



**SOUTH ESSEX COLLEGE OF
FURTHER AND HIGHER
EDUCATION**

**Report and Financial Statements
for the year ended 31 July 2020**

Key management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Angela O'Donoghue Principal and CEO; Accounting officer
Anthony McGarel Deputy Principal and Chief Executive
Sarah Lane Deputy Principal Curriculum & Quality (appointed 1/2/19)
Matthew Twitchett Vice Principal Curriculum & Quality (appointed 1/2/19)
Kathy Mulvey Vice Principal Student Support (left 31/8/19)
Steve Smith Vice Principal Corporate Resources

Board of Governors

A full list of Governors is given on pages 20 & 21 of these financial statements.
Mr R Millea acted as Clerk until 31st October 2019. The Clerk is now Melissa Drayson, as from 1st November 2019.

Professional advisers

Financial Statements auditor and reporting accountants:

KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Internal Auditor:

Scrutton Bland
Fitzroy House
Crown Street
Ipswich
Suffolk
IP1 3LG

Banker:

Barclays
PO Box 885
Mortlock House
Histon
Cambridge
CB24 9DE

Solicitor:

Irwin Mitchell
Thomas Eggar House
Priory Lane
Chichester
West Sussex
PO19 1LF

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Members' Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2020. South Essex College of Further and Higher Education, known as South Essex College, SEC or the College throughout this report.

On 1st February 2020 South Essex College merged with NCCI and acquired the one subsidiary company of Backstage Ltd. NCCI the college was dissolved as part of a type B merger with SEC.

These statements also include the result of the College's wholly owned subsidiary business, South Essex Commercial Services Ltd, Prospects Learning Foundation Ltd, Prospects Training Solutions Ltd, Backstage Centre Ltd, and 50% share of the assets and liabilities of Essex Shared Services Ltd.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting South Essex College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

Strategic Plan

South Essex College is the largest provider of technical and vocational education and training for 16-18 year olds, adults and Apprenticeship provision within Greater Essex. The plan outlines the strategic direction and ambitions from 2017-2020 and follows on from our previous Strategic Plan which ended in 2016. The process for the new strategic plan from 2020 is underway.

Mission

The mission statement was updated in FY20 to '***Your life, our college, your future***' and the core values were changed to align with the strategic plan and the new mission.

Core Values

Partnership
Respect
Outstanding
United
Determined

The college's strategic aims and objectives are:

1. Deliver high quality, inclusive teaching, learning and assessment

- 1.1 Support the delivery of high quality, innovative and inspiring Teaching and Learning which is celebrated and promoted.
- 1.2 Deliver effective study programmes for 16-18 year old learners including English and Maths, Personal Development and Employability Skills.
- 1.3 Continually improve student performance.
- 1.4 Raise the aspirations and ambitions of all our students.
- 1.5 Provide bespoke, effective and timely support for all our students.

2. Develop and grow a sustainable, viable, innovative and responsive College

- 2.1 Improve financial stability of the College by achieving a minimum 3% surplus by 2022.

- 2.2 Develop our Higher Education provision through continuous improvement of the student academic experience and student outcomes
- 2.3 Continually review College Services to produce ongoing efficiency savings while improving standards.

3. Attract, develop and maintain a highly skilled, innovative flexible workforce

- 3.1 Work in partnership with our staff to provide a supportive environment in which they can flourish and take pride.
- 3.2 Make use of digital technologies to establish integrated systems to reduce workload, and support curriculum delivery.
- 3.3 Improve the professional practice of our staff through structured professional development.

4. Respect, Promote and Celebrate Diversity

- 4.1 Actively challenge discrimination to foster a culture of social cohesion.
- 4.2 Foster relationships between individuals who share protected characteristics and those who do not.
- 4.3 Embed Diversity and British Values in our teaching, learning and training and foster tolerance and understanding.

5. Develop our work with stakeholders to improve the economic prosperity of the South East

- 5.1 Continue to maintain and develop partnerships with the Local Enterprise Partnership (LEP), the Employment and Skills Board (ESB), businesses and industry, Unitary Authorities and County Council.
- 5.2 Maintain effective relationships with appropriate funding and regulatory bodies.
- 5.3 Develop sustainable partnerships with employers to inform, support and develop our curriculum offer, and increase Apprenticeship opportunities.
- 5.4 Promote and develop sustainable partnership arrangements with a number of Higher Education Institutions.
- 5.5 Encourage our students and stakeholders to contribute to and inform College decision making.

6. To provide high quality, fit for purpose, accommodation and resources

- 6.1 Develop our Estate, to provide modern, high quality, state of the art facilities, resource and equipment.
- 6.2 Continue to develop the College IT infrastructure to take advantage of emerging new technologies.
- 6.3 Ensure a safe and secure environment for all.

Public Benefit

South Essex College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 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 20 & 21.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent employment record for students
- Strong student support systems
- Links with employers, industry and commerce
- Links with Local Enterprise Partnerships (LEPs)

CURRICULUM REVIEW

The Curriculum Plan 2017-20 has been developed to build upon the Good Ofsted result and meet the College strategic aims and objectives. The plan is currently being reviewed as part of the strategic restructure review process in October 2020.

Our key drivers for the curriculum are:

To continually improve outcomes for students choosing to study at South Essex College

The College made good progress and academic outcomes are shown below

To better reflect the needs of industry by being totally industry led

The College continues to build and develop its links with industry and local employers.

To increase and expand our Higher Education offer in both degree programmes and Higher and Degree Apprenticeships.

The College recognises that it cannot compete directly with Universities in the region with respect to research and will focus on delivery of taught degrees, which are technically and vocationally relevant to the local labour market. We offer local access to Higher and Degree qualifications which are predominantly vocational/technical degrees.

To address the need for Apprenticeship specialisation alongside growth to replace sub-contracted income

The College has made good progress on growing quality apprenticeship provision.

Improve Teaching, Learning and Assessment for all students

Teaching Learning and Assessment was graded Good by Ofsted.

Curriculum achievements

Curriculum performance is shown in the table below which was presented to the Curriculum & Quality Committee as well as the FE Corporation and supports the grade of 'Good' in the College Self-Assessment Report (SAR).

		Target	No.of Starts	2019-20	2018-19 GFEC NR
Overall Achievement Rates			15,556	75.8%	86.7
Overall Achievement Rates (excl. English and Maths)			10,787	75.2%	89.2
16-19 Study Programmes	Level 1		996	51.0%	82.3
	Level 2		1,332	54.0%	82.8
	Level 3		2,632	78.9%	85.5
	Overall		4,960	66.6%	83.4
Adult Programmes	Level 1		3,349	87.5%	92
	Level 2		2,090	78.7%	88.1
	Level 3		294	66.0%	80.9
	Overall		5,733	83.3%	89.9
Functional Skills	16-18		370	33.0%	68.8
	19+		714	31.1%	80.6
	GCSE English		1,657	91.6%	82.5
	GCSE Maths		2,028	89.6%	82.4
	High Grades English*			17.7%	25.4
	High Grades Maths*			12.9%	18.5
	Apprenticeships Timely		671	41.1%	59.9
	Apprenticeships Overall		594	56.9%	66.7
	College Retention Rate		15,556	93.7%	92.9

* high grades of passes

2019-20 rates as at 29/09/2020

2018-19 rates as at R14

Published national rates (NR) for 2018/19

Higher Education Outcomes

	Dist	First	Fail	Merit	Pass	2nd Lower	2nd Upper	Third	Grand Total
BA (Hons) Degree in Costume Construction		3	0			1	4	1	9
BA (Hond) in Business studies		2	0			1	1		4
BA (Hons) in Counselling		2	0			5	6		13
BA (Hons) in Digital Animation		1	0			6	2	2	11
BA (Hons) in Early Years Education		3	0			10	5	3	21
BA (Hons) in Fashion Design		1	0			1	2	4	8
BA (Hon) in Fine Art		6	0			2	7	1	16
BA (Hons) in Graphic Design			0			2	8	1	11
BA (Hons) in Interior Design		3	0			5	4	2	14
BA (Hons) in Photography		3	0			2			5
BA (Hons) in Special Education Studies			0			2	3		5
BA (Hons) in Television and Screen Media		2	0			3	6	4	15
BSc (Hons) in Computer Games Design		3	0			2	5	1	11
BSc (Hons) in Criminology and Forensic Investigation		6	0			7	4	2	19
BSc (Hons) in Social Studies		1	0			2	5	2	10
BSc (Hons) in Sports Studies		4	0			4	2	2	12
BTEC HNC in Construction and the Built Environment	5		0	4	1				10
BTEC HNC in Engineering	3		0	2	8				13
BTEC HND Diploma in Performing Art	6		0	9	1				16
Diploma in Education and Training			0		14				14
Foundation Degree in Counselling	2		0	9	3				14
PGCE	1		0	11	13				25
Grand Total	17	40	0	35	40	55	64	25	276

Apprenticeships - Timely

	2019-20 Leavers	2019-20 Fwrk Ach. %
16-18	328	35.1
19-23	161	46.0
24+	182	47.8
Total	671	45.1

Apprenticeships - Overall

	2019-20 Leavers	2019-20 Fwrk Ach. %
16-18	276	49.6
19-23	143	60.8
24+	175	65.1
Total	594	56.9

FINANCIAL REVIEW

Financial objectives

The college was issued with a financial notice of concern in November 2016 due to reporting inadequate financial health for the year ending 31st July 2016. The notice was lifted in October 2018 following assessment of the College financial plan. The financial strategy since this date is

- Maintain a financial health score of Requires Improvement under current ESFA methodology
- Improve cash flow and current ratio

A series of performance indicators were agreed by the board and monitored monthly. The year-end positions were:

Key performance Indicator	Measure/Target	Actual for FY20
Deficit as a % of Turnover	-2.10%	-7.82%
Deficit value (before effects of FRS102 and exceptional items)	(£0.9m)	(£3.5m)
Pay expenditure as a percentage of income	63.20%	69.65%
Minimum cash balance at year end	£3.0m	£5.323m
Adjusted Current Ratio	<1	3.37
Financial health	Requires Improvement	Requires Improvement

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual finance record for the Education and Skills Funding Agency (ESFA). The assessment for 2019/20 has been confirmed as “Requires Improvement” financial health.

Financial results

The Group generated a deficit before other gains and losses in the year of £3,531,000 (2018/19 – deficit of £2,698,000).

The Group has accumulated reserves of £59,449,000 and cash and short term investment balances of £5,323,000. The Group wishes to continue to accumulate reserves and cash balances in order to reduce the need for short term funding in the period January to March of each year.

Tangible fixed asset additions during the year amounted to £12,384,000. This was split between land and buildings acquired of £420,000, Furniture & Equipment £2,557,000 and assets under construction £9,407,000 relating to work in progress mainly on the new Basildon town centre campus with equipment and furniture purchased of £112,000. As part of the merger with NCCI assets were acquired of £5,236,000 split between land and buildings of £5,040,000 and furniture & equipment of £196,000. These assets are shown at fair value.

All College buildings include learning resource centres and blended learning and tutorial suites, which enabled the College to change its teaching methods efficiently and effectively during the Covid-19 pandemic to on-line learning enabling student to continue their education. Additionally, to support this transition the College purchased new laptops for students and developed the IT infrastructure at pace to facilitate the process and to cope with demand.

The restricted surplus funds arising from the disposal of the College’s Basildon campus (Nethermayne) in 2019/20 continues to be re-invested in major capital projects to re-locate the activities at Nethermayne to new facilities.

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2019/20 the FE funding bodies provided 78.0% of the Group’s total income.

The College has four 100% owned subsidiary companies, South Essex Commercial Services Ltd, Prospects Learning Foundation Ltd, Prospects Training Solutions Ltd and Backstage Centre Ltd. Their results are consolidated into this set of financial statements.

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 separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows and liquidity

Net cash inflow from operating activities was £2,052,000 (2018/19 £2,680,000 outflow), an increase of £4,732,000. The College repaid debt of £1,200,000 and the net increase in cash and cash equivalents was £1,843,000 (2018/19 increase £674,000).

The sales proceeds from the sale of the Nethermayne are received in stages until 2027. Receipts from the sale are controlled by the College on behalf of the partners through a trust account. The College applies for drawdowns from the trust as expenditure is committed/incurred. During the year, the College received £13.75m from the trust and made payments of £9.77m to acquire assets in relation to sale proceeds of the Nethermayne disposal. The sale proceeds must explicitly be reinvested in the College build projects and not utilised for general working capital/operating expenditure.

The merger with NCCI has provided additional facilities for the performing arts students within the SEC Group. As a result, there is potential for moderate growth within this curriculum area and under the NCCI brand at the Backstage Centre.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisations, and ensures that there are adequate reserves to support the College's core activities.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

South Essex College allocation for the financial year ending 31 July 2020 was 5,079 and achieved 4,729, This under performance has resulted in an allocation for FY21 of 4,736.

Curriculum developments

The key drivers in the 2016-2020 Curriculum plan are:

- To continually improve outcomes for students choosing to study at South Essex College.
- To better reflect the needs of industry by being totally industry-led.
- To rationalise our curriculum offer across the College and focus on specialisation.
- To increase and expand our Higher Education offer in both degree programmes and Higher and Degree Apprenticeships.
- To plan for the Apprenticeship changes that will begin to be implemented in April 2017.
- To address the need for Apprenticeship specialisation alongside growth to replace sub-contracted income

- To provide education and training to upskill and retrain Adults through maximising adult loans and employers' Apprenticeship Levy.
- To grow our full cost provision to meet the identified need to increase high level professional skills in the workforce.
- Addressing our financial health to reach a 3% surplus in the next 3 years.

We will focus on our planned growth areas including Apprenticeships, Higher Level Skills and Degrees, and our key growth sectors.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2019 to 31 July 2020, the College paid 30% per cent of its invoices within 30 days, however the agreed terms with most suppliers is the month following date of invoice. The College did not incur any interest charges in respect of late payments for this period.

Events after the end of the reporting period

There are no events after the reporting period.

Future prospects

The revised curriculum plan for South Essex College has been developed to clearly articulate the College ambition to be the main provider of Industry-led vocational education and training for South Essex. Our plans are all based on Labour Market Intelligence and the voice of employers in the region and our growth plans are concentrated on the key growth sectors identified by the South East Local Enterprise Partnership, the Essex Employment and Skills Board, Thames Gateway Partnership and the Business Boards of the three main towns we serve: Southend, Basildon and Thurrock.

The Curriculum Strategy over the next 5 years is to specialise in areas of provision which meet the needs of our local and regional employers, particularly at levels 3, 4 and 5 and to expand into some key areas of identified growth including:

- Transport and logistics
- Construction & Construction Management
- Creative & Cultural Skills
- IT & Digital Skills
- Health & Social Care

South Essex College and NCCI Merger

In February 2019, NCCI, a college based in Purfleet, Essex, invited institutions to submit an expression of interest in forming a partnership after their board had concluded it could no longer stand alone and was not financially viable. The Department for Education (DfE) had already injected £1.25m at this stage to ensure it could continue to trade and had indicated that there would be no further financial support. The NCCI process was not an official FEC led Structure & Prospects Appraisal (SPA) but the Further Education Commissioner (FEC) did advise the board of NCCI. The boards of South Essex College and NCCI agreed to merge with effect from 1 February 2020. A type B merger was used and NCCI dissolved transferring all assets and liabilities to SEC. The Backstage Centre Ltd transferred to the SEC Group as a 100% owned subsidiary.

The College is now subject to ongoing monitoring from the ESFA Provider Market Oversight team using the integrated financial monitoring model. However, this model is currently being reviewed due to its complexity and a revised model will be released in FY21.

Capital Projects

The College has had a long term strategy to relocate to new state of the art premises in the towns of Southend, Basildon and Grays. The first phase was a new campus at Luker Road in Southend which opened in 2004. This was financed by a combination of sale proceeds, bank borrowing and government grants. Phase two involved the new Thurrock Campus in Grays town centre and disposal of the existing campus for residential development. Phase two successfully completed with the new campus opening in September 2014.

The existing site at Basildon, Nethermayne was disposed of together with Homes England and Basildon Borough Council. The site is now vacant and being replaced by three projects. The first opened in 2018 at Stephenson Road to provide Motor Vehicle, Construction and Engineering provision. The second, a new Digital Technologies Campus in Basildon town centre, is being completed and will open in January 2021.

The third strand involved a new performing and cultural arts campus in partnership with Southend Council opposite the Forum building. Following the impact of COVID 19 and the significant additional floor space liabilities which would flow, the College and the Council jointly agreed to halt this project. The College is now using residual funding from the disposal receipt, which must be spent on capital projects, on restructuring and refurbishment of Luker Road / Queens Road to provide similar facilities in a more consolidated estate. Works will also include elements of capital maintenance to offset College operational liabilities going forwards.

RESOURCES:

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

Financial

The College has £59.4 million of net assets (2018/19: £74.4 million). This is after providing for £35.3m million net pension liability (2018/19: £22.2 million). Deferred capital grants £25.0 million have been moved to liabilities under FRS102. Debtors include £9.3 million in relation to the College asset sale that is being re-invested on College buildings and is split between current and long term debtors. The College has total bank debt of £18.9 million (2018/19: £20.0 million).

People

The College employed 756 people (expressed as full time equivalents), as at 31 July 2020, of which 355 are teaching staff. The remainder includes staff that support teaching and learning in learning resource centres, student services, additional learning support and learning coaches as well as college overheads.

Reputation

The College has a good reputation locally and nationally and this was recognised by achieving Ofsted good status in June 2017. Maintaining a quality brand is essential for the College's success in attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES:

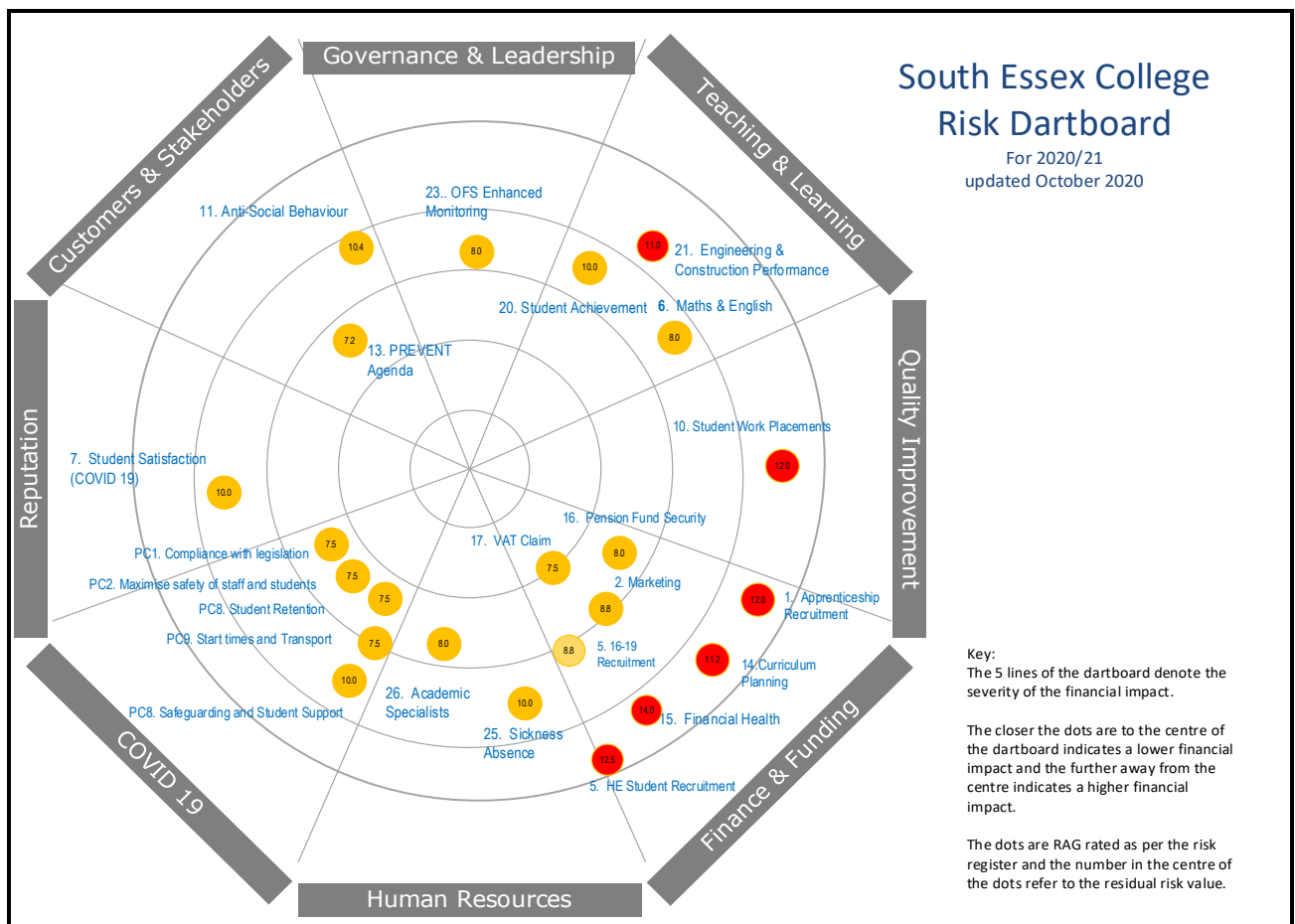
The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation. In addition, the College has incorporated a separate risk register which identifies the key risks associated with Covid-19. During the pandemic lockdown period, the College set up an Emergency Governors Committee (EGC) which met fortnightly to review the new Covid-19 risk register. The EGC disbanded post-lockdown, however, the Covid-19 risk registers continues to be reviewed regularly at each Audit and Risk Committee indefinitely.

Based on the strategic plan, the Risk Management Group undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific

preventable actions, which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College level which is reviewed at each meeting of the Audit & Risk Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system and are RAG rated.

The risk dartboard below shows the principal risk factors 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 risks are split into different segments. The greatest risks surround financing and funding and mainly relate to recruitment and retention. A risk that is closer to the centre of the dartboard denotes a smaller financial impact and the further away towards the edges denote a bigger impact. An arrow illustrates the movement of the risk from the previous iteration of the risk register.



The impact of uncertainties due to the UK exiting the European Union

Uncertainties related to the effects of Brexit are relevant to understanding our financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is still one of the most significant economic events for the UK even though the UK left the EU on 31st January 2020. The UK and EU Officials have now agreed how their future relationship will work and both sides are currently applying the new rules. These rules have been signed off by the EU and UK Parliaments on 31st December 2020. The effect of this on the College in the medium to long term is still unknown and could affect future prospects and performance positively or negatively. As the effects are still unknown it is extremely difficult for directors and their auditors to predict the outcomes.

The College is currently reviewing its procurement policies to ensure compliancy with the new rules post Brexit.

The College recruits students and staff primarily from the UK and should see little impact in this regard. The College has benefitted from EU funding in the past for project based delivery and will work with DFE and other representatives to ensure we are able to access any future funding to replace this.

The impact of uncertainties due to the Covid-19 Pandemic

Uncertainties of the effects of the Global Pandemic Covid-19 are relevant to understanding the SEC Group financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

The Covid-19 pandemic was declared by the World Health Organisation (WHO) on 11th March 2020. The pandemic has caused global social and economic disruption, including a global recession. The UK went into lockdown on 23rd March 2020 and during that time the College premises were closed between March and June 2020 with staff working from home or furloughed, and students undertaking on-line learning or taking a break in learning, in line with the Government policy. Inevitably, this had a negative impact on activity levels and income streams. However, the College received some Government support for furloughed staff under the Provider Relief Scheme (PRS).

Lockdown measures have gradually been eased since June 2020 with the College re-opening fully in September 2020. However, the current economic climate still remains uncertain with the on-going threat of further imminent lockdowns both locally and nationally. Globally, there is currently no vaccination nor medicine to contain the virus and the uncertainty remains indefinitely. Therefore, it is extremely difficult for directors and their auditors to predict the outcomes.

In December 2020, the UK went back into lockdown and the College premises have been closed with staff working from home or furloughed, and students reverting to on-line learning in line with Government policy. This has negatively impacted Apprenticeship activities income streams (£200k). However, HE has remained constant. Again, the College will receive some Government support for furloughed staff under the Provider Relief Scheme (PRS).

STAKEHOLDER RELATIONSHIPS

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Local Enterprise Partnerships (LEPs);
- The local community;
- Other FE institutions;

- Trade unions;
- Professional bodies.

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

The College entered into a tripartite agreement with Basildon Council and the Homes England during 2015/16 to progress the disposal of the Basildon Campus to enable over 700 homes to be built over 5 years with the College relocating to Market Square in Basildon town centre. Basildon Council will relocate the market as part of the arrangement. This has resulted in the 'Basildon Landowners Trust Account' being established. The Trust Account is managed by South Essex College and all transactions are agreed by resolution of all parties.

Equal opportunities and employment of disabled persons

South Essex College is committed to the promotion of equality of opportunity for all learners, employees and all other users of the College.

Our ethos is to create and maintain the conditions whereby learners and staff are treated solely on the basis of their merits, abilities and potential, regardless of ethnic or national origin, disability, gender, age, religion or belief, sexual orientation, social class and background, or other distinction.

The College's Equality and Diversity Policy is published on the College's Internet site. The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. An Equality and Diversity plan is published each year and monitored by managers and governors.

The College actively promotes a culture of celebrating diversity and will take reasonable steps to prevent discrimination occurring. This includes promoting the significance of the Equality and Diversity Policy and what is expected of learners and staff while they study or work at the College.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its accommodation strategy the College updated its access audit. Experts in this field conducted a full access audit during 2007/08, and the results of this formed the basis of a bid to the LSC for funding capital projects aimed at improving access.
- b) The College has an Additional Learning Support Team, who provide information, advice and arranges support where necessary for learners with disabilities.
- c) There is a list of specialist equipment which the College can make available for use by learners and staff and a range of assistive technology is widely available.
- d) The College has an Admissions policy for all learners. Appeals against a decision not to offer a place are dealt with under the policy.
- e) The College has made a significant investment in the appointment of specialist lecturers to support learners with learning difficulties and/or disabilities. There are a number of Learning Support Assistants who can provide a variety of support for access to learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for learners who have learning difficulties and/or disabilities.

- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling, welfare and support services are described on the College website. Learners can access relevant policies and procedures (including the Compliments & Complaints and Behaviour Policy and Procedure) via Moodle and My Day (Student Intranet).

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 during the relevant period	FTE employee number
9	1

Percentage of time	Number of employees
0%	-
1-50%	9
51-99%	-
100%	-

Total cost of facility time	£33,350
Total pay bill	£30,733,000
Percentage of total bill spent on facility time	0.08%

Time spent on paid trade union activities as a percentage of total paid facility time	23%
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Safeguarding and Child Protection

The College places significant importance on safeguarding children and vulnerable adults and meets fully the statutory requirements for safeguarding and child protection. Specifically, the College has:

- a) Implemented statutory guidance contained within the revised Department for Education publication: 'Keeping Children Safe in Education September 2018 and ensured that staff are fully aware of their responsibilities in Part 1 through training and making the document available through the Intranet for everyone to read.
- b) Key staff are designated WRAP trainers and have home office registration approved.
- c) Ensured that all new staff receive training on safeguarding, child protection and PREVENT and that refresher training is carried out regularly for existing staff.
- d) Maintained a Safeguarding Committee, designated senior leadership team member and designated governor with responsibility for safeguarding.

- e) Audited its safeguarding practices through the 'Essex Schools & Colleges Safeguarding Audit' and maintained the outcome of "very high compliance".
- f) Ensured that key Staff are appropriate trained as Designated Child Protection Officers and their training is regular updated as 'designated persons' for child protection purposes, which is regularly updated in accordance with statutory guidance.
- g) Developed robust arrangements for the planning and approval of educational visits. We are planning the implementation of the use of EVOLVE, an online recording portal early 2017.
- h) Student Supervisors are established across all sites to support in the management of safeguarding and learner behaviour and welfare.
- i) Implemented a revised Recruitment and Retention Policy and Procedure incorporating safeguarding statutory guidance along with relevant employment legislation.
- j) All staff responsible for employing staff to complete mandatory safer recruiting training by 1st September 2020 in line with the 2020 Keeping Children Safe in Education (KCSIE) statutory guidance.
- k) The College maintains a 'Single Central Record' of all vetting and barring checks for all individuals undertaking Regulated Activity.

The College ensures that all relevant individuals undertake appropriate Disclosure and Barring Service (DBS) checks and these are vetted and risk assessed by the Head of HR prior to individuals commencing work. This includes an Enhanced DBS check including the 'barred lists' check where appropriate. Well established arrangements exist to manage any issues arising and ensure that concerns about individuals who may pose a threat to children or vulnerable adults are reported to the DBS.

The College complies fully with its statutory PREVENT duties under the Counter Terrorism and Security Act 2015. The PREVENT strategy aims to stop people from being drawn into terrorism, including violent and non-violent extremism, by working with individuals and communities to support and challenge views and activities that may be conducive to terrorism, or that seek to popularise views which extremism may seek to exploit. Central to the College's strategy is the promotion of fundamental British values, including democracy, the rule of law, individual liberty and mutual respect and tolerance of different faiths and beliefs.

The 2017 Ofsted Inspection concluded that the arrangements for safeguarding were effective, and staff understand well the part they play in safeguarding learners. Learners feel safe, and are kept safe, in college.

Disclosure of information to auditors

The Members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 15th March 2021 and signed on its



behalf by:

Elizabeth Sipiery

Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”); and
- iii. having due regard to the UK Corporate Governance Code 2016 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 College has adopted and 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/exceeds all the provisions of the Code, and it has complied throughout the year ended 31 July 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 6 July 2015.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm that they have had due regard for the Charity Commission’s guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

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

Name	Date of appointments	Term of office	Date of resignation	Status of appointment	Committees served	Board Attendance 2019/20
Ms E Sipiery	25/03/2019	4 years		External Governor	Chair: Corporation from 01/08/19: Policy & Resources: Search & Governance: Remuneration	100%
Ms A O'Donoghue CBE	13/8/12			Principal and Chief Executive	Curriculum & Quality; Policy & Resources; Search & Governance	100%
Mr R Anderson	13/1/20	4 years		External Governor	Audit & Risk	100%
Mr G Bender	1/8/20	4 years		External Governor	Curriculum & Quality	N/A
Mr L Freeman	23/3/20	4 years		External Governor	Policy & Resources	100%
Mr P Griffiths	First Appointed 16/10/2017	4 years	13/1/20	External Governor	Audit & Risk	33%
Dr R Gray	First Appointed 01/03/1998 Reappointed 15/07/1999;15/07/2003; 15/07/2007;15/07/2011; 15/07/2015: 15/07/19	2 years then 4 years		External Governor	Chair of Policy & Resources; Chair of Search & Governance; Remuneration	86%
Mrs A-L Harding	First Appointed 04/12/17	4 years	31/12/19	Staff Governor	Audit & Risk	100%
Mr M Harrison	01/08/2019	4 years	18/5/20	External Governor	Policy & Resources	50%
Ms N Hill	13/1/20	4 years		Staff Governor	Audit & Risk	80%
Mrs R Koya	12/10/20	4 years		External Governor	Audit & Risk	N/A
Mr T Knight	First Appointed 01/08/2012 Reappointed 01/08/16	4 years	30/3/20	External Governor	Curriculum & Quality; Search & Governance; Remuneration	100%
Mr R Launder	First Appointed 01/01/2010 Reappointed 01/01/2014;1/1/18	4 years		External Governor	Chair: Corporation until 31/07/2015, Policy & Resources; Remuneration; Search & Governance. Acting Chair: Corporation 01.01.19 to 31.07.19	86%
Mrs S Leonard	23/3/20	4 years		External Governor	Curriculum & Quality	100%
Mrs J McGee	First Appointed 04/12/17	4 years		Staff Governor	Curriculum & Quality	71%
	First appointed 15/07/1999				Vice Chair: Corporation until 31/07/2015, Chair: Corporation 01/08/15 to	

Mr D O'Halloran	Reappointed 15/07/2003; 15/07/2007; 15/07/2011; 15/07/2015; 15/07/2019	4 years	17/5/20	External Governor	31/07/19, Curriculum & Quality; Remuneration; Policy & Resources (to 31/07/19); Audit & Risk (from 01/08/19)	Leave of Absence
Mr R Olver	1/8/20	4 years		External Governor	Curriculum & Quality	N/A
Mrs L Parr-Morley	1/8/20	4 years		External Governor	Policy & Resources	N/A
Mr B Patterson	First Appointed 01/08/2012 Reappointed 01/08/16; 1/8/20	4 years 31/12/21		External Governor	Chair: Audit & Risk; Search & Governance	86%
Mr A Ray	23/3/20	4 years		External Governor	Audit & Risk; Search & Governance	67%
Ms E Rodriguez Ponce	First Appointed 15/10/18. Reappointed 08/07/19	to 31/7/20	31/7/20	Student Governor (HE)	Curriculum & Quality	43%
Mrs S Stone	01/08/2019	4 years		External Governor	Audit & Risk	71%
Ms M West	First appointed 01/01/2014 Reappointed 1/1/2018	4 years		External Governor	Policy & Resources; Chair Curriculum & Quality	100%
Mrs G Williams	First Appointed 01/08/2012 Reappointed 01/08/16; 01/08/20	4 years		External Governor	Vice Chair: Corporation wef 01/08/15, Curriculum & Quality; Search & Governance; Chair: Remuneration	71%
Mr A. Orimalade	12/10/20	4 years		Co-opted member of the Board	Audit & Risk	N/A
Mr T Thompson	First Appointed 01/08/2012 Appointed 26/03/2013 Reappointed 26/3/17	4 years		Co-opted member of Audit & Risk External Governor Co-opted member of Audit & Risk	Audit & Risk	N/A
Mr A Lyons	1/8/16	4 years	31/7/20	Co-opted member Audit & Risk	Audit & Risk	N/A

The Clerk to the Governing Body was Robert Millea FCA until 31st October 2019. The Clerk is now Melissa Drayson, as from 1st November 2019.

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets four times per year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Search & Governance, Curriculum & Quality, Policy & Resources, Audit & Risk and Remuneration. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at sout Essex.ac.uk or from the Clerk to the Corporation at:

South Essex College

Luker Road
Southend
Essex
SS1 1NN

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee, consisting of six members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation performance

Corporation performance has been assessed as 'Good'.

Remuneration Committee

Throughout the year ending 31 July 2020, the College's Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 July 2020 are set out in note 5 of the financial statements.

Audit & Risk Committee

The Audit & Risk Committee comprises seven members of the Corporation (excluding the Accounting Officer and Chair), plus up to three external members (currently two). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit & Risk Committee meets four times per annum and provides a forum for reporting by the College's internal auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

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

Internal control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Essex College for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

South Essex College has procured an internal audit service, which operates in accordance with the requirements of the ESFA's post 16 Audit Code of Practice. The work of the internal audit service is

informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit & Risk Committee. At a minimum, annually, the Chair of the Audit & Risk Committee provides the governing body with a report on internal audit activity in the College. The report includes the Committee's opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

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

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

During the year-end audit in FY20, the auditors identified some internal control issues relating to both balance sheet and bank reconciliations. There has been a change in the year in key financial personnel and these issues have now been dealt with following a review and restructure of the management accounts process. This will remain a regular item on the audit and risk committee indefinitely.

The Senior Leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Leadership and the Audit & Risk Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its September 2020 meeting, the Audit & Risk Committee carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Leadership team and internal audit and other sources and taking account of events since 31 July 2020.

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

Going concern

South Essex College has for the last two years been graded as "Requires Improvement" (moderated in FY21) for its Financial Health. The Board of Governors recognise that it was a strategic decision to invest in its estate strategy. The Board of Governors and Senior Managers have done so in the full knowledge this would mean that the College would go through a period of being in "Requires Improvement" Financial Health according to the ESFA measures, this is primarily due to the high gearing ratio.

The College is confident it is still a going concern.

A 24 month cash flow is prepared and included in the management accounts. Cashflow is monitored on a daily basis with reports to SMT. A monthly update is then included in the management accounts for governors and senior managers. This cashflow forecast includes the receipt from the disposal of Nethermayne together with the expenditure on subsequent capital projects paid for as a result of the disposal. These receipts and payments are shown separately so that the College can review the underlying operating position and capital projects separately.

The assumptions in the forecast are:

- The College will achieve its income target or take action to reduce expenditure where necessary
- The College limits capital investment to build up cash reserves. This is separate from investment in major capital projects which are funded from the disposal of Nethermayne.
- A separate bank account is maintained for the Nethermayne funds and drawdowns are made to meet contractual payments once signed off by the partners.
- The College debt with Barclays is in a revolving credit facility which is interest only with limited capital repayments in order to manage cashflow.

The revolving credit facility has been renewed as at the end of January 2021. The bank had engaged Gerald Eve to revalue the estate and engaged BDO to carry out an independent review on the College's cashflow. The College has recently carried out a reforecast in October post enrolment which has improved the FY21 deficit from £3.7m to £1.4m deficit. In FY22 the surplus is improved from £219k to £1.56m. the revised position results in an increase in cash balances from £1.463m to £2.306m in FY21 and reduced slightly from £4.428m to £3.945m in FY22. Financial Health in FY21 remains constant at Requires improvement. The College has good relations with the bank and as a result there were no issues with the renewal of the facility in January 2021.

In FY21, the College received new funding (£1.1m) and recognised funding of £1.6m that had prudently been omitted due to the Covid-19 pandemic. However, the College also reduced HE (£0.168m) and Apprenticeship (£300k) income lines due to lower recruitment numbers and a cautious reduction in achievement funding. Net pay cost savings of £0.2m have been recognised in FY21, premises costs have increased by £200k (Covid-19) and restructure costs increased by £200k. In FY22, income increased by £1.5m (similar to FY21) whilst costs increased by £200k. The two phase restructure planned for FY21 & FY22 has now been scaled back to phase one only. The revised restructure will realise savings of £0.5m in FY21 and £1.5m annualised savings in FY22.

Approved by order of the members of the Corporation on 15th March 2021 and signed on its behalf by:

Signed



Angela O'Donoghue

Accounting Officer

15th March 2021

Signed



Elizabeth Sipiery

Chair of Governors

15th March 2021

Governing Body’s statement on the College’s regularity, propriety and compliance with Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Educations and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the financial memorandum in place between the College and the ESFA. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are not able to identify any material irregularity or improper use of funds by the College, or any material non-compliance with the ESFA terms and conditions of funding under the College’s financial memorandum.

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

Signed

Signed



Angela O’Donoghue

Elizabeth Sipiery

Accounting Officer

Chair of Governors

15th March 2021

15th March 2021

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Grant Funding Agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2019 to 2020 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 College.

The Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 15th March 2021 and signed on its behalf by:



Elizabeth Sipiery
Chair

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF SOUTH ESSEX COLLEGE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of South Essex College ("the College") for the year ended 31 July 2020 which comprise the Consolidated Statements of Comprehensive income and Expenditure, Consolidated and College Statement of Changes in Reserves, Balance sheets, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2020, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education.
- meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the OfS Accounts Direction').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Corporation has prepared the financial statements on the going concern basis as it does not intend to liquidate the Group or the College or to cease their operations, and as it has concluded that the Group and the College's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Corporation's conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the College will continue in operation.

Other information

The Corporation is responsible for the other information, which comprises the Members' Report, Statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Post-16 Audit Code of Practice 2019 to 2020 (July 2020) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Corporation's responsibilities

As explained more fully in their statement set out on page 27, the Corporation is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 it either intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We are required to report on the following matters by the OfS Accounts Direction.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; and
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions.

Matters on which we are required to report by exception

We are required by the OfS Accounts Direction to report to you where the College has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the College's expenditure on access and participation activities for the financial year disclosed in Note 27 has been materially misstated.

We are also required by the OfS Accounts Direction to report to you where the results of our audit work indicate that the Group's and the College's grant and fee income, as disclosed in note 26 to the financial statements has been materially misstated.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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



Stephanie Beavis

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Botanic House

100 Hills Road

Cambridge

CB2 1AR

Date: 17 March 2021

Reporting Accountant's Report on Regularity to the Corporation of South Essex College and the Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)

In accordance with the terms of our engagement letter dated 16 August 2017 and further to the requirements and conditions of funding in ESFA 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 that in all material respects the expenditure disbursed and income received by South Essex College during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of South Essex College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

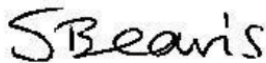
The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

Conclusion

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



Stephanie Beavis

For and on behalf of KPMG LLP, Reporting Accountant

Botanic House

100 Hills Road

Cambridge

CB2 1AR

Date: 17 March 2021

South Essex College

Consolidated Statements of Comprehensive Income and Expenditure

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	35,625	35,604	34,451	34,441
Tuition fees and education contracts	3	6,354	6,354	6,769	6,769
Loan Write off Income	25	1,250	1,250	-	-
Other income	4	3,194	2,556	5,904	4,970
Total income		46,423	45,764	47,124	46,180
EXPENDITURE					
Staff costs	5	31,482	30,427	28,804	27,499
Fundamental restructuring costs	5	165	114	61	50
Other operating expenses	6	13,568	14,429	17,584	17,887
Release of VAT Provision	6	-	-	(1,038)	(1,038)
Depreciation	9	3,785	3,557	3,248	3,098
Interest and other finance costs	7	954	954	1,163	1,163
Total expenditure		49,954	49,481	49,822	48,659
(Deficit)/surplus before other gains and losses		(3,531)	(3,717)	(2,698)	(2,479)
Loss on disposal of assets		(13)	-	-	-
Gain on assets and liabilities acquired on the merger with with Prospects College		-	-	1,446	(1,227)
Loss on assets and liabilities acquired on the merger with with National College	24	(446)	(1,118)	-	-
Share of operating surplus/(deficit) in Essex Shared Services		(15)	-	(27)	-
(Deficit)/surplus before tax		(4,005)	(4,835)	(1,279)	(3,706)
Taxation	8	-	-	-	-
(Deficit)/surplus for the year		(4,005)	(4,835)	(1,279)	(3,706)
Actuarial (loss)/gain in respect of pensions schemes		(10,985)	(10,893)	(2,096)	(2,003)
Total Comprehensive Income for the year		(14,990)	(15,728)	(3,375)	(5,709)

The accompanying notes on pages 37 to 64 form part of these financial statements.

South Essex College
Consolidated and College Statement of Changes in Reserves

	Total
	£'000
Balance at 1st August 2018	77,814
Surplus/(deficit) from the income and expenditure account	(1,279)
Actuarial gain in respect of pension scheme	(2,096)
	<u>(3,375)</u>
Balance at 31st July 2019	74,439
Surplus/(deficit) from the income and expenditure account	(4,005)
Actuarial loss in respect of pension scheme	(10,985)
Total comprehensive income for the year	<u>(14,990)</u>
Balance at 31st July 2020	<u>59,449</u>
College	
Balance at 1st August 2018	77,653
Surplus/(deficit) from the income and expenditure account	(3,706)
Actuarial gain in respect of pension scheme	(2,003)
	<u>(5,709)</u>
Balance at 31st July 2019	71,944
Surplus/(deficit) from the income and expenditure account	(4,835)
Actuarial loss in respect of pension scheme	(10,893)
Total comprehensive income for the year	<u>(15,728)</u>
Balance at 31st July 2020	<u>56,216</u>

The accompanying notes on pages 37 to 64 form part of these financial statements.

South Essex College
Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2020	2020	2019	2019
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	9	134,054	127,647	120,232	118,782
Investments	10	-	830	-	830
		134,054	128,477	120,232	119,612
Current assets					
Stocks		85	81	49	45
Trade and other receivables	11	8,086	7,843	14,277	13,980
Receivables due after more than one year	11	2,535	2,535	10,850	10,850
Investments	15	-	-	-	-
Cash and cash equivalents	16	5,323	5,179	3,480	2,937
		16,029	15,638	28,656	27,812
Less: Creditors – amounts falling due within one year	12	(6,032)	(8,624)	(7,473)	(9,495)
Net current assets		9,997	7,014	21,183	18,317
Total assets less current liabilities		144,051	135,491	141,415	137,929
Less: Creditors – amounts falling due after more than one year	13	(48,713)	(43,705)	(44,279)	(43,501)
Provisions					
Defined benefit obligations	15	(35,299)	(35,299)	(22,213)	(22,213)
Other provisions	15	(590)	(271)	(484)	(271)
Total net assets		59,449	56,216	74,439	71,944
Unrestricted reserves					
Income and expenditure account		59,449	56,216	74,439	71,944
Total unrestricted reserves		59,449	56,216	74,439	71,944
Total reserves		59,449	56,216	74,439	71,944

The financial statements on pages 33 to 36 were approved and authorised for issue by the Corporation on 15th March 2021 and were signed on its behalf on that date by:

Elizabeth Sipiery



Chair

Angela O'Donoghue



Accounting Officer

South Essex College
Consolidated Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(3,987)	(1,279)
Adjustment for non cash items			
Depreciation		3,785	3,248
(Increase)/decrease in stocks		(36)	4
(Increase)/decrease in debtors		757	(718)
Increase/(decrease) in creditors due within one year		(1,354)	(861)
Increase/(decrease) in creditors due after one year		5,626	2,151
Increase/(decrease) in provisions		107	(1,141)
Pensions costs less contributions payable		1,638	1,716
Net value of fixed assets acquired from merger		(5,237)	(6,322)
Share of operating (surplus)/deficit in Essex Shared Services		15	27
Transfers to reserves		-	-
Adjustment for investing or financing activities			
Interest payable		954	1,163
Interest receivable			(120)
Cash acquired on acquisition		(216)	(548)
Gain on sale of fixed assets		-	-
		<hr/>	<hr/>
Net cash flow from operating activities		<u>2,052</u>	<u>(2,680)</u>
Cash flows from investing activities			
Draw down from Basildon Landowners Trust Account		13,750	6,335
Payments made to acquire fixed assets		(12,369)	(4,608)
Cash acquired on acquisition		216	548
		<hr/>	<hr/>
		<u>1,597</u>	<u>2,275</u>
Cash flows from financing activities			
Interest paid		(503)	(675)
Interest element of finance lease rental payments		(5)	(28)
Recoverable grant		-	3,255
Repayments of amounts borrowed		(1,200)	(1,200)
Capital element of finance lease rental payments		(98)	(273)
		<hr/>	<hr/>
		<u>(1,806)</u>	<u>1,079</u>
Increase / (decrease) in cash and cash equivalents in the year		<u>1,843</u>	<u>674</u>
Cash and cash equivalents at beginning of the year		3,480	2,806
Cash and cash equivalents at end of the year		5,323	3,480

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2015 to 2016* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, South Essex Commercial Services Ltd, Prospects Training Solutions Ltd and Prospects Learning Foundation Ltd controlled by the Group. 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. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2020.

Going concern

The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes.

The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons.

The College has prepared cash flow forecasts for a period of 12 months from the date of signing of these accounts. After reviewing these forecasts, the College is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of the pandemic, the College will have sufficient funds to meet its liabilities as they fall due over the going concern assessment period.

Cash flow forecasts are based on prudent baseline budgets which have been specifically flexed in relation to the pandemic as follows:

- Apprenticeships reduced by £854k
- HE Income reduced by £978k
- Full Cost Recovery reduced by £196k
- Commercial Income reduced by £625k
- Premises costs reduced by £95k
- General overheads reduced by £203k
- No allowance for pay rises beyond statutory Minimum Wage and National Living Wage increases.

The College's has carried out income sensitivities and during FY21 a reduction of 10% (£400k) reduces the Financial Health to Inadequate. The College would take corrective action to mitigate this risk by reducing costs accordingly.

Notes to the Accounts (continued)

The College has set out a two-year financial strategy to the Corporation showing that a breakeven position, increased cash reserves and maintaining "Requires Improvement" financial health is achievable within this period. The planned strategy is over a two year period, commencing in FY21 and completing in FY22 and includes a restructure. The restructure commenced in October 2020 and will conclude in February 2021 and will realise the following:

- £500k savings in pay costs in FY21
- £1m annualised savings in FY22

The College, as at 31st July 2020 has £18.875m of loans outstanding with bankers on a revolving credit facility basis due to mature in January 2021. In January 2021 the College entered into an amended and restated agreement for a further two years and an extension option beyond this. The new facility includes a capital repayment increase from £100k per month to £133k. This increase does not adversely impact the Financial Health of the College. The new agreement has new covenants attached. The College's forecasts and financial projections indicate that it will be able to operate within this facility and comply with the covenants for the forecast period.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for a period of at least 12 month from the date of signing of these financial statements, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income

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

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

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is 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.

Accounting for post-employment benefits

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

Notes to the Accounts (continued)

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

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 other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Short term Employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

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

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Thurrock and Southend Campuses – 60 years
- All other buildings – 50 years
- Refurbishments – 10 years

Freehold land is not depreciated.

Notes to the Accounts (continued)

The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 60 years.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1992 at deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets in the course of construction

Assets in the course of construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

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

Equipment

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

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

- technical equipment 5 years
- motor vehicles & plant 5-10 years
- computer equipment 3 years
- fixtures and fittings 10 years
- Furniture 10 – 20 years

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred. However, the College elects to capitalise such costs which are directly attributable to the acquisition, construction or production of a qualifying asset.

Leased assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Notes to the Accounts (continued)

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

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

Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Investments in joint ventures

The College accounts for its share of joint ventures using the equity method within the Group financial statements. Under the equity method in group accounts, if an investor's share of losses in a joint venture equals or exceeds the carrying amount of its investment, the investor shall discontinue recognising its share of further losses, unless it has incurred legal or constructive obligations or has made payments on behalf of the joint venture, in which case provision is required.

Inventories

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

Cash and cash equivalents

Cash includes cash in hand, 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 instrument's 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 cost, however the Group has calculated that the difference between the 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.

Foreign currency translation

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

Notes to the Accounts (continued)

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by 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 circa 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College employed a VAT specialist company to challenge its Lennartz VAT position. The College has been successful in not having to repay future payments. In addition, there is still a possibility to reclaim old payments. If the case is successful a repayment of £755k will be received from HMRC, partly offsetting this is a £236k assessment from HMRC for VAT. The net liability is included in provisions plus the VAT consultancy fees.

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.

Agency arrangements

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

Job Retention Scheme (JRS)

The monthly JRS grant income will be recognised in the period in which the underlying furloughed staff costs relate to. The payroll liability has been incurred by the entity, and it has therefore, met the conditions to claim for that payroll accounting period.

Notes to the Accounts (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 group'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.
- Determine whether there are implications due to the acquisition of NCCI and the fair value revaluation of assets and liabilities at the date of acquisition.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *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 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	3,217	3,217	3,096	3,096
Education and Skills Funding Agency – 16 -18	25,355	25,355	25,028	25,028
Education and Skills Funding Agency - apprenticeships	4,241	4,241	3,922	3,922
Local Authorities	895	895	653	653
Specific Grants				
Access funds	1,185	1,185	1,121	1,121
Free meals in FE	144	144	140	140
Releases of government capital grants	557	536	456	446
HE grant	31	31	35	35
Total	35,625	35,604	34,451	34,441

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees	282	282	417	417
Fees for FE loan supported courses	765	765	626	626
Fees for HE loan supported courses	4,482	4,482	4,610	4,610
International students fees	229	229	528	528
Full cost provision	237	237	168	168
Total tuition fees	5,995	5,995	6,349	6,349
Education contracts	359	359	420	420
Total	6,354	6,354	6,769	6,769

Notes to the Accounts (continued)

4 Other income

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	560	290	806	406
Other income generating activities	110	-	358	199
Other income generating activities - PTS income	266	-	344	-
Non government capital grants	58	16	14	14
Transactions Unit merger funding	100	100	1,224	1,224
Repayment of PROCAT loan	-	-	902	902
PROCAT exceptional financial support	-	-	1,762	1,762
Unwinding of discount rate on Redrow payments	987	987	-	-
Miscellaneous income	1,113	1,163	494	463
Total	3,194	2,556	5,904	4,970

Notes to the Accounts (continued)

5 Staff costs - Group

The average number of persons (including key management personnel) employed by the College during the year, described as full-time equivalents, is detailed below. This excludes hourly paid employees.

	2020	2019
	No.	No.
Teaching staff	355	336
Non teaching staff	401	390
	<u>756</u>	<u>726</u>
Staff costs for the above persons		
	2020	2019
	£'000	£'000
Wages and salaries	21,884	21,207
Social security costs	1,964	1,867
Pension costs, including FRS102 adjustment of £1,745k (2019 £1,511k)	5,917	4,602
	<u>29,765</u>	<u>27,676</u>
Payroll sub total	29,765	27,676
Contracted out staffing services	1,685	1,084
	<u>31,450</u>	<u>28,760</u>
Increase/(Decrease) in employee leave	32	44
Fundamental restructuring costs	165	61
	<u>31,647</u>	<u>28,865</u>

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 Senior Leadership Team which comprises the Principal and Chief Executive, the Deputy Principal and Chief Executive and the Vice Principals.

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

	2020	2019
	No.	No.
The number of key management personnel including the Accounting Officer was:	4	5
	<u>4</u>	<u>5</u>

Notes to the Accounts (continued)

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

	Senior post-holders		Other staff	
	2020	2019	2020	2019
	No.	*Restated No.	No.	*Restated No.
£25,001 to £30,000	*	*	*	*
£31,000 to £35,000	1	*	*	-
£40,001 to £45,000	-	1 *	*	*
£60,001 to £65,000	-	-	2	3
£65,001 to £70,000	-	-	2	2
£70,001 to £75,000	-	-	1	1
£75,001 to £80,000	-	-	1	-
£80,001 to £85,000	-	-	-	1
£95,001 to £100,000	-	1 *	-	-
£100,001 to £105,000	1	-	-	-
£105,001 to £110,000	1	-	-	-
£110,001 to £115,000	-	1	-	-
£120,001 to £125,000	-	1 *	-	-
£165,001 to £170,000	1	1	-	-
	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>

* Disclosure not required.

One senior postholder in the above table also received cash payments in lieu of pension contributions in the band of £20,000 to £25,000 (£20,000 to £25,000 2019). This has not been included in the value the above table.

Notes to the Accounts (continued)

5 Staff costs - Group and College

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries - gross of salary sacrifice and waived emoluments	412	547
	<u>412</u>	<u>547</u>
Pension contributions	34	31
Payments in lieu of pension contributions	<u>21</u>	<u>21</u>
Total emoluments	<u><u>467</u></u>	<u><u>599</u></u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. In addition to the other staff shown in the table above, there were 4 members of staff employed for part of the year. If these employees had been employed for the full year they would have received annual emoluments in excess of £60,001.

The above compensation includes amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2020 £'000	2019 £'000
Salaries	160	160
Benefits in Kind	<u>9</u>	<u>9</u>
	<u>169</u>	<u>169</u>
Payments in lieu of pension contributions	<u>21</u>	<u>21</u>
	<u><u>190</u></u>	<u><u>190</u></u>

The remuneration package of the Principal and Chief Executive is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. The Committee is content with the level of pay for the financial year.

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

Median Pay Disclosure

	2020	2019
Principal's basic salary as a multiple of the median of all staff based on Salary	7.0	8.4
Principal's total emoluments as a multiple of the median of all staff based on total emoluments	6.1	7.9

Notes to the Accounts (continued)

6 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2020	2020	2019	2019
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	4,960	4,802	5,972	7,033
Subcontracting costs	621	621	2,423	2,422
Non teaching costs	4,559	5,743	5,432	4,891
Premises costs	3,428	3,263	3,757	3,541
Release of VAT Provision	-	-	(1,038)	(1,038)
Total	13,568	14,429	16,546	16,849
Other operating expenses include:		2020		2019
		£'000		£'000
Auditors' remuneration:				
Financial statements audit*		96		60
Internal audit**		13		17
Other services provided by the financial statements auditors		8		1
Other services provided by the internal auditors		-		-

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

** all relating to the College

7 Interest payable - Group and College

	2020	2019
	£'000	£'000
On bank loans, overdrafts and other loans:	<u>503</u>	<u>675</u>
	503	675
On finance leases	5	28
Net interest on defined pension liability (note 25)	<u>446</u>	<u>460</u>
Total	<u>954</u>	<u>1,163</u>

8 Taxation - Group only

	2020	2019
	£'000	£'000
Provision for deferred corporation tax in the accounts of the subsidiary company	<u>-</u>	<u>-</u>
	-	-
Total	<u>-</u>	<u>-</u>

The members do not believe that the College was liable for any corporation tax arising out of its activities during either year. The tax charge above relates to its trading subsidiary companies.

Notes to the Accounts (continued)

9 Tangible fixed assets (Group)

	Freehold Land and buildings	Furniture	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000		£'000
Cost or valuation					
At 1 August 2019	138,392	2,247	11,834	9,942	162,415
Additions	420	1,761	796	9,407	12,384
Transfers	4,958	-	-	(4,958)	-
Acquired on merger with National College for Creative and Cultural Industries	5,040	172	24	-	5,236
Disposals	(13)	-	-	-	(13)
At 31 July 2020	148,797	4,180	12,654	14,391	180,022
Depreciation					
At 1 August 2019	29,976	1,777	10,430	-	42,183
Transfer to correct allocation	70	-	(70)	-	-
Charge for the year	2,695	218	872	-	3,785
Elimination in respect of disposals	-	-	-	-	-
At 31 July 2020	32,741	1,995	11,232	-	45,968
Net book value at 31 July 2020	116,056	2,185	1,422	14,391	134,054
Net book value at 31 July 2019	108,416	470	1,404	9,942	120,232

9 Tangible fixed assets (College only)

	Freehold Land and buildings	Furniture	Equipment	Assets in the Course of Construction	Total
	£'000	£'000	£'000		£'000
Cost or valuation					
At 1 August 2019	137,109	2,218	11,416	9,942	160,685
Additions	462	1,742	772	9,406	12,382
Transfers	4,958	-	-	(4,958)	-
Acquired on merger with National College for Creative and Cultural Industries	-	16	24	-	40
Disposals	-	-	-	-	-
At 31 July 2020	142,529	3,976	12,212	14,390	173,107
Depreciation					
At 1 August 2019	29,906	1,748	10,249	-	41,903
Charge for the year	2,689	193	675	-	3,557
Elimination in respect of disposals	-	-	-	-	-
At 31 July 2020	32,595	1,941	10,924	-	45,460
Net book value at 31 July 2020	109,934	2,035	1,288	14,390	127,647
Net book value at 31 July 2019	107,203	470	1,167	9,942	118,782

Notes to the Accounts (continued)

10 Non current Investments

	College 2020 £'000	College 2019 £'000
Investments in subsidiary companies	830	830
Total	830	830

The College owns 100 per cent of the issued ordinary £1 shares of South Essex Commercial Services Limited, a company incorporated in England and Wales. The principal business activity of South Essex Commercial Services Limited is the operation of the car park, retail and conferencing activities. The interest in South Essex Commercial Services Limited was acquired on 22 July 2003 on its incorporation.

Prospects Learning Foundation Limited, a company incorporated in England and Wales is a wholly owned subsidiary of the College. The principal business activity of Prospects Learning Foundation Limited is to provide educational services to learners and to the College. The interest in Prospects Learning Foundation Limited was acquired on 1 February 2019 upon merger with Prospects College of Advanced Technology.

Prospects Learning Foundation Limited owns 100 per cent of the issued £1 shares of Prospects Training Solutions Limited, a company incorporated in England and Wales. The principal business activity of Prospects Training Solutions Limited is the provision of training services. The interest in Prospects Training Solutions Limited was acquired on 1 February 2019 upon merger with Prospects College of Advanced Technology.

The College owns 100 per cent of the issued ordinary £1 shares of The Backstage Centre Limited, a company incorporated in England and Wales. The principal business activity of South Essex Commercial Services Limited is to provide educational services to learners. The interest in The Backstage Centre Limited was acquired on 1 February 2020 upon merger with the National College for Creative and Cultural Industries.

The College owns 50% of the ordinary shares of Essex Shared Services Limited. The company is incorporated in England and Wales and its primary activity is to provide administrative support to educational institutions.

	Profit/ (Loss) for Year of Entity 2020 £'000	Net assets/ (Liabilities) of Entity 2020 £'000
Ownership		
South Essex College Commercial Services Ltd (100% owned by South Essex College)	(31)	(44)
Prospects Learning Foundation Ltd (100% owned by South Essex College)	-	3,106
Prospects Training Solutions Ltd (100% owned by Prospects Learning Foundation)	42	(216)
Backstage Centre Ltd (100% owned by South Essex College)	(274)	(373)

The registered address for the above entities is Luker Road, Southend on Sea, Essex. SS1 1ND

11 Trade and other receivables

	Group 2020 £'000	College 2020 £'000	Group 2019 £'000	College 2019 £'000
Amounts falling due within one year:				
Trade receivables	476	356	1,001	829
Prepayments and accrued income	540	418	965	907
*Amount owed from Basildon Trust account	192	192	11,146	11,146
Short term Redrow debtor receivable July 2021	6,505	6,505	56	-
Amounts owed by the ESFA	193	193	767	767
VAT	48	47	77	66
Joint Venture control - ESS	132	132	265	265
Total	8,086	7,843	14,277	13,980
Other debtors due after more than one year:				
*Long term debtor	2,535	2,535	10,850	10,850
*Long term notes receivable	-	-	-	-
Total	10,621	10,378	25,127	24,830

*The Basildon Trust debtor along with long term debtors and notes receivable relate to the sale of Nethermayne and are designated to invest in major capital building projects.

Notes to the Accounts (continued)

12 Creditors: amounts falling due within one year

	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	1,200	1,200	1,200	1,200
Obligations under finance leases	13	-	99	83
Trade payables	370	369	736	563
Amounts owed to group undertakings:				
Subsidiary undertakings	-	3,000	-	2,417
Corporation tax	-	-	-	-
Other taxation and social security	1,097	1,062	997	960
Accruals and deferred income	1,304	1,210	1,367	1,231
Employee leave accrual	757	742	707	703
Deferred income - government capital grants	657	552	602	581
Amounts owed to the ESFA	241	241	1,455	1,455
Other creditors	393	248	310	302
Total	<u>6,032</u>	<u>8,624</u>	<u>7,473</u>	<u>9,495</u>

13 Creditors: amounts falling due after one year

	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
Bank loans	17,575	17,575	18,775	18,775
Obligations under finance leases		-	12	-
Pension liability to joint venture	207	207	207	207
Deferred income - government capital grants	24,032	19,024	18,353	17,587
Southend Borough Council loan	1,500	1,500	1,500	1,500
Essex County Council loan	2,000	2,000	2,000	2,000
Other creditors	144	144	177	177
Recoverable grant from Transactions Unit	3,255	3,255	3,255	3,255
Total	<u>48,713</u>	<u>43,705</u>	<u>44,279</u>	<u>43,501</u>

Notes to the Accounts (continued)

14 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
In one year or less	18,875	18,875	1,200	1,200
Between one and two years	-	-	18,775	18,775
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	18,875	18,875	19,975	19,975

The College's loan with Barclays has been converted into a revolving credit facility which allowed the refinancing of the Lloyds loan. This RCF of £18,875,000 is secured on the Southend Campus at Luker Road, the Thurrock Campus on Grays High Street and the Beauty Accademy on Queens Road, Southend. The current final maturity date is January 2021 and the rate of interest is a marginal rate of 2.00% on top of a variable base rate.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	Group	College	Group	College
	2020	2020	2019	2019
	£'000	£'000	£'000	£'000
In one year or less	13	-	99	83
Between two and five years	-	-	12	-
In five years or more	-	-	-	-
Total	13	-	111	83

Finance lease obligations are secured on the assets to which they relate.

Notes to the Accounts (continued)

15 Provisions

	Group and College		Total
	Defined Benefit Obligations	Other	
	£'000	£'000	£'000
At 1 August 2019	(22,213)	(484)	(22,697)
Transferred to/(from) income and expenditure account	(13,086)	(106)	(13,192)
At 31 July 2020	<u>(35,299)</u>	<u>(590)</u>	<u>(35,889)</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 21.

Other Provisions relates to the liability for the pension deficit of the joint venture Essex Shared Services Limited (£319k) and the College's agreement of the Lennartz claim for VAT not paid (£271k).

16 Cash and cash equivalents

	At 1 August 2019	Cash flows	Other changes	At 31 July 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	3,480	1,843	-	5,323
Overdrafts	-	-	-	-
Total	<u>3,480</u>	<u>1,843</u>	<u>-</u>	<u>5,323</u>

17 Capital commitments

	Group and College	
	2020	2019
	£'000	£'000
Commitments contracted for at 31 July	<u>1,068</u>	<u>91</u>

Notes to the Accounts (continued)

18 Lease Obligations

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

	Group and College	
	2020	2019
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	48	48
Later than one year and not later than five years	44	92
later than five years	-	-
	<u>92</u>	<u>140</u>
Other		
Not later than one year	-	-
Later than one year and not later than five years	-	-
later than five years	-	-
	<u>-</u>	<u>-</u>
Total lease payments due	<u>92</u>	<u>140</u>

19 Contingent liabilities

The College is currently appealing against HMRC's decision in regard to a VAT Lennartz claim. The College's claim relates to £1.75m of VAT the College has paid which it is seeking to recover and to £0.236m of VAT which it has not paid. The College has accrued for the unpaid VAT and holds a VAT provision in this regard along with accrued interest of £271k (see note 15). If the College's appeal is not successful, the VAT could become payable and there is a risk that HMRC could impose penalties of up to 30% and further interest.

20 Events after the reporting period

There are no post balance sheet events that require separate disclosure in this report

Notes to the Accounts (continued)

21 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Wessex Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans.

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

Total pension cost for the year	2020 £'000	2019 £'000
Teachers Pension Scheme: contributions paid	2,424	1,518
Local Government Pension Scheme:		
Contributions paid	1,748	1,573
FRS 102 (28) charge	<u>1,745</u>	<u>1,511</u>
Charge to the Statement of Comprehensive Income	3,493	3,084
Enhanced pension charge to Statement of Comprehensive Income	-	-
Total Pension Cost for Year	<u>5,917</u>	<u>4,602</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 the anticipated contribution rates.

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

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

Notes to the Accounts (continued)

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

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

The pension costs paid to TPS in the year amounted to £2,424,000 (2019: £1,518,000)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Essex County Council. The total contribution made for the year ended 31 July 2020 was £2,288,000, of which employer's contributions totalled £1,748,000 and employees' contributions totalled £540,000. The agreed contribution rates for future years are 20.1% for employers and range from 2.9% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary

	At 31 July 2019	At 31 July 2019
Rate of increase in salaries	2.25%	2.35%
Future pensions increases	2.25%	2.35%
Discount rate for scheme liabilities	1.35%	2.10%
Inflation assumption (CPI)	2.25%	2.35%
Commutation of pensions to lump sums	50%	50%

Notes to the Accounts (continued)

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

	At 31 July 2020	At 31 July 2019
	years	years
<i>Retiring today</i>		
Males	21.80	21.30
Females	23.80	23.60
<i>Retiring in 20 years</i>		
Males	23.20	23.00
Females	25.20	25.40

The College's share of the assets in the plan and the expected rates of return were:

	Split of assets held by the fund at 31 July 2020	Fair Value at 31 July 2020	Split of assets held by the fund at 31 July 2019	Fair Value at 31 July 2019
		£'000		£'000
Equities	62.00%	34,993	63.00%	33,138
Bonds	4.00%	2,412	6.00%	2,958
Property	6.00%	3,160	8.00%	4,206
Gilts	8.00%	4,388	5.00%	2,891
Cash	3.00%	1,535	3.00%	1,534
Alternative Assets	12.00%	6,561	10.00%	5,147
Other Managed Funds	6.00%	3,426	5.00%	2,698
Total market value of assets		<u>56,475</u>		<u>52,572</u>
Weighted average expected long term rate of return	1.35%		2.10%	
Actual return on plan assets		<u>1,818</u>		<u>2,471</u>

Notes to the Accounts (continued)

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

	2020 £'000	2019 £'000
Fair value of plan assets	54,650	52,572
Present value of plan liabilities	(89,927)	(74,763)
Present value of unfunded liabilities	(22)	(22)
Net pensions (liability)/asset (Note 15)	<u>(35,299)</u>	<u>(22,213)</u>

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

	2020 £'000	2019 £'000
Amounts included in staff costs		
Current service cost	3,425	3,044
Administration costs	36	19
Past service cost	32	23
	<u>3,493</u>	<u>3,086</u>
Acquired on merger (Note 24)	-	203
Interest expense (Note 7)	448	460
Amount recognised in income and expenditure	<u>3,941</u>	<u>3,749</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets in excess of interest	706	2,471
Experience losses arising on defined benefit obligations	114	-
Changes in assumptions underlying the present value of plan liabilities	(12,742)	(8,462)
Change in demographic assumptions	1,029	3,988
Amount recognised in Other Comprehensive Income	<u>(10,893)</u>	<u>(2,003)</u>

Notes to the Accounts (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit (liability)/asset during the year

	2020	2019
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(22,213)	(18,034)
Movement in year:		
Current service cost	(3,425)	(3,044)
Employer contributions	1,748	1,573
Past service cost	(32)	(23)
Net interest on the defined (liability)/asset	(448)	(460)
Acquired on merger		(203)
Administration costs	(36)	(19)
Actuarial gain or loss	(10,893)	(2,003)
Net defined benefit (liability)/asset at 31 July	<u>(35,299)</u>	<u>(22,213)</u>

Asset and Liability Reconciliation

	2020	2019
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	74,785	65,636
Current Service cost	3,425	3,044
Interest cost	1,560	1,738
Contributions by Scheme participants	540	523
Experience gains and losses on defined benefit obligations	1,269	-
Changes in financial assumptions	12,742	8,462
Estimated benefits paid	(1,550)	(1,321)
Past Service cost	32	23
Liabilities assumed/(extinguished) on settlements	-	668
Change in demographic assumptions	(1,029)	(3,988)
Defined benefit obligations at end of period	<u>91,774</u>	<u>74,785</u>

Reconciliation of Assets

Fair value of plan assets at start of period	52,572	47,602
Interest on plan assets	1,112	1,278
Return on plan assets	706	2,471
Other actuarial gains/(losses)	1,383	-
Employer contributions	1,748	1,573
Contributions by Scheme participants	540	523
Administration costs	(36)	(19)
Settlements prices received/ (paid)	-	465
Estimated benefits paid	(1,550)	(1,321)
Fair value of plan assets at end of period	<u>56,475</u>	<u>52,572</u>

Notes to the Accounts (continued)

22 Related party transactions

South Essex College entered in to a 50:50 joint venture agreement with Chelmsford College and formed Essex Shared Services Limited in August 2014 with the purpose to provide back office shared services to both Colleges. The annual cost for these services were £722k (£683k 2018-19). The Statement of Comprehensive Income includes a cost of £15k (£27k 2018-19) relating to the share of operating deficit in Essex Shared Services Ltd. The group balance sheet includes a total provision for the deficit of Essex Shared Services Ltd of £319k (£213k 2018-19).

The College entered into a tripartite agreement with Basildon Council and the Homes and Communities Agency (HCA) during 2015/16 to progress the disposal of the Basildon Campus and HCA land to enable circa 700 homes to be built over 5 years. The College will relocate some provision to Market Square in Basildon town centre and the Council will relocate the market as part of the arrangement. This has resulted in the 'Basildon Landowners Trust Account' being established. The first phase of land has been sold to the developers and on account payments have been received, of which the College has withdrawn £32.5m to offset work up costs to date and for the Council to commence works to relocate the market.

During the year the College has been rewarded a SELEP Grant for £2.15m of which £1.74m was drawn down in the current financial year. An executive manager of the College is a board member of the South East Local Enterprise Partnership (SELEP). The executive manager declared the interest when the bid for the grant was made.

During the year the College entered into a lease agreement with Konica Minolta Business Solutions Ltd with a value of £202k. A member of the Corporation is also a member on the Board of Konica Business Solutions Ltd.

As part of the merger with Prospects College of Advanced Technology in FY19, the College received a performance related grant of £3,255k from the Department of Education to provide the College with financial stability. Additionally £3,888k was provided for repayment of an outstanding loan, the repayment of exceptional financial support and merger related costs incurred (note 4). Should the College meet the performance criteria associated with the grant, repayments to the Department of Education will automatically be made.

23 Amounts disbursed as agent

Learner support funds	2020	2019
	£'000	£'000
Discretionary support funds - ESFA	129	156
ALL bursary - ESFA	<u>210</u>	<u>265</u>
	339	421
Disbursed to students	(201)	(290)
Administration costs	(10)	(25)
Balance unspent as at 31 July, included in creditors	<u><u>128</u></u>	<u><u>106</u></u>

Learner support funds provided by the ESFA are made available solely for the benefit of students. The administration costs are deducted in accordance with the ESFA regulations and represent a contribution towards the costs incurred by the College in disbursing these funds.

Notes to the Accounts (continued)

24 Business acquisition and mergers

National College for Creative and Cultural Industries

On 1 February 2020, South Essex College merged with the National College for Creative and Cultural Industries. On that date, the Corporation of the National College for Creative and Cultural Industries was dissolved and its Assets and Liabilities were transferred to the Corporation of South Essex College. There was no consideration given.

Accordingly, the College considers that this is a public benefit entity combination that is in substance a gift aid, as such, it is accounted for using the acquisition method of accounting (in accordance with section 34 of FRS102).

The following amounts are therefore recognised in the accounts for the year ending 31 July 2020:

Group	As at 31 January 2020 £'000	Fair Value Adjustment £'000	As at 1 February 2020 £'000
Tangible Fixed Assets	4,474	762	5,236
Investments	-	-	-
Total Fixed Assets	4,474	762	5,236
Trade and other receivables	205	-	205
Cash and cash equivalents	216	-	216
Total current assets	421	-	421
Creditors - amounts falling due within one year	(549)	(1,250)	(1,799)
Net Current Liabilities	(128)	(1,250)	(1,378)
Total assets less current liabilities	4,346	(488)	3,858
Creditors - amounts falling due after more than one year	(4,304)	-	(4,304)
Provisions			
Defined Benefit Obligations	-	-	-
Total Net Assets	42	(488)	(446)
Gain recognised in Reserves	42	(488)	(446)

Notes to the Accounts (continued)

24 Business acquisition and mergers (continued)

College	As at 31 January £'000	Fair Value Adjustment £'000	As at 1 February £'000
Tangible Fixed Assets	40	-	40
Investments	-	-	-
Total Fixed Assets	40	-	40
Trade and other receivables	228	(114)	114
Cash and cash equivalents	177	-	177
Total current assets	405	(114)	291
Creditors - amounts falling due within one year	(199)	(1,250)	(1,449)
Net Current Liabilities	206	(1,364)	(1,158)
Total assets less current liabilities	246	(1,364)	(1,118)
Creditors - amounts falling due after more than one year	-	-	-
Provisions			
Defined Benefit Obligations	-	-	-
Total Net Assets	246	(1,364)	(1,118)
Gain recognised in Reserves	246	(1,364)	(1,118)

Notes to the Accounts (continued)

25	Exceptional Income	Year ended 31 July		Year ended 31 July	
		2020	2020	2019	2019
		Group	College	Group	College
		£'000	£'000	£'000	£'000
	DfE Loan write off	1,250	1,250	-	-
		<hr/>		<hr/>	
	Total	1,250	1,250	-	-
		<hr/>		<hr/>	

As part of the NCCI merger in January 2020, the DfE agreed to write off a loan of £1.250m. This was contingent on the merger taking place. Therefore, the loan was written on post merger after the 31st January 2020.

26	OFS Grant & Fee Income	Year ended 31 July		Year ended 31 July	
		2020	2020	2019	2019
		Group	College	Group	College
		£'000	£'000	£'000	£'000
	Grant Income from the OfS	359	359	420	420
	Grant Income from other bodies	-	-	-	-
	Fee Income for taught awards	4,482	4,482	4,610	4,610
	Fee Income for research awards	-	-	-	-
	Fee Income from non qualifying courses	-	-	-	-
	Total	4,841	4,841	5,030	5,030

27	OFS Access & Participation	Year ended 31 July		Year ended 31 July	
		2020	2020	2019	2019
		Group	College	Group	College
		£'000	£'000	£'000	£'000
	Access & Participation	274	274	193	193
	Success	69	69	-	-
	Progression	41	41	-	-
	Access Agreement	40	40	-	-
	Bursary	43	43	50	50
	Total	467	467	243	243