



Annual Report and Financial Statements
Year ended 31 July 2023



East Sussex College Group

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Reference and Administrative Details

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2022/23

Rebecca Conroy Principal and CEO; Accounting Officer
Mark Wardle Deputy (Principal and CEO)
Hannah Caldwell Chief Operating Officer (from October 2022)
Martin Penny Chief Financial Officer (to December 2022)

Board of Governors

A full list of Governors is given on pages 16-17 of these financial statements. Belle Howard was appointed as Director of Governance and 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:

MHA
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 2023.

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.

Public Benefit

East Sussex College Group is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on pages 16 to 17. 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, learning and assessment
- Widening participation and promoting social inclusion
- Personalised student support
- Responsive and agile curriculum responding to local need, gaps and priorities
- Impactful partnerships with employers, civic leaders, local authorities and public sector organisations.

East Sussex College provides identifiable public benefits through the advancement of education to approximately 4,443 16-18 students, including 151 students with high needs. The college provides fully funded courses to young people, to those who are unemployed and adults taking English and maths courses. The college adjusts its curricular to meet the needs of local employers and provides training to 1,696 apprentices. Providing impartial information, advice and guidance and finding suitable courses for as many students as possible regardless of their educational background is central to this mission.

Financial Review

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 funding body, (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 the College's financial position, funding, funding methodologies, business planning and budgeting.
- 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 30, the College earned over £51 million of income during the year, which is materially in line with the previous year. The College monitors all its funding and other income monthly and is focused on gaining high quality growth wherever possible.

Learner Achievement Rates:

Achievement rates for 16-19 are 79.1% and 19+ are 86.6% both of which are improvements on the previous year.

Teacher Qualifications:

The College requires all teaching staff, whether established or sessional, to be appropriately qualified.

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.

The College works with over 1000 local employers across East Sussex in providing Apprenticeships and customised bespoke training. Links with local businesses are strong - for example the College continues to play an active role on the County Council's 'Skills East Sussex Sector Boards' in partnership with key employer groups and in all priority sectors (Engineering, Construction, Digital & Creative, Health & Social Care and Visitor Economy), working with key businesses to respond to the regional skills gaps. In addition, as of 2023, the College also chairs the Employer Exchange Strategic Boards which provides college led oversight to ensure that college curriculum planning is externally approved by key stakeholders and employer representatives, ensuring that curriculum intent reflects the needs of our local communities.

Commercial activities continue to form a small but important part of the overall plan. The College continues to operate outlets such as coffee shops and an 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, this company remains dormant.

The College worked with a number of partners to deliver funded provision during 2022-23, 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.

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 2022/23 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 2023	July 2023	RAG
Number of 16-18 students	4,421	4,443	G
Total income	£48,328k	£51,562k	G
Staff costs excluding redundancy	£29,929k	£29,765k	G
Non-Pay Costs	£15,273k	£18,547k	R
EBITDA	£4,824k	£3,054k	R
Cash £000's	£3,632k	£4,633k	G
Other PIs			
Staff costs /income	62%	67%	R
Current Ratio	0.90	0.58	R
Creditor Days	45	0.1	G
Financial Health	RI	RI	G

After taking into account the ability of the College to ignore the reclassification of the loans as afforded by annex c of the College Financial Planning Handbook 2023. The college is self-assessing its financial health for 2022/23 as Requires Improvement based on appropriate evidence demonstrating underlying finances and forecasts are sufficiently robust to support moderation.

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	6.74

Percentage of time	Number of employees
0%	0
1-50%	8
51-99%	0
100%	0

Total cost of facility time	£56.9k
Total pay bill	£28,262k
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 £2,346k (2021/22 deficit £404k).

Included in the final result is a charge of £1,256k in respect of accounting for defined benefit pensions (2021/22 £3,748k) - see note 8 and 26.

On 31 July 2023 the Group's general reserve, including pension reserve, stood at a surplus of £26,131k (2021/22 surplus £25,274k). The bank and cash balances totalled £4,633k (2021/22 £7,333k).

Tangible fixed asset additions during the year amounted to £3,027k (2021/22 £7,319k) including ongoing investment in green technologies including ground and air source heat pumps 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 as a company will remain dormant. 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 Cash Management Policy in place.

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 2022-23 as the company has remained dormant for the financial year.

Cash flows

Net cash flow from operating activities was £1,209k for 2022/23 a decrease compared to a net cash flow of £6,541k for 2021/22. The decrease from the previous year was due to a combination of increased debtors, reduced creditors a change in pension service costs and no sale of fixed assets in 2022/23.

Liquidity

Loans of £5,732k are outstanding at the year end. Of this total, £2,375k relates to commercial debt with Barclays Bank, £3,267k relates to loans from Provider Market Oversight arising from the 2018 merger and £90k relates to a loan from the University of Brighton.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Future Developments

The College is committed to investing in its equipment and facilities to ensure the campus buildings offer high quality teaching and learning spaces in order to improve the outcomes for students and the college's communities, building the overall reputation of the college and providing greater financial sustainability.

The college is working with a broad range of public, private and third sector partners including senior representation on key economic, regeneration and skills related groups such as Team East Sussex, the local federated board for the South East Local Enterprise Partnership (SELEP Ltd) and Skills East Sussex, the employment and skills board for the county to develop new courses highlighted in the Local Skills Improvement Plan. The college is a local leader in addressing regional skills gaps and plays an active role in launching programmes with key partnerships to drive innovation. The college has been fully involved in the development of the Sussex Local Skills Improvement Plan (LSIP), led by Sussex Chamber of Commerce and has been heavily involved with the sector deep dives that centre on priority areas.

This will all increase and sustain student recruitment through both the broader range of courses on offer and the higher standard of delivery.

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 £26,131k (2021/22 surplus £25,274k) and the revaluation reserve stands at surplus £7,499k (2021/22 surplus £7,894k). It is the Board's intention to increase reserves by the generation of annual operating surpluses.

Curriculum developments

East Sussex College is a major provider of post-16 further education, higher education, and apprenticeship training across East Sussex.

The College has four main campuses in Eastbourne, Hastings, Lewes and Denton Island, Newhaven and works closely with the local authorities and East Sussex County Council.

In 2022-23 the college had 4,138 aged 16-18 following full time study programmes. There are 1,696 apprentices over the year, a mix of internal and subcontracted students. There are around 7,729 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.

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.

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.

Estates Transformation

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 £3,027k (2021/22 £7,319k).

Financial

The College has £33.631 million of net assets (2021/22: £33.168 million net assets incorporating a £1.962million pension liability).

People

The College employs 687 people (expressed as full-time equivalents), of whom 288 are teaching staff (2021/22: 670 people of whom 294 were teaching staff).

Going Concern

The financial position of the Group, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes. As noted in the financial review, the College is reporting a deficit for the second year running of £2,346k for the financial year (2022: £404k deficit) which is an increase of £1,942k from the previous year. This deficit has resulted from decreases in apprenticeship income, international student fees and other grant income as well as a relatively flat line increase in 16-19 funding. On top of this the college has had to contend with significant cost pressures resulting from high inflation rates (particularly energy cost increases) alongside wage pressures. During the year the College alongside, incremental payments responded by awarding staff a pay award of between 2.5% and 5%. It should also be noted that in 2022 the group benefitted from a £797k gain on the sale of fixed assets which was a one-off item.

As a result of this performance the reserves of the College fell. As the Group continues to invest within its estate (over £3m of capita additions in 2023) the cash balances have reduced significantly from £7.3m in 2022 to £4.6m at the 2023 year-end. In the past the College has been able to leverage its investment within its estate by using debt finance, however the Office for National Statistics (ONS) decision to reclassify Further Education Colleges as public sector has had a material impact on the Groups' liquidity and ability to borrow. There are further areas of impact following reclassification which are changing operating business processes and practice, however the restrictions on borrowing are having the greatest financial impact.

Furthermore, due to the financial outturn in 2023, the college has breached its covenants with both its lenders for the financial year 2022/23 including the triggering of a cross-guarantee clause in the ESFA loan agreement. The consequence of this is that both debts have been reclassified into creditors falling due within one year. The reclassification of the debt has contributed to the college showing a net current liability position of £9.48m however, the College is pleased to report that following correspondence with both its lenders, a waiver of the covenants for breaches incurred in 2022/23 have been agreed.

Despite these challenges the College Group has plotted a sufficient cashflow for the foreseeable future that has due regard to a minimum cash level and will maintain adequate resources. Throughout 2023/24 and 2024/25 there are a series of actions and anticipated results that alongside the cashflow offer adequate assurance for the college. This includes increased allocated funding, opportunities for in year growth funding, increases to its student cohort with particular reference to 16-19 numbers, stabilised apprenticeship and HE income and a robust establishment to deliver the expected provision for the college. 2023/24 enrolments have increased particularly 16-19 cohort, and a number of actions are in place regarding associated costs including a utilities contract that minimises future risk of price volatility. As a result, alongside the series of actions and anticipated results specified above the college is satisfied with its financial position and is expecting to achieve its banking covenants going forward.

However there remains a level of risk regarding the future and Governors have acknowledged the uncertainty that the future holds which could give rise to material uncertainty over the going concern of the college. These uncertainties include; a decrease in student numbers for 2024/25, poor achievement rates, failure to achieve the colleges adult provision funding, declining quality as judged by Ofsted and any unexpected costs not foreseen.

Whilst governors acknowledge material uncertainties both within and outside of the control of the college it is anticipated that the college remains a going concern with adequate resources to continue its operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

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 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 and the financial and reputation impact of each risk is captured.

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. Safeguarding and Prevent Systems and Processes

East Sussex College's Safeguarding and Prevent processes may fail to keep students and staff safe. CEO is Dedicated Safeguarding Lead (DSL) and link Governor is in place. Safeguarding is reported termly to Curriculum, Skills and Quality Committee and there is a staff and student training plan for safeguarding in place.

2. Cyber Attack

East Sussex College may fail to protect against a cyber-security attack. Cyber Security training is mandatory and Cyber Security insurance is in place. MFA is in place on all ESC network accounts and document storage has been migrated to OneDrive rather than individual/shared network drives.

3. Health and Safety

East Sussex College might fail to ensure that safe working practices keep staff and students safe from harm. Mandatory training covering fire awareness, health and safety at work and manual handling. Dedicated health and safety team and comprehensive internal audit programme in place, focusing on areas of high risk.

4. Staff Recruitment and Retention

East Sussex College might fail to recruit and retain outstanding staff. People and Culture Strategy and Pay Policy in place. Pay Policy to be updated as part of current Pay and Job Evaluation Project. Regular reporting to Resources, Culture and Impact Committee.

5. Cash Flow

East Sussex College might fail to ensure that it has sufficient cash to enable it to remain viable. Three-year financial plan in place and reviewed annually alongside budget setting. New cash management policy drafted and cashflow management and reporting via monthly Management Accounts.

6. Resource Management

East Sussex College might fail to adequately manage pay and non-pay resources in line with the business plan. Robust budget management controls in place with Finance Business Partners providing support and challenge. New Management accounts format agreed with forecasting and variance analysis. Regular reporting on pay and non-pay at Leadership, Executive and Committee/Board level.

7. Estates Strategy

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

Board approved commercial and delivery strategy for Estate Transformation Programme in place. Capital Development Board continues to monitor progress of all capital programmes and projects. Updated Estates Strategy under development.

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.

Updated Digital Strategy under development. Commitment to digital infrastructure within Estate Transformation Programme. New Director of Teacher Development and Digital Innovation in post for 2023/24.

9. Quality

East Sussex College might fail to provide a consistently good experience and students will not achieve their potential.

Self-assessment process and validation process in place. Termly reporting to Curriculum, Skills and Quality Committee. KPIs aligned to delivery of 'Good' or better quality of provision.

10. Student Recruitment

East Sussex College's curriculum offer and recruitment actions may fail to attract sufficient students. 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. Additional management action has also been identified and the assurance level is captured for each risk on a quarterly basis.

Regular reporting on recruitment in relation to targets and historical trends. Exec/SLT led cycle of marketing and school liaison in place with new adult marketing specialist recruited.

STAKEHOLDER RELATIONSHIPS

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

- Students
- Staff
- Local employers
- 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 14 December 2023 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 1st August 2022 to 31st July 2023 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 2023. 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 September 2021, including the Senior Post Holder Remuneration Code which was adopted by the Board in December 2022. The Board will review the updated September 2023 Code in line with the expectation that the College will report against it in 2023/24.

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 External Review of Governance was completed in July 2023. This was led by an expert and independent reviewer Marilyn Hawkins (ETF) and Paul Mundens (IoD), who were external to the organisation, as per DfE requirements. The scope of the review included:

- Individual interviews with members of the Board, including the Chair, the CEO & Principal, Vice Chairs, Committee Chairs, Executive Team members and the Director of Governance.
- A desk-based review of selected Board documents, including meeting minutes.
- A review of the responses to the Board Review Survey that was completed by Board Members.
- Observations of a full Corporation meeting and various committee meetings held during the Summer Term 2023.
- Stakeholder interviews with Local Authority representatives and a student representative.

A comprehensive report was produced as output of this review and its recommendations are currently under consideration by the Board. Overall, the report found that the College was demonstrating maturity in its governance effectiveness, following an extensive review of its membership, structures, processes, and ambitions. Key recommendations focussed on the need to strengthen governor training and development, to maximise opportunities to leverage staff and student voice in decision-making, and to lead enhancements to processes for governor recruitment and succession planning. Recommendations were currently being prioritised, with a view to incorporate these into the Governance Improvement Plan for 2023-24 and beyond.

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 (Ex officio)	All committees, except: • Audit, Risk & Compliance • Search, Performance & Remuneration	100%
Aly Coleman	15.07.2021-16.06.2022 (Co-opted Member) 17.06.2022 (Independent Governor)	1 st		Independent Governor	• Full Board • Curriculum & Standards • People & Culture	50% 100% 50%
Graham Cook	01.06.2020 (Vice Chair – 05.07.2022)	1 st		Independent Governor (Vice Chair – Resources & Operations)	• Full Board • Finance • Capital Development Board • Eastbourne College Board	100% 100% 100% 100%
Becky Cooke	14.09.2021	1 st		Independent Governor	• Full Board • People & Culture • Search, Performance & Remuneration • Eastbourne Local College Board	100% 67% 100% 100%
Andy Davy	19.12.2022	1 st		Independent Governor	• Full Board • Audit, Risk & Compliance • People & Culture	100% 100% 100%
Charles Dudley	08.06.2020-16.06.2022 (Co-opted Member) 17.06.2022 (Independent Governor)	1 st		Independent Governor	• Full Board • Audit, Risk & Compliance • Capital Development Board	100% 100% 100%
Mark Fisher	18.09.2017	2 nd	16.05.2023	Independent Governor	• Full Board • Finance • Capital Development Board	33% 67% 60%
Priscilla Kendall	14.09.2021 (Vice Chair – 05.07.2022)	1 st		Independent Governor (Vice Chair – Curriculum & Student Experience)	• Full Board • Search, Performance & Remuneration • Finance	100% 100% 100%
Catherine Manning	01.06.2020	1 st		Independent Governor	• Full Board • Search, Performance & Remuneration • Curriculum & Standards	75% 75% 100%
Sue Maynard	01.08.21-16.06.2022 17.06.2022 (Independent Governor)	1 st	16.12.2022	Independent Governor	• Full Board	0%

Name	Date of Appointment	Term of Office	Date of Resignation/ End of office	Status of Appointment	Committees Served	Individual Attendance
Ian Mehrtens	24.06.2019 (Chair since 01.04.2022)	1 st		Independent Governor (Chair)	<ul style="list-style-type: none"> • Full Board • Search, Performance & Remuneration • Finance • People & Culture • Curriculum & Standards 	100% 100% 100% 100% 100%
Gill Short	01.10.2015	2 nd		Independent Governor	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards • People & Culture • Lewes College Board 	100% 100% 100% 100%
Angela Smith	26.03.2019–10.12.2019 (Co-opted Member) 10.12.2019 (Independent Governor)	1 st		Independent Governor	<ul style="list-style-type: none"> • Full Board • Audit, Risk & Compliance • Lewes Local College Board 	75% 100% 100%
Nicola Taylor	15.09.2021	1 st		Independent Governor	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards 	75% 67%
Alexandra Cheeseman	23.03.2021	1 st		Student Governor	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards 	100% 67%
Trista (Tian) Jin	19.12.2022	1 st		Student Governor	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards 	67% 50%
Emel Yerlikaya	19.12.2022	1 st		Student Governor	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards 	67% 0%
Ashley Heminway	17.10.2022	1 st		Staff Governor (Teaching)	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards 	100% 67%
Carol Tomsett	17.10.2022	1 st	31.07.2023	Staff Governor (Teaching)	<ul style="list-style-type: none"> • Full Board • Curriculum & Standards 	50% 67%
Penny Coppins	17.10.2022	1 st	10.05.2023	Staff Governor (Support)	<ul style="list-style-type: none"> • Full Board • People & Culture 	100% 100%
Kim Butler	23.03.21	1 st	07.06.2023	Co-opted Member	<ul style="list-style-type: none"> • Audit, Risk & Compliance 	50%
Tom Sanderson	29.03.18	3 rd	22.08.2023	Co-opted Member	<ul style="list-style-type: none"> • Finance 	83%

Governance Framework

Belle Howard (Director of Governance) has acted as Clerk to the Corporation from February 2022 to the date of the signing of these financial statements. Ian Mehrtens has been in post as Chair of the Board since April 2022.

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 and at least four times per annum.

Governors bring a variety of relevant skills and experiences to the Board, including risk, audit and financial acumen, expertise in organisational culture and managing change, capital project management and Further Education professional development and engagement.

The East Sussex College Group Board and Committee structure was extensively redesigned throughout 2022-23 in readiness for the next academic year. This followed a comprehensive review of scope, context and approach. To support this effort, terms of reference were fully redeveloped 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. These are reviewed annually and were last reviewed in July 2023.

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 set a robust Governance Improvement Plan for 2022-23, which focused upon:

- Maximising opportunities to consider the student experience in strategic decision making.
- Driving a range of improvements to governance effectiveness, particularly with regards to the simplification of information and reducing the volume of meeting papers.
- Ensuring effective recruitment, succession planning and governor development practices.
- Establishing a robust five-year financial strategy for the College.
- Developing a cohesive brand strategy in collaboration with the Executive Team, with a view to further elevate the reputation and profile of the College.
- Ensuring effective focus and oversight on delivery of the College's programme of capital development projects.

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 reviews its performance annually and provides an assessment on its own effectiveness. The Governance, Performance & Reputation Committee (*formerly Search, Performance & Remuneration Committee*) is responsible for oversight and analysis of Board self-assessments. Each Committee is also responsible for annually reviewing its terms of reference and monitoring its performance against these criteria.

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

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

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

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

Appointments to the Board

Any new appointments to the Board are a matter for the consideration of the Board as a whole. The Board has a Governance, Performance & Reputation Committee (*formerly Search, Performance & Remuneration Committee*) comprising four 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 will not normally serve more than two terms of office.

Search Performance & Remuneration Committee

Throughout the year ending 31st July 2023, the College's Search, Performance & Remuneration Committee comprised 4 members. The committee's responsibilities were 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 31st July 2023 are set out in note 7 to the financial statements.

Audit, Risk & Compliance Committee

Throughout the year ending 31st July 2023, the Audit, Risk & Compliance Committee comprised 3 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 & 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 & 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 & 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 & Skills Funding Agency, as they affect the College's business.

The Committee met five times during the 2022-23 academic year. The following table details attendance by the Committee members:

Member	Attendance	Percentage
Angela Smith (Chair) – Independent Governor	5 out of 5	100%
Andy Davy – Independent Governor	3 out of 3	100%
Charles Dudley – Independent Governor	5 out of 5	100%
Kim Butler – Co-opted Member	2 out of 4	50%

Governor & Director of Governance Training & Development

All Governors completed the required mandatory online training courses for 2022-23, namely:

- Safeguarding & Prevent
- Basic GDPR
- eSafety
- Equality, Diversity & Awareness
- Health & Safety at Work

Governors also participated in Governor specific Safeguarding Training, which was delivered in house at the College by the Vice Principal – Student Experience on 17th October 2022, as a pre-Board briefing session.

Depending upon area of interest and skills need, a selection of Governors also attended the following training courses and networking events across the year:

Course Name	Provider	Date	Number of Governors
Chairs Network	AoC	23 rd September 2022	1
		25 th November 2022	1
		29 th March 2023	1
Curriculum & Quality Chairs Network	AoC	24 th May 2023	1
Governance Finance Masterclass Series	AoC	5 th September 2023	1
New Governor Induction	AoC	1 st November 2023	1
New Governor Induction	Director of Governance	5 th October 2022	2
• Staff Governor		6 th October 2022	1
• Staff Governor		14 th December 2022	1
• Student Governor		13 th January 2023	1
• Student Governor		17 th January 2023	1
• Independent Governor			
Safeguarding Link Governor Responsibilities	ESCC	18 th April 2023	1
Principals & Chairs Joint Network	AoC	19 th May 2023	2

Governor learning was also supplemented through access to Governor Development modules from the Education Training Foundation, as required.

The Director of Governance completed the following training courses during the 2022-23 academic year:

COURSE NAME	Provider	DATE
Code of Good Governance Consultation	AoC	13 th March 2023
Governance Network Event – Board Review	ETF	4 th September 2022
Governance Professionals Conference 2023	AoC	24 th January 2023
Governance Professionals Leadership Programme	ETF	31 st October 2022 8 th December 2022 15 th March 2023
South East Clerks and Governance Professionals Network	AoC	6 th October 2022 8 th December 2022 7 th February 2023 30 th March 2023
The Technical Aspects of Being a Governance Professional – Expert Level Programme	AoC/ETF	15 th November 2022 1 st February 2023

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 CEO & 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 2023 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 2023 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 Education and Skills Funding Agency's (ESFA) Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Board on the recommendation of the Audit, Risk & Compliance Committee. At minimum, annually, the Board is provided with a report on internal audit activity in the College, including an independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance.

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.

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 underpin an effective and efficient approach, enabling the College to respond to various operational, financial, and reputational risks.

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

Control weaknesses identified

For the 12 months ended 31 July 2023, the internal audit opinion for East Sussex College Group is that 'There are weaknesses in the framework of governance, risk management and control such that it could become inadequate and ineffective'. It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.

The internal auditors identified that the college remains on a journey since the new Executive Leadership Team and management structure came into effect and that there is an element of embedding this new structure, leadership and culture required to ensure the governance and control frameworks are robust. The internal auditors also identified that the college finance team has undergone significant changes in leadership and staffing and therefore control weaknesses relating to prior arrangements have not yet been addressed.

In response to the work of Internal Auditors, the College management agreed action plans with the auditors and Committee to address internal control weaknesses and progress has been reported and tracked through Committee meetings. Specific actions taken include the development of a Five-Year Financial Plan and a revised Fixed Asset Register.

Responsibilities under funding agreements

The corporation receives regular reports on its compliance with its contractual responsibilities under its funding agreements and contracts with ESFA. The corporation has concluded that it has complied with its contractual responsibilities under its funding agreements and contracts with ESFA.

The Department for Education (DfE) and ESFA introduced new controls for the college on 29 November 2022 on the day that the Office for National Statistics reclassified colleges as public sector organisations in the national accounts. The ESFA chief executive communicated these changes to all college accounting officers and explained plans to introduce a college financial handbook in 2024. The college has reviewed its policies, procedures, and approval processes in line with these new requirements to ensure there are systems in place to identify and handle any transactions for which DfE approval is required.

Statement from the Audit Risk & Compliance (ARaC) committee

The ARaC 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 aspect of fixed asset recording and budgeting were acknowledged area of weakness in the College during the financial year 2022/23. The College remains on a journey of fully addressing internal control weaknesses but the Committee is satisfied that remedial action has been taken to address the weaknesses identified and that this has been reported and tracked at ARaC during the 2022/23 financial year.

The specific areas of work undertaken by the audit committee in 2022/23 and up to the date of the approval of the financial statements are shown in the table below:

Assignment	Executive lead	Assurance level	Actions agreed			
			Adv	L	M	H
Cyber Security Follow Up	Hannah Caldwell, Chief Operating Officer	Little progress [●]	0	8	1	0
Budgeting and Financial Planning	Sam Brasier, Executive Director of Finance	Partial Assurance [●]	0	2	3	3
Governance: Compliance with the Code of Good Governance	Hannah Caldwell, Chief Operating Officer	Substantial Assurance [●]	5	4	3	1
General Data Protection Regulations (GDPR)	Hannah Caldwell, Chief Operating Officer	Advisory [●]	0	6	3	0
Learner Journey and Marketing	Hannah Caldwell, Chief Operating Officer	16 to 18 learner journey Substantial Assurance [●]	0	4	2	0
		Marketing Reasonable Assurance [●]				
Learner Number Systems	Hannah Caldwell, Chief Operating Officer	Advisory [●]	0	11	1	2
Follow Up	Hannah Caldwell, Chief Operating Officer	Reasonable progress [●]	0	5	4	0
Development of the Estates Strategy	Hannah Caldwell, Chief Operating Officer	Reasonable Assurance [●]	0	2	2	0
Key Financial Controls	Sam Brasier, Executive Director of Finance	General Ledger, Procurement and Payments Reasonable Assurance [●]	0	8	2	3
		Fixed assets Minimal Assurance [●]				
Total			5	50	21	9

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 2023 meeting, the corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the Executive Team and internal audit and taking account of events since 31 July 2023.

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".

Approved by order of the members of the Board on 14/12/23 and signed on its behalf by:



Ian Mehrtens
Chair of Governors
14 December 2023



Rebecca Conroy
Accounting Officer
14 December 2023

Statement of Regularity, Propriety and Compliance

As accounting officer I confirm that the corporation has had due regard to the framework of authorities governing regularity, priority and compliance, and 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, and non-compliance with those authorities and 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 framework of authorities and the terms and conditions of funding under the corporation's grant funding agreements and contracts with ESFA, OfS or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

I confirm that no instances of material irregularity, impropriety, funding non-compliance or non-compliance with the framework of authorities 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
14 December 2023



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 Mehrtens
Chair of Governors
14 December 2023

Statement of Responsibilities of the Members of the Board

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

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

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

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

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

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

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

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended 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, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. 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 14 December 2023 and signed on its behalf by:



Ian Mehrtens
Chair of Governors

Independent Auditor's Report to the Corporation of East Sussex College

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 2023 which comprise the Consolidated and College Statements of Comprehensive Income and Expenditure, the Consolidated and College Statements of Changes in Reserves, the Group and College Balance Sheets, the Group and College 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 2023, the Group's and College's income over expenditure for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, UK GAAP and the current College Accounts Direction.

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.

Material uncertainty related to going concern

We draw attention to the going concern disclosures within Note 1 in the financial statements and disclosures in the Members' Report which mention the following potential issues: a decrease in student numbers for 2024/25, poor achievement rates, failure to achieve the College's adult provision funding, declining quality as judged by Ofsted, and any unexpected costs not foreseen. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the College's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our responsibilities and the responsibilities of the Members 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. 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 numbers 2 and 3 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 10 to the financial statements, has been materially misstated.

We have no matters to report arising from this responsibility.

Responsibilities of Governing Body

As explained more fully in the Statement of Corporation Responsibilities on page 27, the Members of the Governing Body 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;
- Obtaining an understanding of the College's system of internal control and processing of financial information;

- 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;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing the key controls to assess adherence to system notes;
- 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

Chartered Accountants and Registered Auditor
London, United Kingdom

Date: 20/12/2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

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 05 December 2023 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 2022 to 31 July 2023 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 2022 to 31 July 2023 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 2022 to 31 July 2023 has not been applied to purposes intended by Parliament, that the financial transactions do not conform to the authorities that govern them.



MHA
London, United Kingdom
Date: 20/12/2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

East Sussex College Group
Consolidated Statements of Comprehensive Income and Expenditure
For year ended 31 July 2023

	Notes	Year Ended 31 July 2023		Year Ended 31 July 2022	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	33,010	33,010	30,812	30,812
Tuition fees and education contracts	3	11,558	11,558	11,259	11,259
Other grants and contracts	4	4,145	4,145	5,129	5,117
Other income	5	2,668	2,668	2,487	2,475
Investment income	6	181	181	-	-
Total Income		51,562	51,562	49,687	49,664
Defined Benefit Obligations					
Staff Costs	8	31,113	31,113	31,114	31,087
Other Operating Expenses	9	18,547	18,547	16,375	16,307
Depreciation		3,925	3,925	2,613	2,613
Interest and Other Finance Costs	12	329	329	786	786
Total Expenditure		53,914	53,914	50,888	50,793
(Deficit)/Surplus before other gains and losses		(2,353)	(2,353)	(1,200)	(1,129)
Gain/(Loss) on disposal of assets		6	6	797	797
(Deficit)/Surplus before taxation		(2,346)	(2,346)	(404)	(332)
Taxation	13	-	-	-	-
(Deficit)/Surplus for the year		(2,346)	(2,346)	(404)	(332)
Actuarial gain in respect of defined benefit pension schemes	26	3,203	3,203	42,213	42,213
Total comprehensive income		857	857	41,809	41,880

All items of income and expenditure relate to continuing activities

East Sussex College Group
Consolidated and College Statement of Changes in Reserves
For year ended 31 July 2023

	Income and expenditure account £'000	Revaluation reserve £'000	Restricted reserves £'000	Total £'000
Group				
Balance at 1 August 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 for the year	42,046	(237)	-	41,809
Balance at 31 July 2022	25,274	7,895	-	33,168
Surplus/(deficit) from I&E	(2,741)	-	-	(2,741)
Other comprehensive income:				
Actuarial gain/(loss) on defined benefit pension scheme	3,203	-	-	3,203
Transfers between revaluation and income and expenditure	395	(395)	-	-
Total comprehensive income for the year	857	(395)	-	462
Balance at 31 July 2023	26,131	7,500	-	33,631
College				
Balance at 1 August 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 for the year	42,117	(237)	-	41,880
Balance at 31 July 2022	25,274	7,895	-	33,168
Surplus/(deficit) from I&E	(2,741)	-	-	(2,741)
Other comprehensive income:				
Actuarial gain/(loss) on defined benefit pension scheme	3,203	-	-	3,203
Transfers between revaluation and income and expenditure	395	(395)	-	-
Total comprehensive income	857	(395)	-	462
Balance at 31 July 2023	26,131	7,500	-	33,631

East Sussex College Group
Balance sheets as at 31 July 2023

	Notes	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Non-current assets					
Tangible fixed assets	14	114,990	114,990	115,888	115,888
Total fixed assets		114,990	114,990	115,888	115,888
Current assets					
Stocks		68	68	37	37
Trade and other receivables	16	4,714	4,714	2,533	2,533
Cash and cash equivalents	22	4,633	4,633	7,333	7,333
Total current assets		9,415	9,415	9,903	9,903
Less: Creditors - amounts falling due within one year	18	(18,894)	(18,894)	(12,356)	(12,356)
Net current liabilities		(9,479)	(9,479)	(2,454)	(2,454)
Total assets less current liabilities		105,510	105,510	113,434	113,434
Less: Creditors - amounts falling due after one year	19	(71,521)	(71,521)	(77,847)	(77,847)
Provisions					
Defined benefit obligations	26	-	-	(1,962)	(1,962)
Other provisions	21	(360)	(360)	(458)	(458)
TOTAL NET ASSETS		33,630	33,630	33,168	33,168
Unrestricted reserves					
Income and expenditure account including pension reserve		26,131	26,131	25,274	25,274
General reserve		(28,478)	(28,478)	(27,568)	(27,568)
Pension reserve		-	-	1,962	1,962
Surplus/(deficit) for the year		2,346	2,346	404	332
Revaluation reserve		7,499	7,499	7,894	7,894
Total unrestricted reserves		33,631	33,631	33,168	33,168
TOTAL RESERVES		33,631	33,631	33,168	33,168

Ian Mehrtens

Ian Mehrtens
Chair of Governors
14 December 2023

Rebecca Conroy

Rebecca Conroy
Accounting Officer
14 December 2023

East Sussex College Group
Consolidated Statement of Cash Flows
For year ended 31 July 2023

	2023 £'000	2022 £'000
Cash flow from operating activities		
Surplus/(deficit) for the year	(2,346)	(404)
Adjustment for non-cash items		
Depreciation	3,925	2,613
(Increase)/decrease in stocks	(31)	(27)
(Increase)/decrease in debtors	(2,181)	(209)
Increase/(decrease) in creditors due within one year	6,538	1,101
Increase/(decrease) in creditors due after one year	(6,326)	256
Pension costs less contributions payable	1,241	3,748
(Increase)/decrease in provisions	98	104
Adjustment for investing and financing activities		
Interest payable	291	155
(Gain)/loss on sale of fixed assets	(0)	(797)
Net cash flow from operating activities	<u>1,209</u>	<u>6,541</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	797
Payments made to acquire fixed assets	<u>(2,376)</u>	<u>(6,727)</u>
	<u>(2,376)</u>	<u>(5,930)</u>
Cash flows from financing activities		
Interest paid	(291)	(155)
Repayments of amounts borrowed	<u>(1,243)</u>	<u>(967)</u>
	<u>(1,534)</u>	<u>(1,122)</u>
Increase / (decrease) in cash and cash equivalents	<u>(2,700)</u>	<u>(512)</u>
Cash and cash equivalents at beginning of year	7,333	7,845
Cash and cash equivalents at end of year	<u>4,633</u>	<u>7,333</u>

Notes to the Accounts

(forming part of the financial statements)

1 Statement of accounting policies and estimation techniques

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 Strategic Report.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2022-23 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

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 accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiary, Plaza Trading Hastings Limited, controlled by the group. Plaza Trading Hastings Limited has been dormant and no activity has occurred during the year. 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. Under the purchase method accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of undertakings passes. 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.

Notes to the Accounts (continued)

1 Statement of accounting policies and estimation techniques (continued)

Going Concern

The financial position of the Group, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes. As noted in the financial review, the College is reporting a deficit for the second year running of £2,346k for the financial year (2022: £404k deficit) which is an increase of £1,942k from the previous year. This deficit has resulted from decreases in apprenticeship income, international student fees and other grant income as well as a relatively flat line increase in 16-19 funding. On top of this the college has had to contend with significant cost pressures resulting from high inflation rates (particularly energy cost increases) alongside wage pressures. During the year the College alongside, incremental payments responded by awarding staff a pay award of between 2.5% and 5%. It should also be noted that in 2022 the group benefitted from a £797k gain on the sale of fixed assets which was a one-off item.

As a result of this performance the reserves of the College fell. As the Group continues to invest within its estate (over £3m of capita additions in 2023) the cash balances have reduced significantly from £7.3m in 2022 to £4.6m at the 2023 year-end. In the past the College has been able to leverage its investment within its estate by using debt finance, however the Office for National Statistics (ONS) decision to reclassify Further Education Colleges as public sector has had a material impact on the Groups' liquidity and ability to borrow. There are further areas of impact following reclassification which are changing operating business processes and practice, however the restrictions on borrowing are having the greatest financial impact.

Furthermore, due to the financial outturn in 2023, the college has breached its covenants with both its lenders for the financial year 2022/23 including the triggering of a cross-guarantee clause in the ESFA loan agreement. The consequence of this is that both debts have been reclassified into creditors falling due within one year. The reclassification of the debt has contributed to the college showing a net current liability position of £9.48m however, the College is pleased to report that following correspondence with both its lenders, a waiver of the covenants for breaches incurred in 2022/23 have been agreed.

Despite these challenges the College Group has plotted a sufficient cashflow for the foreseeable future that has due regard to a minimum cash level and will maintain adequate resources. Throughout 2023/24 and 2024/25 there are a series of actions and anticipated results that alongside the cashflow offer adequate assurance for the college. This includes increased allocated funding, opportunities for in year growth funding, increases to its student cohort with particular reference to 16-19 numbers, stabilised apprenticeship and HE income and a robust establishment to deliver the expected provision for the college. 2023/24 enrolments have increased particularly 16-19 cohort, and a number of actions are in place regarding associated costs including a utilities contract that minimises future risk of price volatility. As a result, alongside the series of actions and anticipated results specified above the college is satisfied with its financial position and is expecting to achieve its banking covenants going forward.

However there remains a level of risk regarding the future and Governors have acknowledged the uncertainty that the future holds which could give rise to material uncertainty over the going concern of the college. These uncertainties include; a decrease in student numbers for 2024/25, poor achievement rates, failure to achieve the colleges adult provision funding, declining quality as judged by Ofsted and any unexpected costs not foreseen.

Whilst governors acknowledge material uncertainties both within and outside of the control of the college it is anticipated that the college remains a going concern with adequate resources to continue its operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Notes to the Accounts (continued)

1 Statement of accounting policies and estimation techniques (continued)

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. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any variance on 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.

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

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 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, non-governmental, capital grants are recognised in income when the college is entitled to the funds subject to any performance related conditions being met.

Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

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

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

Agency arrangements

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

Notes to the Accounts (continued)

1 Statement of accounting policies and estimation techniques (continued)

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.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded pension scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the college in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a projected unit method. As stated in Note 26, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

East Sussex County Council (LGPS)

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

At the year end, the initial actuarial report from the Scheme Actuary reported a net pension asset of £5.093m. When the Scheme gives rise to a potential asset position, the Governors are required to assess the basis for recognising an asset on the balance sheet against the FRS102 criteria, this being "An entity shall recognise the plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or refunds from the plan." In using the word "shall", the emphasis is placed upon the College to consider the value of such an asset, rather than whether an asset should be recognised in the first instance. Accordingly, the College has considered the value at which they can benefit from either (1) refunds from the plan or (2) reduced contributions. As the College intends to continue to participate in the LGPS, the likelihood of a refund being due from the Scheme has been deemed as remote and not practically achievable. Secondly, the College has undertaken an exercise to assess the Minimum Fund Contributions (MFR) due to the Scheme in order to calculate the net present value of the asset which will be the value of a perpetuity of the future service cost minus the prevailing primary rate. The outcome of this calculation has shown that the College is unlikely to gain economic benefit from a reduction in future contributions. Accordingly, the college has made an impairment charge on the asset reducing the net position at the year ended 31 July 2023 to £Nil. Therefore, no defined benefit pension asset has been included in the financial statements.

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 benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment. The college recognises a liability and expense for termination benefits when the College can no longer withdraw the offer of those benefits.

Notes to the Accounts (continued)

1 Statement of accounting policies and estimation techniques (continued)

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the college annually. An estimate of expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet.

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 as it is considered to have an infinite useful life.

Freehold buildings are depreciated on a straight-line basis over the expected useful economic 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.

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.

Subsequent expenditure on existing fixed assets

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

Equipment

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

Notes to the Accounts (continued)

1 Statement of accounting policies and estimation techniques (continued)

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

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 an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance 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.

Inventories

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

Cash and cash equivalents

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

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

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.

Notes to the Accounts (continued)

1 Statement of accounting policies and estimation techniques (continued)

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.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover 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.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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 25.

Notes to the Accounts (continued)

1 Statement of accounting policies and estimation techniques (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26 will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2023. 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 2023

2 Funding Body Grants

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Recurrent Grants				
ESFA - 16-19	24,471	24,471	24,063	24,063
ESFA - Adult Education Budget	5,370	5,370	4,052	4,052
Office for Students	287	287	371	371
Specific Grants				
Teachers' Pension Scheme Contribution Grant	921	921	777	777
Releases of Government Capital Grants	1,961	1,961	1,549	1,549
Total	33,010	33,010	30,812	30,812

3 Tuition Fees and Education Contracts

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Adult Education Fees	1,032	1,032	906	906
Apprenticeship Contracts	3,601	3,601	4,203	4,203
Fees for FE Loan Supported Courses	1,275	1,275	1,358	1,358
Fees for HE Loan Supported Courses	4,603	4,603	3,750	3,750
International Students' Fees	787	787	1,002	1,002
Total Tuition Fees	11,298	11,298	11,219	11,219
Education Contracts	260	260	40	40
Total	11,558	11,558	11,259	11,259

4 Other Grants and Contracts

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
European Commission	368	368	487	487
Other Grant Income	322	322	1,866	1,866
Other Contract Income	3,455	3,455	2,764	2,764
Coronavirus Job Retention Scheme Grant	-	-	12	-
Total	4,145	4,145	5,129	5,117

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

5 Other Income

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Catering and Residences	1,987	1,987	1,726	1,715
Other Income Generating Activities	-	-	-	-
Miscellaneous Income	681	681	761	761
Total	2,668	2,668	2,487	2,475

6 Investment Income

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Other Investment Income	181	181	-	-
	181	181	-	-
Net return on Pension Scheme (note 25)	-	-	-	-
Total	181	181	-	-

7 Donations - College only

	2023 College £'000	2022 College £'000
Unrestricted donations	-	-
Total	-	-

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the college and are represented by the college leadership team which comprises the personnel listed at the top of page 3 of these

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

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

	2023	2022
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>4</u>	<u>6</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	
	2023	2022	2023	2022
	No.	No.	No.	No.
£60,001 to £65,000 p.a.	-	-	5	4
£65,001 to £70,000 p.a.	-	-	-	1
£70,001 to £75,000 p.a.	-	-	3	1
£80,001 to £85,000 p.a.	-	-	1	-
£90,001 to £95,000 p.a.	-	1	-	-
£95,001 to £100,000 p.a.	1	-	-	-
£105,001 to £110,000 p.a.	-	1	-	-
£115,001 to £120,000 p.a.	1	1	-	-
£125,001 to £130,000 p.a.	1	-	-	-
£135,001 to £140,000 p.a.	1	1	-	-
	<u>4</u>	<u>4</u>	<u>9</u>	<u>6</u>

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

8 Staff Costs - College and Group

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

	2023	2022
	No.	No.
Teaching Staff	511	445
Non-teaching staff	587	569
	1,098	1,014

Staff Costs for above persons

	2023	2022
	£'000	£'000
Wages and salaries	24,516	20,289
Social security costs	1,735	1,836
Other pension costs	3,514	7,087
Payroll sub-total	29,765	29,213
Contracted out staffing services	993	1,663
	30,758	30,875
Restructuring costs - Contractual	314	-
Restructuring costs - Non-contractual	41	239
Total Staff Costs	31,113	31,114

7 termination payments were made in year to 7 people. Respective payments of £8k, £7k, £6k, £5k, £4k, £4k, £4k, £3k make up the non contractual element in this note.

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 2023

Key management personnel compensation is made up as follows:

	2023	2022
	£'000	£'000
Basic Salary	360	465
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	76	82
Total key management personnel compensation	<u>436</u>	<u>547</u>

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

	2023	2022
	£'000	£'000
Basic Salary	140	140
Performance related pay and bonus	-	-
Benefits in kind	-	-
Pension contributions	28	28
	<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 principles.

The remuneration packages of senior post holders, including the Principal and Chief Executive, are subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

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

	2023	2022
Principal's basic salary as a multiple of the median of all staff	6.43	5.22
Principal and CEO's total remuneration as a multiple of the median of all staff	7.28	6.43

Compensation for loss of office paid to former key management personnel

	2023	2022
Compensation paid to the former post-holder	-	37,000
Estimated value of other benefits, including provisions for pension benefits	-	-

The members of the corporation other than the Accounting Officer and the staff members did not receive any payment from the college other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

9 Other Operating Expenses

	2023	2023	2022	2022
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent Grants				
Teaching Costs	4,886	4,886	4,011	4,011
Non-teaching Costs	8,234	8,234	7,732	7,664
	8,098	8,098	7,511	7,511
	57	57	63	63
	80	80	89	89
	-	-	-	-
Premises Costs	5,427	5,427	4,632	4,632
Total	18,547	18,547	16,375	16,307

Other Operating Expenses

	2023	2022
	£'000	£'000
Auditors' remuneration		
Financial statements audit	50	43
Other services provided by the FS auditor	7	3
Internal Audit Fees**	80	89
Other services provided by the internal auditors		
Subcontracting	2,923	2,422
Hire of assets under operating leases		95

10 Access and Participation Expenditure

	2023	2022
	£'000	£'000
Access investment	29	26
	<u>29</u>	<u>26</u>

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

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

11 Write offs, losses, guarantees, letters of comfort, compensation

	2023 £'000	2022 £'000
	-	-
Total	<u>-</u>	<u>-</u>

12 Interest and other finance costs - group and college

	2023 £'000	2022 £'000
On Bank Loans, Overdrafts and Other Loans	<u>291</u>	<u>155</u>
	291	155
On Finance Leases	-	-
Net Interest On Defined Pension Liability (note 26)	38	631
Total	<u>329</u>	<u>786</u>

13 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 2023

14 Tangible Fixed Assets (Group)

	Land and Buildings		Equipment	Assets in the course of construction	Total
	Freehold £'000s	Leasehold £'000s	£'000s	£'000s	£'000s
Cost or Valuation					
At 1 August 2022	149,127	-	7,163	600	156,890
Additions	179	-	2,038	810	3,027
Disposals	-	-	-	-	-
Transfer	(2,667)	2,667	-	-	-
At 31 July 2023	146,639	2,667	9,201	1,410	159,917
Depreciation					
At 1 August 2022	39,918	-	1,084	-	41,002
Charge for the year	3,382	-	544	-	3,925
Disposals	-	-	-	-	-
Transfer	(1,036)	1,036	-	-	-
At 31 July 2023	42,264	1,036	1,628	-	44,927
Net book value at 31 July 2023	104,376	1,631	7,573	1,410	114,990
Net book value at 31 July 2022	109,210	-	6,079	600	115,888

Tangible Fixed Assets (College only)

Cost or Valuation					
At 1st August 2022	149,127	-	7,163	600	156,890
Additions	179	-	2,038	810	3,027
Disposals	-	-	-	-	-
Transfer	(2,667)	2,667	-	-	-
At 31 July 2023	146,639	2,667	9,201	1,410	159,917
Depreciation					
At 1st August 2022	39,918	-	1,084	-	41,002
Charge for the year	3,382	-	544	-	3,925
Disposals	-	-	-	-	-
Transfer	(1,036)	1,036	-	-	-
At 31 July 2023	42,264	1,036	1,628	-	44,927
Net book value at 31 July 2023	104,376	1,631	7,573	1,410	114,990
Net book value at 31 July 2022	109,210	-	6,079	600	115,888

During the year the governors reassessed the classification of the Denton Island property and concluded that it is better represented as a leasehold property rather than freehold and as a result a transfer has been made.

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

15 Non-current Investments

The college owns 100 per cent of the issued ordinary £1 shares of Plaza Trading Hastings Ltd on incorporation for £100. The principal activity and Plaza Trading Hastings Ltd was the operation of commercial activities on behalf of the college. As at 31 July 2022 the board revised the status of the company to that of a dormant company.

16 Trade and Other Receivables

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Amounts falling due within one year:				
Trade Receivables	3,206	3,206	1,284	1,284
Amounts owed by Group Undertakings:				
Associate undertakings				
Prepayments & Accrued Income	432	432	161	161
Amounts owed by the ESFA	1,072	1,072	1,086	1,086
Other Debtors	4	4	2	2
Total	4,714	4,714	2,533	2,533

17 Current Investments

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Short term deposits	-	-	-	-
Total	-	-	-	-

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

18 Creditors: amounts falling due within one year

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Bank Loans and Overdrafts	5,657	5,657	1,243	1,243
Obligations under Finance Leases	-	-	-	-
Trade Payables	(373)	(373)	650	650
Corporation Tax	-	-	-	-
Other Taxation And Social Security	941	941	952	952
Accruals And Deferred Income	7,915	7,915	4,910	4,910
Deferred Income - Government Capital Grants	2,287	2,287	1,661	1,661
Deferred Income - Government Revenue Grants	-	-	-	-
Amounts Owed To The ESFA	932	932	2,178	2,178
Prepayments Received On Account	1,535	1,535	763	763
Total	18,894	18,894	12,356	12,356

Due to the college having breached its bank covenants for 2022/23 debt repayable to the bank and ESFA has been reclassified as falling due within one year despite the subsequent waiver of the covenants.

19 Creditors: amounts falling due after one year

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
Bank Loans	75	75	5,732	5,732
Obligations under Finance Leases	-	-	-	-
Accruals And Deferred Income	4,163	4,163	4,564	4,564
Deferred Income - Government Capital Grants	67,282	67,282	67,550	67,550
Total	71,521	71,521	77,847	77,847

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

20 Maturity of debt

(a) Bank loans and overdrafts

Barclays bank

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
In one year or less	2,375	2,375	500	500
Between one and two years	-	-	500	500
Between two and five years	-	-	1,500	1,500
In five years or more	-	-	375	375
Total	2,375	2,375	2,875	2,875

The current loan structure is as follows:

	Principal amount £'000	Interest rate	Final payment date
	5,000	7.13%	2028

Other loans

ESFA Provider Market Oversight Team

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 College £'000
In one year or less	3,267	3,267	728	728
Between one and two years	-	-	728	728
Between two and five years	-	-	2,134	2,134
In five years or more	-	-	405	405
Total	3,267	3,267	3,995	3,995

	Principal amount £'000	Interest rate	Final payment date
Secured on the Hastings campus	5,297	5.44%	2028

University of Brighton

	2023 Group £'000	2023 College £'000	2022 Group £'000	2022 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	15	15	30	30
Total	90	90	105	105

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

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

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

21 Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2022	(1,962)	(458)	(2,420)
Expenditure in the period	(3,231)	(15)	(3,246)
Additions in the period	5,193	113	5,306
At 31 July 2023	-	(360)	(360)

Defined Benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in note 25.

The enhanced pension provision relates to the cost of staff who have already left the college's employ and commitments for reorganisation costs from which the college cannot reasonably withdraw at the balance sheet date.

The principal assumptions for this calculation are:

	2023	2022
Discount Rate	5.15%	1.60%
Pension Increases	2.85%	2.80%
Salary Increases	3.85%	2.80%

22 Cash and cash equivalents

	At 1 August 2022	Cash flows	Other changes	At 31 July 2023
	£'000	£'000	£'000	£'000
Cash and cash equivalents	7,333	(2,700)	-	4,633
Overdrafts	-	-	-	-
Total	7,333	(2,700)	-	4,633

23 Capital and other commitments

	Group and college	
	2023	2022
	£'000	£'000
Commitments contracted for at 31 July	-	-

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

24 Lease obligations

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

	2023 £'000	2022 £'000
Land and buildings		
Not later than one year	30	1
Later than one year and not later than five years	76	-
	<u>106</u>	<u>1</u>
Other		
Not later than one year	6	6
Later than one year and not later than five years	-	6
	<u>6</u>	<u>12</u>
Total lease payments due	<u><u>112</u></u>	<u><u>13</u></u>

25 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 is also aware that should Denton Island be disposed of there is a potential liability relating to the repayment of a capital grant attached to the asset as per the initial funding agreement.

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

26 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

	2023	2022
	£'000	£'000
Teachers' Pension Scheme: contributions	2,296	2,209
Local government pension scheme:		
Contributions paid	1,990	1,927
FRS 102 (28) charge	<u>1,203</u>	<u>3,117</u>
Charge to the statement of comprehensive income	3,193	5,044
Enhanced pension charge to statement of comprehensive income	<u>73</u>	<u>72</u>
	<u>5,562</u>	<u>7,325</u>

Teachers' Pension scheme

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

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

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

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 anticipated contribution rates.

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

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

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 £3,250,525 (2022: £2,979,401)

East Sussex College Group
Notes to the accounts (continued)
For year ended 31 July 2023

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 2023 were £2,580,000, of which employer's contributions totalled £1,990,000 and employee's contributions totalled £590,000. The agreed contribution rates for future years are 20.7% for the college and range from 5.5% to 12.5% for employees, depending on salary according to a national scale.

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2023

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	3.85%	2.75%
Future pensions increases	2.85%	2.75%
Discount rate for scheme liabilities	5.15%	3.40%

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 2023	At 31 July 2022
<i>Retiring today</i>		
Males	20.9	21.2
Females	23.8	23.8
<i>Retiring in 20 years</i>		
Males	21.9	22.1
Females	25.3	25.1

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

	Long-term rate of return expected at 31 July 2023	Fair value at 31 July 2023	Long-term rate of return expected at 31 July 2022	Fair value at 31 July 2022
Equity instruments	78%	65,264	73%	62,086
Debt instruments	13%	10,811	16%	13,135
Property	7%	5,925	9%	7,445
Cash	1%	1,140	2%	1,854
Total fair value of plan assets		83,140		84,520
Weighted average expected long term rate of return		-0.96%		3.36%
Actual return on plan assets		(3,684)		1,436

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

	2023 £'000	2022 £'000
Fair value of plan assets	83,140	84,520
Present value of plan liabilities	(83,140)	(86,482)
Net pensions (liability)/asset (note 21)	-	(1,962)

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

	2023 £'000	2022 £'000
Amounts included in staff costs		
Current service cost	2,923	4,811
Past service cost	204	184
Total	3,127	4,995

Amounts included in investment income		
Net interest income	38	631

Amount recognised in Other Comprehensive Income

Return on pension plan assets	(3,684)	1,436
Experience losses arising on defined benefit obligations	(13,568)	(361)
Changes in assumptions underlying the present value of plan liabilities	20,455	41,064

Amount recognised in Other Comprehensive Income	3,203	42,139
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Movement in net defined benefit (liability)/asset during year

	2023 £'000	2022 £'000
Net defined benefit (liability)/asset in scheme at 1 August	(1,962)	(40,353)
Movement in year:		
Current service cost	(2,923)	(4,811)
Employer contributions	1,990	1,927
Estimated contributions	-	-
Past service cost	(204)	(184)
Net interest on the defined benefit obligations	(38)	(631)
Administration expenses	(66)	(49)
Actuarial gain or loss	3,203	42,139

Net defined benefit (liability)/asset as at 31 July	-	(1,962)
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Asset and Liability Reconciliation

	2023 £'000	2022 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	86,482	121,729
Current service cost	2,923	4,811
Interest cost	2,909	1,937
Contributions by Scheme participants	590	593
Experience gain on defined benefit obligations	13,568	361
Changes in financial assumptions	(20,981)	(41,064)
Changes in demographic assumptions	192	-
Estimated benefits paid	(2,743)	(2,065)
Past service costs	204	184
Unfunded pension payments	(4)	(4)
Defined benefit obligations at end of period	83,140	86,482

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Changes in fair value of plan assets

Fair value of plan assets at start of period	84,520	81,376
Interest on assets	2,871	1,306
Return on assets less interest	(3,684)	1,436
Other actuarial gains/(losses)	(334)	-
Administration expenses	(66)	(49)
Contributions by Employer	1,990	1,927
Contributions by Scheme participants	590	593
Estimated benefits paid	<u>(2,747)</u>	<u>(2,069)</u>
Fair value of plan assets at end of period	<u>83,140</u>	<u>84,520</u>

East Sussex College Group
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27 Related Party Transactions

Due to the nature of the college's operations and 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 transactions were as follows:

Governor Andy Davy is Chair of the Board - Hastings and St Leonards Academy
Key Management Personnel Mark Wardle is Chair of the Board - Cavendish School

The total expenses paid to or on behalf of the Governors during the year was £845; 9 governors (2022: £433; 4 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred attending Governor meetings in their official capacity.

No Governor has received any remuneration or waived payments from the college or its subsidiary during the year.

28 Amounts disbursed as agent - Learner support funds

	2023 £'000	2022 £'000
16-18 Bursary Grants	816	822
Other Funding Body Grants	128	136
Interest Earned	-	-
	<u>944</u>	<u>958</u>
Disbursed to students	978	665
Administration Costs	<u>49</u>	<u>32</u>
Balance unspent as at 31 July, included in creditors	<u>(81)</u>	<u>261</u>

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

29 Events after the reporting period

There are no events after the reporting period.

