



Annual Report and Financial Statements
Year ended 31 July 2022



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	22
Statement of the Responsibilities of the Members of the Board	23
Independent Auditor's Report to the Board of East Sussex College Group	24
Reporting Accountants' Report on Regularity to the board of East Sussex College Group	27
Consolidated and College Statements of Comprehensive Income	27
Consolidated and College Statement of Changes in Reserves	29
Consolidated and College Balance Sheets	30
Consolidated Statement of Cash Flows	31
Notes to the Accounts	32-53

Reference and Administrative Details

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2021/22

Rebecca Conroy	Principal and CEO; Accounting Officer
Martin Penny	Chief Financial Officer
Mark Wardle	Deputy (Principal and CEO)
Dan Shelley	Executive Director, Strategic Partnerships and Engagement (to December 2021)
Tim Hulme	Executive Director, Resources and Organisational Development (to June 2022)
Careen Green	Director of People & Culture (to December 2021)

Board of Governors

A full list of Governors is given on pages 14-16 of these financial statements. Mia Bryden, Director of Governance, acted as Clerk to the Corporation until the 14 October 2021. Experienced interim governance advisors were in place from 14 October 2021 until February 2022 when Belle Howard was appointed as Director of Governance. Belle Howard has acted as Clerk to the Corporation from February 2022 to the date of the signing of these financial statements.

Principal and Registered Office

Cross Levels Way
Eastbourne
East Sussex, BN21 2UF

Professional advisers

Financial statements auditor and regularity reporting accountants:

Macintyre Hudson LLP
6th Floor, 2 London Wall Place,
London EC2Y 5AU

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 2022.

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 Strategic Plan covers the period 2021-24 and is rooted in ambitious transformation to deliver:

- A consistently excellent student experience
- An education and skills offer that is employer led and ambitious
- Investments in our people to develop and grow
- Transformation of our buildings and digital capability
- A culture rooted in collaboration, partnership, and inclusion

The College's vision, mission and values are contained in the Strategic Plan 2021 –24.

Vision: To Empower and Sustain our Communities through Education and Skills.

Mission: To deliver a consistently excellent student experience through expert teaching, inspiring facilities and our partnerships with employers.

Values: Partnership
Respect
Inspire
Diversity
Empower

We are also clear on the local context to address the huge challenges to young people's education, to the availability of vital skills for business, to the re-training and 'first training' of adults, to community-based learning and to the foundations of our economy and public services. We have a huge responsibility to be versatile and responsive to the needs of local people, employers and to be a conduit to drive high quality skills development and retraining opportunities. We take this responsibility seriously.

Implementation of Strategic Plan

The current strategic plan covers the period 2021-24 and the Board monitors the performance of the College against this plan. The College's strategic priorities are:

1. Education & Quality - We will design and deliver high quality, inspiring career pathways to ensure that East Sussex College students are equipped with the knowledge, skills and behaviours to achieve personal, economic, and civic success.

2. People & Culture - We will become an exceptional employer by investing in our people and creating a culture that inspires a sense of belonging and pride to ensure our students have the best experience whilst studying with us.
3. Digital & Estates - We will transform the East Sussex College physical estate and digital infrastructure to provide exceptional, flexible and efficient campuses to create industry leading teaching and learning spaces that unlock the potential of our students and staff.
4. Engagement & Communication - We will position East Sussex College at the heart of our communities, as a key strategic partner with an excellent reputation for creativity, ambition and inclusivity.
5. Finance & Risk - We will secure strong financial foundations that ensure East Sussex College's long-term sustainability to support this strategy in order to invest in its students, people and infrastructure.
6. Governance & Oversight - We will provide strong and effective governance to ensure that East Sussex College delivers excellence for students, staff, stakeholders and the wider community.

A suite of strategies and operational plans underpin the college's Strategic Plan including a People Strategy, Estates Strategy and Curriculum Plan to drive the changes and improvements built on best practice from the sector and beyond. Students and staff voice are critical to the success of this strategy, and we will ensure that this is strengthened over its lifetime.

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. 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 regular returns to the Provider Market Oversight, (and other conditions set out in the associated grant and loan agreements), alongside maintaining relationships with key financial stakeholders such as the DfE, 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) Ensuring 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 29, the College earned over £49 million of income during the year, which is in line with the previous year, with some income streams still impacted by COVID. The College monitors all its funding and other income monthly and is focused on gaining high quality growth wherever possible.

Learner Success Rates:

Headline achievement rates for 16-18 for 2021-22 stands at 78.7% (excluding T levels) compared to 82.9% in the previous year, whilst headline achievement rates for 19+ for 2021-22 stand at 82.9% compared to 84.3% in the previous year. The outturn for 2021-22 was below target with overall performance falling below 2020-21. However, the data must be considered in context with other colleges reporting similar downturns. The previous two academic years were impacted by COVID lockdowns and were therefore disrupted years for students in terms of educational impact. 2021-22 was impacted by COVID in terms of self-isolation requirements, TAG grades and significant challenges around student mental health.

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 still 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 - 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 continues to operate outlets such as coffee shops and a gym and event business, raising revenue and giving work opportunities to students during the financial year. In October 2021 the Board resolved to approve ceasing the activity of the subsidiary company, Plaza Trading Hastings Ltd and hold the company as a dormant company in the ESC group.

The College works with a number of partners to deliver funded provision during 2021-22, with the focus on retaining those high-quality partners who have demonstrated the best academic and financial performance. The highest standards of due diligence and controls over delivery continue to be applied.

COVID has continued to have a negative impact on employer engagement and on commercial activities as business returned to a more normal footing following the pandemic.

Key Performance Indicators (KPIs)

The Corporation receives regular reports tracking the key performance indicators for the College agreed as part of the Business Review process. The final KPIs for 2021/22 are shown in the table below with appropriate RAG ratings. These KPIs are monitored throughout the year and inform action planning for the following year:

Critical KPIs	Target 2022	July 2022	RAG
Number of 16-18 students	4,897	4,113	R
Total income	£49,760k	£49,687k	A
Staff costs excluding redundancy	£28,483k	£27,746k	G
Non-Pay Costs	£17,681k	£16,375k	G
EBITDA	£4,946k	£4,483k	A
Cash £000's	£3,263k	£7,341k	G
Other PIs			
Staff costs /income	65.00%	65.00%	G
Current Ratio	0.60	0.92	G
Creditor Days	45.00	26.00	G
Financial Health	Requires Improvement	Good	G

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 union officials in the period	FTE employee number
6	4.87

Percentage of time	Number of employees
0%	0
1-50%	6
51-99%	0
100%	0

Total cost of facility time	£52.4k
Total pay bill	£26,316k
Percentage of total bill spent on facility time	0.20%

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 £404k (2020/21 surplus £1,213k).

Included in the final result is a charge of £3,748k in respect of accounting for defined benefit pensions (2020/21 £2,849k) - see note 7, 9 and 23.

On 31 July 2022 the Group's general reserve, including pension reserve, stood at a surplus of £25,275k (2020/21 deficit £16,258k). The bank and cash balances totalled £7,333k (2020/21 £7,845k).

Tangible fixed asset additions during the year amounted to £7,319k (2020/21 £179k) including significant investment in green technologies including ground and air source heat pumps, LED lighting and the new green energy hub.

The College operated a wholly owned limited company subsidiary called Plaza Trading Hastings Limited which was incorporated in August 2011. In October 2021 the Board resolved to approve the ceasing of activity within the subsidiary company, Plaza Trading Hastings Ltd. 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. All other borrowing requires the authorisation of the Board and shall comply with the requirements of the term loan agreements with the DfE and Barclays Bank.

Creditor payment policy

It is the College's policy to pay its suppliers to the agreed payment terms (normally net 30 days) or 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 2021-22 as the company made a loss for the financial year.

Cash flows

Operating cash flow was a £6,540k inflow (2020/21: £7,676k inflow) for the year. This level of cash generated from operating activities reflects the continuous improvement in the management of working capital.

Liquidity

Loans of £6,975k are outstanding at the year end. Of this total, £2,875k relates to commercial debt with Barclays Bank, £3,995k relates to loans from Provider Market Oversight arising from the merger and £105k 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 a surplus of £25,275k (2020/21 deficit £16,258k) and the revaluation reserve stands at surplus £7,894k (2020/21: £8,132k). 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 apprenticeship training across East Sussex. The College has three main campuses and works closely with the local authorities and East Sussex County Council. In 2021-22 the college had 4,113 students aged 16-18 following full time study programmes; of these 22% are studying up to Level 1, 31% at Level 2 and 47% at Level 3. There are 2,187 apprentices over the year, a mix of internal and subcontracted students. There are around 5,872 adult students (including Community Learning, Loans Funded, Full-Cost and those with Subcontractors), with the majority being part-time. The college works with over 1,000 employers and makes a significant contribution to the communities it serves.

College leaders have developed an ambitious and inclusive curriculum to meet the needs of the community it serves working closely with partners and employers. The College promotes social inclusion and lifelong learning as key components in learners fulfilling their potential and developing the knowledge, skills and behaviours needed for progression into jobs, apprenticeships, or higher education. Governors 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.

Leaders provide an ambitious curriculum for Study Programme, Adult, HE, and Apprenticeship students, which develops the knowledge, skills, and behaviours that students need to prepare them for their next stage in education, training, or employment. The college was at the forefront of new curriculum development as a 2020 T level provider of Construction, Digital and Education & Childcare pathways with Health added in 2021/22 and new pathways planned for 2022-23.

Following disruption due to COVID, a broad programme of personal development activities has been designed and implemented to enrich the student experience and develop their personal, social and employability skills. Activities include Sports Academies, the Academic Academy and a wide range of clubs and societies. 'My Student Life' provides students with an online portal to engage with the college community and issues affecting students to help them develop the attributes required to make a positive contribution to society.

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 College actively celebrates the progress and achievements of its learners and apprentices and recognises those staff who really do an outstanding job for the students, community stakeholders and the College. The leadership team understand that they play a critical role in shaping the College culture and the vision, purpose, values, and strategic priorities provide the direction needed to ensure 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.

The College quality assures its provision in accordance with external regulators including Ofsted and OFS. A rigorous quality assurance process ensures that the college continues to develop and innovate to improve the student experience. Student and Employer voice is a key component of quality assurance to ensure their views are used to inform how the college moves forward and develops its provision.

Outside the headline success measures, it is important to note some fantastic outcomes for students, in particular T-Level students who achieved a 100% pass-rate with 81% achieving merit or distinction. The College is also delighted with the 99% pass rate for A Level students at Eastbourne, as improving its reputation with Eastbourne schools is key to the Level 3 growth needed at the campus.

Ofsted Inspection

East Sussex College had its first full Ofsted inspection from 23-26 November 2021 since merger in April 2018. Two successful monitoring visits had been undertaken since merger where the progress of the new group was recognised. Prior to merger, Sussex Downs College in Eastbourne and Lewes was deemed to Require Improvement in 2017 whilst Sussex Coast College in Hasting was rated Good in 2017. In November 2021 inspectors found the college to be Good in all areas of its provision.

Overall effectiveness	Good
Behaviour and attitudes	Good
Personal development	Good
Leadership and management	Good
Education programmes for young people	Good
Adult learning programmes	Good
Apprenticeships	Good
Provision for learners with high needs	Good

Inspectors reported that:

“Students and apprentices enjoy attending the college. Teachers have high expectations of all students and apprentices, including those with high needs. Teachers’ high expectations motivate students and apprentices to achieve their best. Apprentices enjoy their training and work, take pride in what they do and, as a result, take on more responsibility at work. Students and apprentices speak very positively of the support they receive from their teachers, who, they say, ‘make you believe in yourself, because they believe in you’.”

This good outcome cements the success of the merger to secure a consistently good quality of student experience throughout the College. This outcome will significantly enhance the critical work in reputation building to reverse the declining recruitment in 16-18 and enable the growth of the College’s income.

Events after the balance sheet date

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

Future developments

The College has refreshed the senior leadership team with the addition of two new Vice Principals, a Chief Operating Officer and an Executive Director Finance. The new team is focused on updating the College Strategy following a Governors meeting in November 2022 and is committed to delivering the refreshed Estates, Digital and People Strategies to develop a 21st Century outstanding learning organisation to meet the needs of East Sussex and the surrounding areas.

The College continues to focus on enacting an innovative Estates Strategy that will ultimately redevelop the Lewes and Eastbourne campuses to ensure it creates a fantastic learning environment for all its students. These plans will be influenced by students and staff on these sites, learning from research and best practice from across the sector. The College is working with all its stakeholders and potential partners to realise this ambition.

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 £7,319k (2020/21 £179k).

Financial

The College has £33.169 million of net assets (incorporating a £1.962 million pension liability) (2020/21: £8.126m net liabilities incorporating a £40.353m pension liability).

People

The College employs 670 people (expressed as full-time equivalents), of whom 294 are teaching staff (2020/21: 686 people of whom 302 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.

The College reported negative reserves in the 31 July 2021 annual financial statements as a result of the actuarial valuations of the local government pension liabilities. This did not constitute a breach of the terms and conditions of the facility agreement with Barclays Bank in line with the amended facility agreement. There are no breaches in the current financial year.

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 10 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 10 key 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 key risks are:

1. Quality

East Sussex College might fail 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 may fail to attract sufficient students.

3. Safeguarding and Prevent systems and processes

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

4. Staff Morale and Organisational Culture

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

5. Cash flow

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

6. Resource Management

East Sussex College might fail to adequately manage pay and non-pay resources in line with the business plan, especially with regard to utility costs

7. Estates Strategy

East Sussex College might fail to deliver a new estates strategy.

8. Digital Capacity

East Sussex College might fail 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.

9. Cyber Attack

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

10. Health and Safety

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

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 continue to remain about the long-term impact of the external environment impacts and changing government policy.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Staff
- Local employers (with specific links)
- Funding agencies
- 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 electronic channels including the College Internet site, and by face to face and on-line meetings.

Equity, Diversity and Inclusion

The College is committed to ensuring equity of opportunity for all who learn and work at the College. The College'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 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 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 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 College 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's 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 19 December 2022 and signed on its behalf by:



Ian Mehrtens
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 2021 to 31 July 2022 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 2022. 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 Board will review the updated September 2021 Code in line with the expectation that the College will report against it in 2022/23.

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.

Corporation Performance

An annual Board self-review exercise was completed in June 2022. This included a skills audit, assessment of Governor training needs, Board and Committee self-assessment surveys and a desktop review of Board and Committee effectiveness. The latter looked at a range of Governance specific KPI metrics, as well as an assessment of coverage of the cycle of business scope. A new format draft Governance Improvement Plan was produced as output of this process. An external review of the corporation's governance is scheduled for Spring 2023. The External Reviewer appointed by the Corporation will be independent and an expert.

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
Rebecca Conroy	14.02.2020	N/A		CEO & Principal (<i>Ex officio</i>)	All committees, except: <ul style="list-style-type: none"> • Audit, Risk & Compliance • Search, Performance & Remuneration 	100%
David Smith	01.10.2019 28.03.2020 (Chair)	1st	Resigned – end of March 2022	Independent Governor Chair	<ul style="list-style-type: none"> • Full Board • Search, Performance & Remuneration 	100% 100%

					<ul style="list-style-type: none"> • Finance • Curriculum & Standards • People & Culture • Capital Development Board 	<p>100%</p> <p>50%</p> <p>100%</p> <p>100%</p>
Mark Fisher	18.09.17	2 nd		Independent Governor	<ul style="list-style-type: none"> • Full Board • Finance • Capital Development Board 	<p>67%</p> <p>83%</p> <p>80%</p>
Gill Short	1.10.15	2 nd		Independent Governor	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards • People & Culture • Lewes College Board 	<p>83%</p> <p>100%</p> <p>100%</p> <p>100%</p>
Catherine Manning	01.06.20	1 st		Independent Governor	<ul style="list-style-type: none"> • Full Board • Search, Performance & Remuneration • Curriculum and Standards 	<p>83%</p> <p>100%</p> <p>100%</p>
Angela Smith	26.03.19–10.12.19 (Co-opted Member) 10.12.19 (Independent Governor)	1 st		Independent Governor	<ul style="list-style-type: none"> • Full Board • Audit, Risk & Compliance • Lewes Local College Board 	<p>67%</p> <p>100%</p> <p>100%</p>
Ian Mehrtens	24.06.19 (Chair - 01.04.22)	1 st	Appointed as Chair – April 2022.	Independent Governor (Chair)	<ul style="list-style-type: none"> • Full Board • Search, Performance & Remuneration • Finance • People & Culture • Curriculum & Standards • Hastings Local College Board 	<p>100%</p> <p>100%</p> <p>60%</p> <p>100%</p> <p>100%</p> <p>100%</p>
Graham Cook	01.06.20 (Vice Chair – 05.07.2022)	1 st		Independent Governor (Vice Chair)	<ul style="list-style-type: none"> • Full Board • Finance • Capital Development Board • Eastbourne College Board 	<p>100%</p> <p>100%</p> <p>83%</p> <p>100%</p>
Andy Vincent	08.07.20	1 st	Resigned November 2021	Independent Governor	<ul style="list-style-type: none"> • Full Board • Finance Committee 	<p>100%</p> <p>0%</p>
Averil Price	14.09.21	1 st	Resigned June 2022	Independent Governor	<ul style="list-style-type: none"> • Full Board • Audit, Risk & Compliance • People & Culture 	<p>100%</p> <p>50%</p> <p>100%</p>
Priscilla Kendall	14.09.21 (Vice Chair – 05.07.2022)	1 st		Independent Governor (Vice Chair)	<ul style="list-style-type: none"> • Full Board • Search, Performance & Remuneration • Finance 	<p>100%</p> <p>100%</p> <p>83%</p>

Becky Cooke	14.09.21	1 st		Independent Governor	<ul style="list-style-type: none"> • Full Board • People & Culture • Eastbourne Local College Board 	100% 67% 67%
Aly Coleman	15.07.21 05.07.22	1 st		Co-opted Member Independent Governor	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards 	0% 100%
Charles Dudley	08.06.20 05.07.22	1 st		Co-opted Member Independent Governor	<ul style="list-style-type: none"> • Full Board • Audit, Risk & Compliance • Capital Development Board 	100% 100% 100%
Sue Maynard	01.08.21 05.07.22	1 st	-	Co-opted Member Independent Governor	<ul style="list-style-type: none"> • Full Board • Capital Development Board 	0% 50%
Nicola Taylor	15.09.21	1 st		Independent Governor	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards • Hastings Local College Board 	67% 0% 33%
Alexandra Cheeseman	23.03.21	2 years		Student Governor	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards 	83% 100%
James Cooper-Lloyd	15.12.21-31.07.22	1 Year	Left College – July 2022	Student Governor	<ul style="list-style-type: none"> • Full Board 	20%
Lennan Senior	15.12.21-31.07.22	1 Year	Left College – July 2022	Student Governor	<ul style="list-style-type: none"> • Full Board 	20%
Marie Sangster	07.10.19	4 years	Resigned July 2022	Staff Governor (Support)	<ul style="list-style-type: none"> • Full Board • People & Culture • Hastings Local College Board 	50% 100% 67%
Steve Hedges	07.10.19	4 years	Resigned July 2022	Staff Governor (Teaching)	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards 	67% 67%
Ashley Heminway	17.10.22	2 years		Staff Governor (Teaching)		n/a
Carol Tomsett	17.10.22	2 years		Staff Governor (Teaching)		n/a
Penny Coppins	17.10.22	2 years		Staff Governor (support)		n/a
Kim Butler	23.03.21	1 st		Co-opted Member	<ul style="list-style-type: none"> • Audit, Risk & Compliance 	60%
Tom Sanderson	29.03.18	3 rd		Co-opted Member	<ul style="list-style-type: none"> • Finance 	83%

Governance Framework

Mia Bryden, Director of Governance, acted as Clerk to the Corporation until the 14 October 2021. Experienced interim governance advisors were in place from 14 October 2021 until February 2002 when Belle Howard was appointed as Director of Governance. Belle Howard has acted as Clerk to the Corporation from February 2022 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.

The Chair of the Board stepped down from the role at the end of March 2022 and following a successful recruitment process Ian Mehrstens was appointed as Chair effective April 2022.

The 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-opted members 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 updated with all committees now under 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 has been approved by the Board. There are reviewed annually and were last reviewed in July 2022.

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.

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.
- 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 an enhanced digital governance system of record to improve decision making.

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 Search, Performance & Remuneration 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 and governance professions 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 Search Performance and Remuneration Committee comprising three members, which is responsible for the selection and nomination of any new member (save Staff and Student Governors) 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.

Search Performance & Remuneration Committee

Throughout the year ending 31 July 2022, the College's Remuneration Committee comprised 3-4 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 2022 are set out in note 7 to the financial statements.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee comprises two members of the Board (who exclude the Accounting Officer, Chair and members of the Finance Committee) and one Co-opted Member. 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.

The Committee met five times during the year. The following table details attendance by the Committee members:

Member	Attendance	%
Angela Smith (Chair) - Independent Governor	5 out of 5	100%
Ian Mehrrens - Independent Governor	4 out of 4	100%
Averil Price - Independent Governor	2 out of 4	50%
Kim Butler - Co-opted Member	3 out of 5	60%
Charles Dudley - Independent Governor	1 out of 1	100%

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 breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in East Sussex College Group for the year ended 31 July 2022 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 2022 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.

Risks faced by the corporation

The corporation identifies, evaluates, and manages risk, including an impact and likelihood evaluation of key operational, financial, compliant and other risks. The Governors and the Executive Team are committed to ensuring that a proactive risk management culture is embedded across the College. The risk management framework ("Framework") is the tool by which the Executive Team, Managers and staff are expected to identify, assess, mitigate and monitor threats across all areas of the College (academic and professional support services).

The Framework recognises that like any organisation, the College faces the threat or possibility that an action or event could adversely (negatively) or beneficially (positively) affect an organisation's ability to achieve its strategic objectives. Risk management is an essential mechanism to ensure that threats that could affect the successful delivery of the institution's objectives are appropriately recognised, addressed and managed by the College.

This Policy Framework sets out the College's underlying approach to risk management, documents the roles and responsibilities of key parties/individuals and outlines the key aspects of the risk management process and procedures.

The Framework forms part of the College's System of internal controls, which together encompass a number of elements that together underpin an effective and efficient approach, enabling the College to respond to various operational, financial, and reputational risks.

The principal risks to the College are noted in the strategic report.

Control weaknesses identified

The internal auditors identified a weakness in the college's systems whereby there were missing controls in the procurement process, especially in respect of major capital projects. In response to this, the college introduced a new policy and procedure that embeds a sign-off process at various levels. These checks are also embedded within the accounting system software and so cannot be circumvented. The audit committee is satisfied that the action taken is sufficient to address the control weakness.

Responsibilities under funding agreements

The corporation receives regular reports on its compliance with its contractual responsibilities under its funding agreements and contracts with ESFA. During the year the College was also subject to a number of external reviews of its funding agreements and contracts, including T level funding, and the results of these reviews were reported to the Board. The corporation has concluded that it has complied with its contractual responsibilities under its funding agreements and contracts with ESFA.

Statement from the Audit Risk & Compliance (AR&C) committee

The AR&C committee has advised the board of governors that the corporation has an effective framework for governance and risk management in place. The Committee is reporting to the Corporation that it can rely on the College's management systems in relation to safeguarding its assets and the adequacy of its records, save that aspects of Fixed Asset Recording and VFM (Procurement) were acknowledged area of weakness in the College during the financial year 2021-22. The Committee is satisfied that appropriate remedial action has been taken to address these weaknesses during the 2021-22 financial year.

The specific areas of work undertaken by the audit committee in 2021/22 and up to the date of the approval of the financial statements are shown in the table below:

SUMMARY OF INTERNAL AUDIT WORK COMPLETED 31 JULY 2022

Assignment	Executive lead	Assurance level	Actions agreed		
			L	M	H
Online enrolment and student experience	Daniel Shelley, Executive Director, Strategic Partnerships and Engagement	Reasonable Assurance [●]	2	3	0
Value for Money	Martin Penny, Chief Finance Officer Helen Tracey, Director of Finance	Minimal Assurance [●]	5	9	0
Health and Safety	Chris Smith, Director of Facilities	Substantial Assurance [●]	1	0	0
Cyber Security Assessment	Paul Henderson, Head of IT Martin Penny, Chief Finance Officer	Partial Assurance [●]	1	9	2
Risk Management	Martin Penny, Chief Finance Officer	Reasonable Assurance [●]	4	3	0
Key Financial Controls – Fixed Assets	Martin Penny, Chief Finance Officer	Minimal Assurance [●]	0	2	2
Key Financial Controls – Policies and Procedures, General Ledger and Cash and Bank	Martin Penny, Chief Finance Officer	Reasonable Assurance [●]	3	2	0
Learner Number Systems	Martin Penny, Chief Finance Officer	No opinion / Advisory [●]	9	3	2
Follow Up	Martin Penny, Chief Finance Officer	Reasonable Progress [●]	-	-	-

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.

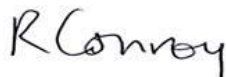
The Accounting Officer has been advised on the implications of the result of their review of the effectiveness of the system of internal control by the Audit, Risk and Compliance Committee which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement 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. At its October 2022 meeting, the corporation carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2022.

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".



Ian Mehrtens
Chair of Governors
19 December 2022



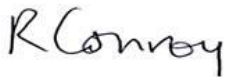
Rebecca Conroy
Accounting Officer
19 December 2022

Statement of Regularity, Propriety and Compliance

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

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

I 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 ESFA and OfS.



Rebecca Conroy
Accounting Officer
19 December 2022

Statement of the chair of governors

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



Ian Mehtens
Chair of Governors
19 December 2022

Statement of Responsibilities of the Members of the Board

The members of the corporation 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 and OfS, the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice. 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 (which must be consistent with other disclosures in the accounts and auditor's report)
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation

The corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that 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 corporation and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, and any other public funds, are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, OfS 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 economic, efficient and effective management of the corporation's resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 19 December 2022 and signed on its behalf by:



Ian Mehrtens
Chair of Governors

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

Opinion

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

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

In our opinion, in all material respects

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

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

- The College's grant and fee income, as disclosed in note number 2 to the financial statements, has been materially misstated; or
- The College's expenditure on access and participation activities for the financial year, as disclosed in note number 7 to the financial statements, has been materially misstated

We have no matters to report arising from this responsibility.

Responsibilities of Corporation

As explained more fully in the Statement of Corporation Responsibilities on page 23, the Members of the Corporation are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governing Body determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Group operates in and how the Group is complying with the legal and regulatory frameworks;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of College staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;

- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

Use of our report

This report is made solely to the Governing Body, as a body, in accordance with the Funding Agreement published by the Education and Skills Funding Agency and our engagement letter. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body as a body, for our audit work, for this report, or for the opinions we have formed.

MHA MACINTYRE HUDSON

MHA MacIntyre Hudson

Chartered Accountants and Registered Auditor
2 London Wall Place
London,
EC2Y 5AU
United Kingdom

Date 21/12/2022

Independent Reporting Accountant's Report on Regularity to The Corporation of East Sussex College Group and Secretary of State for Education, acting through Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 07 December 2022 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by East Sussex College Group during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of East Sussex College Group and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of East Sussex College Group and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept, or assume, responsibility to anyone other than the corporation of East Sussex College Group and ESFA 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 corporation 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, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.

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

Approach

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

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

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, that the financial transactions do not conform to the authorities that govern them nor have been improper.

MHA MACINTYRE HUDSON

**MHA MacIntyre Hudson
London, United Kingdom**

Date: 21/12/2022

East Sussex College Group
Consolidated Statements of Comprehensive Income and Expenditure
For year ended 31 July 2022

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	30,812	30,812	32,319	32,319
Tuition fees and education contracts	3	11,259	11,259	12,427	12,427
Other grants and contracts	4	5,129	5,117	3,810	3,605
Other income	5	2,487	2,475	1,131	1,054
Total income		49,687	49,664	49,687	49,405
EXPENDITURE					
Staff costs	6	31,114	31,087	29,791	29,589
Other operating expenses	7	16,375	16,307	14,546	14,496
Depreciation		2,613	2,613	3,328	3,304
Interest and other finance costs	8	786	786	803	803
Total expenditure		50,888	50,793	48,468	48,192
(Deficit)/surplus before other gains and losses		(1,201)	(1,129)	1,219	1,213
Gain/(Loss) on disposal of assets	10	797	797	(6)	(6)
(Deficit)/surplus before taxation		(404)	(332)	1,213	1,207
Taxation		-	-	-	-
(Deficit)/surplus for the year		(404)	(332)	1,213	1,207
Unrealised surplus on revaluation					
Actuarial gain in respect of defined benefit pension schemes		42,213	42,213	5,116	5,116
Total comprehensive income		41,808	41,881	6,329	6,323

East Sussex College Group
Consolidated and College Statement of Changes in Reserves
For year ended 31 July 2022

	Income and expenditure account £'000	Revaluation reserve £'000	Restricted reserves £'000	Total £'000
Group				
Balance at 1 August 2020	(23,337)	8,369	-	(14,968)
Surplus/(deficit) from I&E	1,213	-	-	1,213
Other comprehensive income:				
Actuarial gain/(loss) on defined benefit pension scheme	5,116	-	-	5,116
Transfers between revaluation and income and expenditure	237	(237)	-	-
Total comprehensive income for the year	6,566	(237)	-	6,329
Balance at 31 July 2021	(16,771)	8,132	-	(8,639)
Surplus/(deficit) from I&E	(404)	-	-	(404)
Other comprehensive income:				
Actuarial gain/(loss) on defined benefit pension scheme	42,213	-	-	42,213
Transfers between revaluation and income and expenditure	237	(237)	-	-
Total comprehensive income	42,046	(237)	-	41,808
Balance at 31 July 2022	25,275	7,895	-	33,169
College				
Balance at 1 August 2020	(23,404)	8,369	-	(15,035)
Surplus/(deficit) from I&E	1,207	-	-	1,207
Other comprehensive income:				
Actuarial gain/(loss) on defined benefit pension scheme	5,116	-	-	5,116
Transfers between revaluation and income and expenditure	237	(237)	-	-
Total comprehensive income for the year	6,560	(237)	-	6,323
Balance at 31 July 2021	(16,844)	8,132	-	(8,712)
Surplus/(deficit) from I&E	(332)	-	-	(332)
Other comprehensive income:				
Actuarial gain/(loss) on defined benefit pension scheme	42,213	-	-	42,213
Transfers between revaluation and income and expenditure	237	(237)	-	-
Total comprehensive income	42,118	(237)	-	41,881
Balance at 31 July 2022	25,274	7,895	-	33,169

East Sussex College Group
Balance Sheets
For year ended 31 July 2022

	Notes	Group 2022 £'000	College 2022 £'000	Group 2021 £'000	College 2021 £'000
Non-current assets					
Tangible fixed assets	10	115,888	115,888	111,456	111,425
Total Fixed Assets		115,888	115,888	111,456	111,425
Current assets					
Stocks	12	37	37	10	8
Trade and other receivables	13	2,533	2,533	2,324	2,230
Cash and cash equivalents	18	7,333	7,333	7,845	7,814
Total Current Assets		9,903	9,903	10,179	10,052
Less: Creditors - amounts falling due in one year	14	(12,356)	(12,356)	(11,255)	(11,170)
Net current liabilities		(2,453)	(2,453)	(1,076)	(1,118)
Total assets less current liabilities		113,435	113,435	110,380	110,307
Less: Creditors - amounts falling due after one year	15	(77,847)	(77,847)	(77,591)	(77,591)
Provisions					
Defined benefit obligations	22	(1,962)	(1,962)	(40,353)	(40,353)
Other provisions	17	(458)	(458)	(562)	(562)
TOTAL NET ASSETS		33,169	33,169	(8,126)	(8,199)
Unrestricted reserves					
Income and expenditure account including pension reserve		25,275	25,275	(16,258)	(16,331)
Revaluation reserve		7,894	7,894	8,132	8,132
Total unrestricted reserves		33,169	33,169	(8,126)	(8,199)
Total reserves		33,169	33,169	(8,126)	(8,199)

Ian

Ian Mehrtens
 Chair of Governors
 19 December 2022

R Conroy

Rebecca Conroy
 Accounting Officer
 19 December 2022

**East Sussex College Group
Consolidated Statement of Cash Flows
For year ended 31 July 2022**

	2022	2021
	£'000	£'000
Cash flow from operating activities		
Surplus/(deficit) for the year	(404)	1,213
Adjustment for non-cash items		
Depreciation	2,613	3,328
(Increase)/decrease in stocks	(27)	11
(Increase)/decrease in debtors	(209)	(332)
Increase/(decrease) in creditors due within one year	1,101	2,115
Increase/(decrease) in creditors due after one year	256	(1,692)
Pension costs less contributions payable	3,748	2,857
(Increase)/decrease in provisions	104	(41)
Adjustment for investing of financing activities		
Interest payable	155	211
(Gain)/Loss on sale of fixed assets	(797)	6
Net cash flow from operating activities	<u>6,540</u>	<u>7,676</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	796	195
Payments made to acquire fixed assets	(6,175)	(179)
	<u>(5,379)</u>	<u>16</u>
Cash flows from financing activities		
Interest paid	(155)	(211)
Repayments of amounts borrowed	(1,519)	(2,375)
	<u>(1,674)</u>	<u>(2,586)</u>
Increase / (decrease) in cash and cash equivalents	<u>(513)</u>	<u>5,105</u>
Cash and cash equivalents at beginning of year	7,845	2,739
Cash and cash equivalents at end of year	<u>7,333</u>	<u>7,845</u>

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 principal place of business is given on page 3. 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 2021 to 2022 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 2022.

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 Member's 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 2022 shows current liabilities exceeding current assets by £2,453k. This position is not expected to cause any financial short-term issues as worst-case cash flow forecasts, prepared out to July 2024, 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 £3.5m of commercial debt with Barclays, and £3.9m 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 2024 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 23, 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. Termination payments are accounted for on an accruals basis.

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 works (improvements) are depreciated over a 15 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. The College adopted new financial regulations during 2020/2021 that included a change in the economic life of assets. The updated information is shown in the table below.

Equipment

Computer equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition, unless purchased as a larger group of assets. 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	-	5 years
Plant	-	10 years
Vehicles	-	5 years
Equipment	-	5 years
Furniture, fixtures and fittings	-	3 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 to 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 are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised 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. The only contingent liabilities relate to an on-going investigation into historic funding issues, and a recent ESFA Funding Audit and are shown in Note 21.

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 25), 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 23, 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 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

2 Funding body grants

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Recurrent grants				
ESFA - 16-18	24,063	24,063	24,439	24,439
ESFA - adult education budget	4,052	4,052	5,096	5,096
Office for students	371	371	323	323
Specific grants				
Teachers' Pension Scheme contribution grant	777	777	910	910
Releases of government capital grants	1,549	1,549	1,551	1,551
Total	30,812	30,812	32,319	32,319

3 Tuition fees and education contracts

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
3.1 Tuition Fees				
Adult education fees	906	906	1,022	1,022
Apprenticeship contracts	4,203	4,203	4,655	4,655
Fees for FE loan supported courses	1,358	1,358	1,965	1,965
Fees for HE loan supported courses	3,750	3,750	3,957	3,957
International students' fees	1,002	1,002	405	405
3.2 Education contracts				
Education contracts	40	40	423	423
Total	11,259	11,259	12,427	12,427

4 Other grants and contracts

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
European commission	487	487	-	-
Other grant income	1,866	1,866	1,382	1,356
Other contract income	2,764	2,764	2,055	2,055
Coronavirus Job Retention Scheme grant	12	-	373	194
Total	5,129	5,117	3,810	3,605

5 Other income

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Catering and residences	1,726	1,715	859	782
Miscellaneous income	761	761	272	272
Total	2,487	2,475	1,131	1,054

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

6 Staff costs - group and college

The average number of persons (including key management personnel) employed by the college during the year, disclosed on a headcount basis, was:

	2022 Group No.	2021 Group No.
Teaching staff	445	457
Non-teaching staff	569	581
	<u>1014</u>	<u>1038</u>

The numbers above do not include estimates of the staff numbers employed through contracting out arrangements.

Staff costs for the above persons

	2022 Group £'000	2021 Group £'000
Wages and salaries	20,289	20,615
Social security costs	1,836	1,618
Other pension costs*	7,087	6,243
Payroll sub-total	29,212	28,476
	<u>1,663</u>	<u>1,201</u>
	30,875	29,677
Restructuring costs - non-contractual	239	114
Total staff costs	31,114	29,791

*Including defined benefit pension scheme adjustments of £3,117,000 - 2021 £2,265,000)

The corporation does not have any salary sacrifice arrangements in place.

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

6 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 Executive team which comprises the personnel listed at the top of page 3 of these accounts.

All members of the Executive team fall within the remit of the Remuneration Committee to determine their remuneration package with the exception of the Chief Financial Officer and Director of Human Resources.

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

	2022	2021
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>6</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	
	2022	2021	2022	2021
	No.	No.	No.	No.
£60,001 to £65,000 p.a.	-	-	4	-
£65,001 to £70,000 p.a.	-	1	1	3
£70,001 to £75,000 p.a.	-	-	1	-
£75,001 to £80,000 p.a.	-	1	-	-
£90,001 to £95,000 p.a.	1	3	-	-
£105,001 to £110,000 p.a.	1	1	-	-
£115,001 to £120,000 p.a.	1	-	-	-
£135,001 to £140,000 p.a.	1	1	-	-
	<u>4</u>	<u>7</u>	<u>6</u>	<u>3</u>

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

6 Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Basic salary	465	494
Seconded Management Cost	-	59
Pension contributions	82	84
Total key management personnel compensation	<u>547</u>	<u>637</u>

The above compensation includes amounts paid to the Chief Executive who is the Accounting Officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2022 £'000	2021 £'000
Basic salary	140	140
Other including benefits in kind	28	28
Pension contributions	<u>168</u>	<u>168</u>

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

The remuneration package of senior post holders, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body 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 the CEO's performance against the college's overall objectives using both qualitative and quantitative measures of performance.

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

	2022	2021
Principal's basic salary as a multiple of the median of all staff	5.22	7.57
Principal and CEO's total remuneration as a multiple of the median of all staff	6.26	8.72

Compensation for loss of office paid to former key management personnel

	2022 £'000	2021 £'000
Compensation paid to the former post-holder	37	-

The compensation payment was approved by the college's Remuneration Committee.

The members of the corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. 2021-2022: 5 Governors - £433 (2020-21: 0 Governors £0)

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

7 Other operating expenses

	2022	2022	2021	2021
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	4,011	4,011	4,276	4,276
Non-teaching costs	7,732	7,664	5,472	5,427
Premises costs	4,632	4,632	4,798	4,793
	16,375	16,307	14,546	14,496

Other operating expenses

	2022	2021
	£'000	£'000
Auditors' remuneration		
Financial statements audit*	43	52
Other services	3	5
Internal Audit Fees	89	72
Subcontracting	2,422	3,604
Operating Leases	95	127

Access and participation spending

	2022	2021
	£'000	£'000
Access	26	15
Student success	-	63
Progression	-	6
Total	26	84

The College Access and Participation Plan is available at:
www.escg.ac.uk/docs/degree-level/access-and-participation-plan/

8 Interest and other finance costs - group and college

	2022	2021
	£'000	£'000
On Bank Loans, Overdrafts And Other Loans	155	211
Net Interest On Defined Pension Liability (note 23)	631	592
	786	803

9 Taxation - group only

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 2022

10 Tangible fixed assets (group)

	Freehold land and buildings £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 August 2021	149,627	2,573	12	152,212
Additions	355	6,376	588	7,319
Disposals *	-	-	-	-
Write offs **	(855)	(1,785)	-	(2,640)
At 31 July 2022	149,127	7,163	600	156,890
Depreciation				
At 1 August 2021	38,425	2,362	-	40,787
Charge for the year	2,300	313	-	2,613
Disposals *	-	-	-	-
Write offs **	(808)	(1,590)	-	(2,398)
At 31 July 2022	39,918	1,084	-	41,002
Net book value at At 31 July 2022	109,210	6,079	600	115,888
Net book value at At 31 July 2021	111,230	214	12	111,456

Tangible fixed assets (college only)

	Freehold land and buildings £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 1 August 2021	149,627	2,573	12	152,212
Additions	355	6,376	588	7,319
Disposals *	-	-	-	-
Write offs **	(855)	(1,785)	-	(2,640)
At 31 July 2022	149,127	7,163	600	156,890
Depreciation				
At 1 August 2021	38,425	2,362	-	40,787
Charge for the year	2,300	313	-	2,613
Disposals *	-	-	-	-
Write offs **	(808)	(1,590)	-	(2,398)
At 31 July 2022	39,918	1,084	-	41,002
Net book value at At 31 July 2022	109,210	6,079	600	115,888
Net book value at At 31 July 2021	114,109	204	12	114,425

* The Group disposed of one of its assets during the year (the Chalk Pit) which had historically not been separately identified or valued. As such, the disposal has not been shown in the disposals line above - the net proceeds from the sale of the asset (£797k) has been detailed on the Statement of Comprehensive Income and Expenditure instead.

** The Group performed a comprehensive review of its tangible fixed assets during the year and assets with a net book value of £242k were subsequently written-off.

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

11 Non-current investments

In August 2011 East Sussex College (then Sussex Coast College Hastings) acquired 100% of Plaza Trading Hastings Limited on incorporation for £100. The principal activity of Plaza Trading Hastings Limited was the operation of commercial activities on behalf of the College. The activities of Plaza Trading Hastings Limited are consolidated in these accounts. As at 31 July 2022 the board revised the status of the company to that of a dormant company.

12 Stock

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Commercial Stock	<u>37</u>	<u>37</u>	<u>10</u>	<u>8</u>

13 Trade and other receivables

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
<i>Amounts falling due within one year:</i>				
Trade Receivables	1,284	1,284	1,004	1,004
<i>Amounts owed by group undertakings:</i>				
Subsidiary Undertakings	-	-	-	20
Prepayments And Accrued Income	161	161	603	489
Amounts Owed By The ESFA	1,086	1,086	712	712
Other Debtors	2	2	5	5
Total	<u>2,533</u>	<u>2,533</u>	<u>2,324</u>	<u>2,230</u>

14 Creditors: amounts falling due within one year

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Bank Loans And Overdrafts	1,243	1,243	967	967
Trade Payables	650	650	858	813
Other Taxation And Social Security	952	952	877	872
Accruals And Deferred Income	4,909	4,909	4,896	4,887
Deferred Income - Government Capital Grants	1,661	1,661	1,363	1,337
Amounts Owed To The ESFA	2,178	2,178	1,883	1,883
Prepayments Received On Account	763	763	411	411
Total	<u>12,356</u>	<u>12,356</u>	<u>11,255</u>	<u>11,170</u>

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

15 Creditors: amounts falling due after one year

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Bank loans	5,732	5,732	6,975	6,975
Accruals and deferred income	4,564	4,564	5,207	5,207
Deferred income - Government Capital Grants	67,550	67,550	65,409	65,409
Total	77,847	77,847	77,591	77,591

16 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are payable as follows:

Barclays bank

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
In one year or less	500	500	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	375	375	875	875
Total	2,875	2,875	3,375	3,375

The current loan structure is as follows:

Loan principal amount £'000	Interest rate	Final payment date
£5,000	2.13%	2028

Secured on the college's Eastbourne campus

(b) Other loans

Other loans are payable as follows:

ESFA Provider Market Oversight Team

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
In one year or less	728	728	452	452
Between one and two years	728	728	728	728
Between two and five years	2,134	2,134	2,862	2,862
In five years or more	405	405	405	405
Total	3,995	3,995	4,447	4,447

The current loan structure is as follows:

Loan principal amount £'000	Interest rate	Final payment date
£5,297	3.88%	2028

Secured on the college's Hastings campus

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

16 Maturity of debt (continued)

University of Brighton

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'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	30	30	45	45
Total	105	105	120	120

The current loan structure is as follows:

Loan principal amount £'000	Interest rate	Final payment date
£150	N/A	2030

Interest free unsecured loan, repayable in 10 equal annual tranches from March 2020

17 Provisions

	2022 Group £'000	2022 College £'000	2021 Group £'000	2021 College £'000
Defined benefit obligations	1,962	1,962	40,353	40,353
Enhanced Pensions	458	458	562	562
	2,420	2,420	40,915	40,915

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2021	(40,353)	(562)	(40,915)
Expenditure in the period	(5,044)	(9)	(5,053)
Additions in the period	43,435	113	43,548
At 31 July 2022	(1,962)	(458)	(2,420)

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in note 23.

The enhanced pension provision relates to the cost of staff who have already left the college's employ and commitment reorganisation costs from which the college cannot reasonably withdraw at the balance sheet date. Expenditure for EPP includes £9k on interest cost and £74k of actuarial gains.

The principal assumptions for this calculation are:

	2022	2021
Discount rate	1.60%	1.40%
Pension increases	2.80%	2.20%
Salary increases	2.80%	2.20%

18 Cash and cash equivalents

	At 1 August 2021 £'000	Cash flows £'000	Other changes £'000	At 31 July 2022 £'000
Cash and cash equivalents	7,845	(512)	-	7,333
Total	7,845	(512)	-	7,333
Debt due within one year	(967)	967	(1,243)	(1,243)
Debt due after one year	(6,975)	-	1,243	(5,732)
Total	(7,942)	967	-	(6,975)
Total (Cash, cash equivalents & debt)	(97)	455	-	358

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

19 Lease obligations

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

	2022 £'000	2021 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	1	68
Later than one year and not later than five years	-	1
	<u>1</u>	<u>69</u>
Other		
Not later than one year	6	27
Later than one year and not later than five years	6	12
	<u>12</u>	<u>39</u>

20 Contingencies

The College is aware of an ongoing investigation into a historic funding issue with a subcontractor. At the date of the signing of the accounts the PMO have confirmed a possible clawback not exceeding £5k. As such this amount has not been included in the balance sheet but disclosed as a contingent liability. The College also underwent an ESFA funding audit after the year-end but before the signing of the accounts. At the date of the signing of the accounts, the funding audit had not yet been completed, such that the College has not been able to reliably estimate the value of any liabilities which may arise as a result of the funding audit

21 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 2022

22 Defined benefit obligations

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

	2022		2021
	£'000		£'000
Teachers' Pension Scheme: contributions	2,209		2,280
Local government pension scheme:			
Contributions paid	1,794		1,698
FRS 102 (28) charge	<u>3,117</u>		<u>2,193</u>
Charge to the statement of comprehensive income	4,911		3,891
Enhanced pension charge to statement of comprehensive income			41
	<u>7,120</u>		<u>6,212</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 £730,060 (2021: £447,385) were payable to the schemes at 31st July and are included within creditors.

Teachers' Pension scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The college is unable to identify its share of the underlying assets and liabilities of the plan.

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2019. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £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 2018/19. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2022-23 academic year.

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

The pension costs paid to TPS in the year amounted to £2,979,401 (2021: £3,073,000)

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

22 Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by East Sussex County Council. The total contributions made for the year ended 31 July 2022 were £2,442,034 of which employer's contributions totalled £1,801,621 and employees' contributions totalled £640,413.

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

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	2.75%	2.80%
Future pensions increases	2.75%	2.80%
Discount rate for scheme liabilities	3.40%	1.60%

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

	At 31 July 2022	At 31 July 2021
<i>Retiring today</i>		
Males	21.2	21.2
Females	23.8	23.7
<i>Retiring in 20 years</i>		
Males	22.1	22.0
Females	25.1	25.1

22 The college's share of the assets in the plan at the balance sheet date and the expected rates of return were:

	Fair value of assets	
	2022	2021
	£'000	£'000
Equity instruments	62,086	60,386
Debt instruments	13,135	13,510
Property	7,445	5,891
Cash	<u>1,854</u>	<u>1,589</u>
Total value of plan assets	<u>84,520</u>	<u>81,376</u>

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

	2022	2021
	£'000	£'000
Fair value of plan assets	84,520	81,376
Present value of plan liabilities	<u>(86,482)</u>	<u>(121,729)</u>
Net pensions (liability)/asset (note 17)	<u>(1,962)</u>	<u>(40,353)</u>

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

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

	2022	2021
	£'000	£'000
22 Amounts included in staff costs		
Current service cost	4,811	4,167
Past service cost	<u>184</u>	<u>22</u>
Total	<u>4,995</u>	<u>4,189</u>
Amounts included in investment income		
Net interest income	<u>631</u>	<u>584</u>
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	1,436	9,068
Changes in assumptions underlying the present value of plan liabilities	<u>40,703</u>	<u>(3,922)</u>
Amount recognised in Other Comprehensive Income	<u>42,139</u>	<u>5,146</u>
Movement in net defined benefit (liability)/asset during year		
	2022	2021
	£'000	£'000
Net defined benefit (liability)/asset in scheme at 1 August	(40,353)	(42,650)
Movement in year:		
Current service cost	(4,811)	(4,167)
Employer contributions	1,927	1,996
Past service cost	(184)	(22)
Net interest on the defined benefit obligations	(631)	(584)
Administration expenses	(49)	(72)
Actuarial gain or loss	<u>42,139</u>	<u>5,146</u>
Net defined benefit (liability)/asset as at 31 July	<u>(1,962)</u>	<u>(40,353)</u>
Asset and Liability Reconciliation		
	2022	2021
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	121,729	113,740
Current service cost	4,811	4,167
Interest cost	1,937	1,581
Contributions by Scheme participants	593	544
Experience gain on defined benefit obligations	361	(2,455)
Changes in financial assumptions	(41,064)	8,469
Changes in demographic assumptions	-	(2,092)
Estimated benefits paid	(2,065)	(2,243)
Past service costs	184	22
Unfunded pension payments	<u>(4)</u>	<u>(4)</u>
Defined benefit obligations at end of period	<u>86,482</u>	<u>121,729</u>
Changes in fair value of plan assets		
Fair value of plan assets at start of period	81,376	71,090
Interest on assets	1,306	997
Return on assets less interest	1,436	9,068
Administration expenses	(49)	(72)
Contributions by Employer	1,927	1,996
Contributions by Scheme participants	593	544
Estimated benefits paid	<u>(2,069)</u>	<u>(2,247)</u>
Fair value of plan assets at end of period	<u>84,520</u>	<u>81,376</u>

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2022

23 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 with financial transaction were as follows:

Ms Kim Butler is employed as the Deputy Director of Finance at Sussex Partnership NHS Foundation Trust (NHS Foundation Trust_2021-22 £9.7k. Caburn House Letting Income)

Ms Priscilla Kendall is retired and a Trustee for 3VA and Trustee for WayfinderWoman (3VA_2021-22 £100. Adult Learning Contract income)

Mr Ian Mehrtens is a Director of Plaza Trading Hastings Ltd (wholly owned subsidiary company of ESCG)

Ms Averil Price Director of Avie Consultancy Ltd, Director of Sussex Weald Homes Ltd, Trustee of the De La Warr Pavilion and Wealden District Council. (De La Warr Pavillion_2021-22 £8.4k. Event hire)

24 Amounts disbursed as agent - Learner support funds

	2022	2021
	£'000	£'000
16-18 Bursary Grants	822	736
Other Funding Body Grants	136	287
	<u>958</u>	<u>1,023</u>
Disbursed to students	665	612
Administration Costs	<u>32</u>	<u>31</u>
Balance unspent as at 31 July, included in creditors	<u>260</u>	<u>380</u>