fair value of plan assets	71,090	74,731
Actual return on plan assets	(3,791)	5,647

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

	2020	2019
	£'000	£'000
Fair value of plan assets	71,090	74,731
Present value of plan liabilities	(113,740)	(101,004)
Total	(42,650)	(26,273)

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

	2020	2019
	£'000	£'000
Amounts included in staff costs		
Current service cost	3,753	3,254
Past service cost	37	461
	3,790	3,715
Amounts included in interest costs		
Net interest on the net defined benefit pension liability	573	519
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	(5,365)	3,722
Changes in assumptions underlying the present value of plan liabilities	(8,491)	(9,795)
Total	(13,856)	(6,073)

East Sussex College Group Notes to the Accounts (continued) For year ended 31 July 2020

25 Retirement benefits (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2020 £'000	2019 £'000
Deficit in scheme at 1 August	(26,273)	(17,749)
Movement in period:		
Current service cost	(3,753)	(3,254)
Employer contributions	1,838	1,783
Estimated contributions	4	0
Net interest on the defined liability	(573)	(519)
Past service cost	(37)	(461)
Actuarial gain or loss	(13,856)	(6,073)
Net defined benefit	(42,650)	(26,273)

Changes in the present value of defined benefit obligations

	2020 £'000	2019 £'000
Defined benefit obligations at start of period	101,004	86,273
Current service cost	3,753	3,254
Interest cost	2,147	2,444
Contributions by scheme participants	538	559
Actuarial losses	8,491	9,795
Benefits paid	(2,230)	(1,782)
Past service cost	37	461
Defined benefit obligations at end of period	113,740	101,004

Changes in fair value on plan assets

	2020 £'000	2019 £'000
Fair value on plan assets at start of period	74,731	68,524
Interest income	1,574	1,925
Return on plan assets	(5,365)	3,722
Employer contributions	1,838	1,783
Contributions by scheme participants	538	559
Benefits paid	(2,226)	(1,782)
Fair value on plan assets at end of period	71,090	74,731

East Sussex College Group

Notes to the Accounts (continued)

For year ended 31 July 2020

26 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. Principal relationships with other entities were as follows:

Ms Catherine Manning employed by The Education and Training Foundation

Mr Graham Cook is a contractor at Eastbourne Borough Council and a Director of G2C Consulting Ltd

Ms Suzanne Green is the owner of Lotus Learning Consultants & IN2Skills Hastings

Mr Ian Mehrtens is a Director and member of Queer Britain Museum Ltd and Plaza Trading Hastings Ltd

Ms Joanne Rogers is a Director of Prowse & Co Ltd and JLR Holding Ltd

Mr Mark Fisher is a Senior Lecturer and member of the University Council at the University of Sussex and non-beneficial Director of Good Money CiC

Mr Andrew Jon Vincent is Head of Housing and Property Services, Wealden District Council and Vice Chair of the Pathways to Independence Board.

Ms Sue Maynard employed by PayStream My Max Ltd and a Director of Harbour Advisors Ltd

Ms Angela Smith Owner of GlobeRisk Ltd and Trustee Director of Royal Pavilions Museums Trust (Brighton)

Mr David Alan Smith is a partner in Smith Sedgewick Consulting LLP

Eastbourne Borough Council

£ 39,000 for Secondment of Becky Cooke (HR Director) and £900 for room hire.

Lotus Learning Consulting Ltd

Paid £250 for staff training.

In2skills Hastings Ltd

Paid £1,420 for staff training.

East Sussex College Group
Notes to the Accounts (continued)
For year ended 31 July 2020

27 Amounts disbursed as agent

Discretionary support funds

	2020	2019
	£'000	£'000
Funding body grants – hardship support	611	704
Other Funding bodies grants	268	266
	<u>879</u>	<u>970</u>
Disbursed to students	627	780
Administration costs	31	39
Amount consolidated in financial statements	<u>658</u>	<u>819</u>
Balance unspent as at 31 July, included in creditors	<u>221</u>	<u>151</u>

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the income and expenditure account, other than when the College has directly incurred expenditure itself.