



**Report and Financial Statements
for the year ended 31 July 2022**

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Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

Graham Razey, Chief Executive Officer; Accounting Officer
Chris Legg, Chief Financial Officer
Paul Sayers, Chief Strategy Officer
Lucy McLeod, Chief Education Officer
Daniel Shelley, Chief Transformation Officer
Nick Holbrook-Sutcliffe, Chief Curriculum Officer

Board of Governors

A full list of Governors is given on pages 19 to 21 of these financial statements.

Ms S Hollingsworth Director of Governance and Clerk to the Corporation throughout this period.

Principal and Registered Office Ramsgate Road, Broadstairs, Kent, CT10 1PN

Professional advisers

Financial statements auditors and reporting accountants:

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130 Wood Street
London
EC2V 6DL

Internal auditors:

Azets
35 Station Road
Ashford
Kent
TN23 1PP

Bankers:

Santander
South East
3rd Floor
Santander House
100 Ludgate Hill
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EC4M 7RE

Solicitors:

Cripps LLP
Wallside House
12 Mount Ephraim Rd
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TN1 1EG

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C/o Howard & Howard Solicitors
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W1M 7AF

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Strategic Report of the Governing Body

Objectives and Strategy

The Governors present their report and the audited financial statements for the year ended 31 July 2022.

Legal status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting EKC Group. The Group is an exempt charity for the purposes of the Charities Act 2011. On 1 April 2020 EKC Group acquired Ashford College and the Canterbury Spring Lane campus following the education administration of Hadlow College and the West Kent and Ashford College corporations (the Hadlow Group). The Group has created two new wholly-owned subsidiary companies, The Folkestone College Restaurant Ltd (trading as Anne's Restaurant) incorporated 3 May 2021 and the Yarrow Hotel Ltd incorporated 8 July 2021. These are trading companies within the Group to run Anne's Restaurant at Folkestone College and the existing Yarrow Hotel.

Mission

To play a leading role for East Kent in developing the economic and social prosperity of the communities we serve.

Office for National Statistics (ONS) reclassification of Colleges

Following a review into the classification of the statutory further education (FE) sector (FE colleges, sixth form colleges and designated institutions) and their subsidiaries in England, the Office for National Statistics (ONS) has reclassified colleges and their subsidiaries into the central government sector. The ONS decision to reclassify the FE sector will not alter the strategic aims of colleges. Colleges will continue to play a leadership role in England's skills system.

Following the reclassification, colleges and their subsidiaries are now part of central government. This means they are subject to the framework for financial management set out in managing public money, guidance on senior pay and other central government guidance.

Colleges' existing debt commitments do not need to change and Colleges are expected to repay their existing loans to maturity. However, some loans have lump sums to pay at the end of their fixed term. Some colleges may have been expecting to refinance the debt commercially. Refinancing commercially is unlikely to be possible under the managing public money framework, and certain colleges will not be able to pay off the lump sum themselves. In these cases, the DfE will provide funding to enable the college to repay the debt. The funds will then be recovered from the College over an agreed timeline by withholding an agreed amount of planned future funding.

Managing public money is clear that, from 29 November 2022, Colleges as public sector organisations may borrow from private sector sources only if the transaction delivers value for money for the Exchequer. Because non-government lenders face higher financing costs, in practice it is very unlikely that colleges will be able to satisfy this condition for future private sector borrowing. Any proposals for new private sector borrowing will need DfE consent. College learner grant agreements will be updated to include this as a condition of funding.

Further use of existing overdraft and revolving credit facilities will be subject to a DfE consent process and it is expected that Colleges phase out existing overdrafts and revolving credit facilities by no later than August 2024. Colleges will be able to continue with any existing finance leases until they come to the end of their term and will also be able to enter into new finance leases.

Colleges will retain the ability to operate their trading subsidiaries. It is recognised that subsidiaries play an important role in the college system. ONS has reclassified colleges' trading subsidiaries, with the colleges themselves, into the central government sector.

Introduction – Financial Statements

The past year has seen a period of continued growth and development for EKC Group, in spite of the significant challenges brought on by the pandemic. We have continued with our drive to ensure that learners have access to the highest quality student experience, with a significant effort being placed into delivering genuinely inspirational enrichment opportunities as we have moved out of lockdown and greater opportunities to engage in activities such as employer talks and our programme of social action have presented themselves. This has seen the Group deliver a wide range of inspirational experiences for learners, with a strong focus on helping students reintegrate and build robust stakes within their local communities following the lockdown period.

Alongside our activities to ensure students received the highest quality learning experience, we also worked to ensure our estate continued to develop. As part of this the Group submitted a number of capital bids into various funds from central Government. The Group was successful with the overwhelming majority of our bids, ensuring we are able to develop inspiring learning environments for future generations of EKC Group students. Included within these were two Levelling Up Fund (LUF) bids which – if delivered through to completion – will see the Group introduce two new sites in Ashford and Margate. These sites will deliver cutting edge, in-demand skills for the communities we serve, as well as the wider region's skills needs.

As well as the LUF bids, we were also successful in achieving funding from the Strategic Development Fund (SDF). The SDF project was collaborative with two other further education providers in Kent, and has a cross-cutting decarbonisation theme. The Group has developed 'learning factories' that will enable our students to develop cutting edge industry skills that will future proof their employability prospects as more companies work to manufacture in a 'green' manner. The project has also sparked strong collaborative work with a number of engineering companies, with the Group leveraging the SDF funding to kickstart decarbonisation roadmaps for companies which want to engage.

Alongside these bids we were able to access funding from the Post-16 Capacity Fund, which is being used to deliver our Ashford Phase 2 project. This will increase capacity within the College, ensuring it is future proofed and primed for growth.

The Group also worked in close collaboration with district, borough and local authority partners to access a range of revenue funds, such as the Community Renewal Fund. This has enabled the Group to deliver a wide range of provision to help re-engage learners from within the communities we serve, upskilling and reskilling them to ensure they have the tools they need to enter the workforce.

Work has also continued on capital projects such as our Folkestone College new build, which will shortly be completed. This will create a significantly improved presence, further embedding us in the heart of the community we serve and developing the reputation of further education as an outstanding option for learners within the district.

In order to deliver against all of these projects we have worked hard to grow and refine our project management capabilities and capacity, employing new members of staff and embedding a new project management way of working. This has helped create clear oversight of projects, ensuring good governance of each of them and robust reporting mechanisms.

In line with our Mission, the Group has also created new sixth form college A Level provision within our Canterbury College setting. This was developed to fill a gap in the marketplace, that left a number of post-16 students underserved by local sixth form providers. The new provision has proven popular, with a significant number of applicants in this first recruitment cycle.

The Group continues to focus its efforts on delivering against our Mission statement, and our clear strategic goals and objectives.

Resources

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

Tangible

Tangible resources include the main College sites, currently stated at a net book value of £162,172,000; equipment, plant and machinery with a net book value of £8,060,000; and assets under construction with a net book value of £7,967,000.

Financial

The Group has £108,543,000 of net assets (including a £65,534,000 pension gain) and long-term debt of £1,999,000.

People

The Group employs 1,571 people, of whom 1,025 are teaching staff.

Stakeholders

From its inception EKC Group has worked in a highly collaborative and innovative manner with its network of partners for the benefit of our communities. This has remained a core strength of the Group, with the development and consolidation of strategic partnerships with a large number of organisations from a wide range of sectors and areas. The Group will continue to work closely with a range of key stakeholders to achieve our strategic objectives. Amongst EKC Group's stakeholders we have a number of core partners including those below:

- students;
- education sector funding bodies;
- staff;
- local employers;
- local schools;
- subcontracting partners;
- Local Authorities;
- South East Local Enterprise Partnership;
- umbrella bodies such as the chambers of commerce;
- local media providers;
- community and voluntary organisations;
- other FE institutions;
- Trade Unions; and
- professional bodies.

The Group recognises the importance of these relationships and engages in regular communication through its website, its recently launched quarterly stakeholder newsletters, and through its membership of forums and other strategic partnerships. Alongside these continued activities, the Group has introduced a new Account Management framework to ensure we are able to continue to grow and develop our key partnerships to the benefit of our students and the wider communities we serve. The Group has also put in place a new structure to manage relationships with our district and borough councils, ensuring that we are able to continue to build strong partnership working arrangements with them to the benefit of the local community.

Public Benefit

EKC Group is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body who are trustees of the exempt charity are disclosed on pages 19-21.

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

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

- high-quality teaching;
- widening participation and tackling social exclusion;
- strong links with the communities the Group serves;
- excellent employment and progression opportunities for students, including apprenticeships;
- strong student support systems; and
- partnerships with employers, industry and commerce.

Implementation of strategic plan

Throughout the past academic year, the Group has worked to deliver against a number of strategic priorities. These priorities feed into the delivery of the Group's main Strategic Plan which has the following core goals:

- Create a revolutionary model of education, delivering a new range of nationally recognised education solutions for the benefit of East Kent and beyond;
- Deliver inspirational, inclusive and purposeful education that enables young people and adults to achieve their ambitions and meet the needs of East Kent;
- Successfully integrate Ashford College and Spring Lane into the EKC Group family, developing the provision to enable the Group to truly meet the needs of the whole of East Kent;
- Continue to invest in industry-standard facilities and first-class Group services that support our business units to deliver aspirational, relevant and high-quality learning experiences;
- Ensure that EKC Group is an employer of choice and responds appropriately to the social, ethical and moral issues of its communities, supporting the development of well-rounded and responsible young people.

These goals are underpinned by objectives with a number of performance indicators being used to track and measure performance against them.

Following the pandemic, the Group has focused its work on ensuring it is supporting the communities it serves to recover from the economic and social impacts of lockdowns. As part of its work to deliver its strategic priorities, it has further developed key stakeholder relationships to ensure it is delivering against this goal, helping to retrain, upskill and support the residents of East Kent. The Group has also worked hard to respond to broader national policies, such as the Levelling Up agenda.

Curriculum developments

In 2021/22 EKC Group had 6,042 students on 16-19 study programmes across fifteen subject areas, 3,328 students on funded Adult Education provision, 614 High Need students and 79 students on 14-16 programmes across our Junior Colleges at Broadstairs and Folkestone.

In 2020, the Group acquired Ashford College and the Canterbury Spring Lane campus from the Hadlow Group. This brought both a greater geographical spread to the Group's portfolio covering the whole of East Kent as well as land-based provision. Both have now fully integrated into the wider curriculum strategy for EKC Group.

To coordinate the increased breadth of curriculum across the larger Group, and in response to a White Paper that required a significant shift in curriculum focus, the Group implemented a new commissioning model for curriculum development, so it had a clear view about curriculum intent across its family of business units and could be confident in the meritorious allocation of resources for the greatest return on any investment required; made consistent with an empirically informed Property Strategy for the entire EKC Group, which informed a large number of bids to support our future ambitions.

New developments completed during 2021/22:

- Introduction of 5 initial T Level Occupational Specialisms;
- Planning for a further 3 T Levels and 10 Specialisms for 2022/23 to add to the above;
- A comprehensive review of curriculum need by region through to 2030;

- Emergent T Level pathways were charted against a wider 4-year roadmap with apprenticeships;
- Significant investment in capital and revenue through the T Level 'Specialist Equipment Allocation', a successful 'Skills Accelerator Development Fund' and a 'Higher Technical Education Growth Fund'. Those projects and funds that have been audited to-date have all passed and been signed off;
- Developed and marketed a new A Level offer in Canterbury;
- Rigorous training programme was initiated and completed for all curriculum leaders at all levels to help navigate the changing landscape;
- CCF Digital Project and Research completed in full at the start of the academic year;
- Development of a new curriculum 'flow' which incorporated a new 2-year level 2 for September 2022 starters; and,
- The EKC Group curriculum approach became a positive DfE case study for the sector.

Overall, there has been an unprecedented drive toward occupational standards at all levels. As the main thrust of this shift, EKC Group have been at the forefront of T Level delivery, enabling us to shape how they developed; recognising the implications of overlapping policy and being ready for when T Levels are rolled out in full.

FINANCIAL POSITION

Financial Objectives

The Group financial objectives are:

- to achieve the budgeted EBITDA outcome for the year;
- to improve working capital to cover expenditure with a minimum current ratio of 1.0; and
- to control expenditure on staff salaries so that the total cost represents no more than 65% of income.

These objectives have been monitored throughout the year by the Governors and the Group's Executive Team. The Group under-performed against its budgeted EBITDA outcome of £5,549,000 for the year, with an EBITDA of £4,119,000, under-performed against the current ratio objective for the year ended 31 July 2022 with an adjusted current ratio of 0.93:1 and came in above the 65% target level of staff costs as a percentage of income at 68.5%.

The Group has had a difficult year financially, primarily due to several key adult and employer markets still not fully recovered post-Covid 19, resulting in income targets being missed across adult programmes by £2.28million and apprenticeships by £969,000. Expenditure savings and improvements in other income-generation have only partly off-set these shortfalls in income, resulting in the EBITDA being below budget by £1,430,000.

Financial Results

The Group reports an operating deficit of £7,794,000 after pensions adjustments (£8,203,000) have been taken into the Statement of Comprehensive Income. At 31 July 2022, the Group had accumulated income and expenditure reserves before pension reserve of £105,643,000 and a cash at bank balance of £4,855,000. The impact of the pension deficit on the Local Government Pension Scheme has been incorporated into the balance sheet and is reflected as a reduction in reserves of £9,162,000. This is an improvement on the previous year-end position, with an in-year actuarial gain of £65,534,000.

Tangible fixed asset additions during the year amounted to £9,502,000. This expenditure was across a number of smaller-value projects, with the more significant capital projects during the year being the continuation of the Folkestone College new build (£5,309,000), the completion of the Ames building refurbishment in Folkestone (£594,000), Skills Development Fund Equipment Purchases (£1,274,000), new equipment to support the delivery of T-Levels and other new curricula (£580,000) and commencement of works to extend Ashford College (£334,000).

Cash flow and liquidity

The net cash outflow for the year is £6,270,000 (2020/21: inflow of £6,340,000). This is predominantly made up of an operating cash inflow of £4,596,000 (2020/21: £13,246,000), capital expenditure of £9,502,000 (2020/21: £5,544,000) and loan capital repayments of £1,034,000 (2020/21: £1,034,000).

The size of the Group's total borrowing and its approach to interest rate cover have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. The Group carried a lot of un-spent capital budget into the 2021/22 academic year, hence the large cash inflow from 2020/21 and a similar level of cash outflow in 2021/22.

The Group is at an advanced stage with its banker, Santander, in re-financing some of its long-term debt with a new product due to commence in January 2023 replacing the loan taken out in January 2018 with a balance at 31 July 2022 of £8,472,643. The existing £5million revolving credit facility will be extended to £11million to support the financing of part of the Ashford College extension.

Developments

Works are on-going to develop a new building at Folkestone College, with costs incurred during the year of £5,309,000. The main contractor work was expected to be completed before the end of the 2021/22 academic year, but delays in the planning process followed by a variety of contractor and procurement issues have led to a significant delay in the building phase and works will now be completed during the autumn of 2022.

The Group also received grant funding in-year to provide new equipment to support the delivery of the new T-Level courses, higher technical qualifications and other skills development totalling £1.85million. Works to the Ashford College and Canterbury Spring Lane sites are on-going and both sites are scheduled to be completed during the 2022/23 academic year.

Reserves

The Group continues to be reliant on its core government grant funding, which continues to see annual real-term funding reductions.

At 31 July 2021, the Group already had substantial positive unrestricted reserves of £47,742,000, but the significant reduction in the valuation of the Group's local government pensions scheme deficit has increased this to £108,775,000 which is predominantly fixed asset holdings .

The financial strategy still focuses on maintaining the Group's underlying cash holdings to deliver a current ratio of between 1.2:1 and 1.4:1, whilst continuing to invest in improvements to the Group estate and technology. The current cash balance of £4,855,000 is forecast to remain fairly steady during the 2022/23 academic year, with a forecasted cash balance of £5,115,000 by 31 July 2023, through a mixture of cash inflow from operating activities of £4,933,000, new capital expenditure of £14,900,000 (of which, £5,911,000 will be grant-financed) and loan repayments of £1,141,000 offset by the drawdown of the new £6million loan facility to retrospectively finance the capital development at Folkestone College.

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2021/22, there was a decrease in the reliance on ESFA income to 79.6% (2020/21: 83.1%), mainly as a result of some non-ESFA project income and a recovery in some of the Group's commercial income-generating activities post-Covid.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group strives to continuously develop and improve its systems and processes for internal controls, particularly risk management.

The Group has an established risk control system that links the identified high risks to the Group's strategic aims and objectives, with progress being monitored by the key performance indicators. This direct linkage brings a sharp focus to key risks and has ensured that all actions are mitigating these.

The current risks include:

1. Government funding

The Group has a dependency on government funding of 79.6%. This is higher than the benchmarked average for general further education colleges (a reduction from 83.1% in 2020/21). The Group has been following the strategy below to diversify its income:

- To develop a broader portfolio in the Group's specialisms, already evidenced by the Group's 14-16 Junior Colleges and the creation of EKC Schools Trust. The Group's commercial services are also recovering post-Covid;
- To grow the commercial income by maximising income streams relating to surplus rooms and buildings; and
- To be outstanding in all aspects of our work to raise the Group's profile with employers and stakeholders.

2. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the Group's balance sheet in line with the requirements of FRS102. The risk is that the Group will need to pay higher contributions to the Local Government Pension Scheme to help fund the deficit.

3. Student experience

With growing choice and competition for students, the experience that is delivered is often the determinant to differentiate between providers. EKC Group is managing this with the following key strategies:

- To deliver outstanding teaching and learning making the learning experience relevant, coherent and attractive.
- To deliver an outstanding, innovative study programme which encompasses; English, mathematics, work experience, social action, and skills competitions, alongside the main qualification aim.
- To build an estate that is safe, current and fit for the delivery of outstanding teaching and learning.
- To provide increased commercial opportunities that reflect industry standards and practices and to ensure links with employers provide relevant experience and insight.
- To deliver support services that remove all barriers to learning and embrace individuality and provide inclusivity by putting learners at the heart of decision-making.
- To support students in making the right life choices for them to achieve positive progression into employment/higher level study.
- To stretch and challenge students to be the best they possibly can be.

4. The legacy effect of COVID-19 on our local economies and communities

Whilst the acute operational challenges of the pandemic have reduced, the lasting impact on students, staff and our communities remain a significant risk that the Group is focused on managing. This has been compounded by the rising cost of living. We will continue to use our 16-19 Tuition Fund to ensure students are supported to recover their lost learning and have the confidence to develop and achieve their ambitions. We have also helped our communities to recover from COVID-19 through the successful delivery of Community Renewal Fund projects across our six districts and boroughs, working with our local council partners.

5. Cybersecurity

The risk of cyber-attacks has increased significantly, including examples of significant attacks in the further education sector. The Group has clear plans in place to manage this risk and has achieved Cyber Essentials Plus accreditation.

6. Capital investment in the Group's estate

It is critical that the Group continues to invest in its estate to ensure that there are fit for purpose learning environments with industry standard equipment. A Property Strategy has been developed to ensure there are a clear set of objectives and priorities for capital investment in the estate, including taking advantage of opportunities for external grant funding. The Group has worked with key stakeholders to secure £35m of capital funding to support the implementation of the Property Strategy. This includes T Level Capital Funding, 16-19 Capital Funding, FE Transformation Funds and working in partnership with local councils to secure Levelling Up Funding. Project governance arrangements are in place to manage the delivery risks of the capital programme, including a Property Sub-Committee so that governors have strong oversight.

KEY PERFORMANCE INDICATORS

The Group has an established and comprehensive suite of performance indicators (GPIs), which are used by managers and Governors at both full and Local Board to track and monitor performance against set targets. Monthly progress reports are issued for all indicators and are scrutinised at respective Management and Governor Committees. The performance indicators cover a range of measures including; student recruitment, finance, quality, staffing, safety, safeguarding and Governor membership/attendance.

A Governor Education Committee was formed during 2019-20 adding a further layer of scrutiny to academic performance and tracking of the Group's improvement plan.

Ofsted's review of leadership at the Group in January 2017 was particularly complimentary about these:

"The innovative and highly effective 'college performance indicators' (CPIs) dashboard gives leaders and governors a very clear and reliable picture of performance. Senior staff and governors use the CPIs well to gain a view of comparative performance across the year and for the previous three years. When required, improvement action is rapid and generally highly effective."

Student numbers

In 2021/22, the Group has delivered activity that produced £49,507,000 in funding body main allocation funding (2020/21 - £44,598,000). The Group had approximately 11,400 funded and 4,000 non-funded students.

Student achievements

Disruption caused by COVID 19 continued into 2021/22 and was further compounded by the increase in the cost of living, which have both impacted on attendance and retention. This was the first year in three years where students sat all exams again. GCSE results indicate that the Group have performed 3.6% above national average for mathematics and 0.5% above for English.

Apprenticeships similarly showed improved achievement rates compared to the previous year.

Ofsted Result

The Group was last inspected by Ofsted in January 2017 against the Common Inspection Framework and the grades awarded were:

Aspect	Grade
Overall effectiveness	Good
Leadership & Management	Outstanding
Teaching Learning & Assessment	Good
Personal Development, Behaviour and Welfare of Students	Outstanding
Outcomes for learners	Good
16-19 Study Programmes	Good
Adult provision	Outstanding
High Needs	Outstanding
Apprenticeships	Outstanding
Technical School	Good

Key findings by Ofsted included:

“Outstanding leadership strategies meet the economic and social needs of students across the region and in local communities, have improved the standing and reputation of the college following the acquisition of Dover and Folkestone campuses, and recognise and meet employers’ skills needs.”

“The provision for work experience is outstanding and is highly rated by employers and other stakeholders. An exceptionally high number of students take part in purposeful and challenging work experience.”

“Almost all students enjoy very good levels of progression with the vast majority progressing successfully to further education, training or employment because of successful completion of their qualifications and excellent support and preparation for their next steps.”

“Students benefit from good teaching, learning and assessment and are highly motivated to succeed in well-planned and equipped learning environments that enhance their learning and inspire them.”

“Apprentices across all subject areas make outstanding progress in developing good job skills and knowledge.”

“Leaders and managers work very closely with local authorities, special schools and other agencies to maintain outstanding provision for students with high needs.”

“As a result of exceptionally effective and productive community engagement and partnership working, adult students from significantly disadvantaged backgrounds develop skills, enabling them to progress into sustainable employment or further learning.”

“14- to 16-year-old full-time students gain good levels of confidence and a renewed positive attitude to learning through the effective development of their personal, social and work-related skills.”

“In a small minority of lessons, across all provision types, work set is too easy and students do not make the progress they should. In addition, a small minority of students in all provision types are unaware of the progress they are making and unsure of the steps they need to take in order to achieve.”

The nurseries based at Broadstairs College and Folkestone were last inspected in 2019 and were both graded as “Good”. Canterbury College nursery was last inspected in July 2021 and was also graded “Good”.

In 2021/22 The Group had an Ofsted Monitoring visit to review progress after the most recent merger with Ashford and Spring Lane. The outcome of this visit was the highest available grades of significant progress were awarded for the three areas below:

Theme 1 – significant progress

What progress have leaders, managers and governors made in integrating Ashford College and Canterbury Spring Lane to EKC Group by:

- establishing a shared vision, mission and values
- identifying strategic priorities
- establishing an effective management structure for the merged colleges?

Theme 2 – significant progress

What progress have senior leaders and governors made in establishing an effective governance structure that oversees the quality of provision and that serves the needs of the integrated colleges?

Theme 3 – significant progress

What progress have leaders made in ensuring that the technical and vocational curriculum of the EKC Group provides for the communities in east Kent, tackles skills priorities in the local economy, meets the needs of local employers and enables students to achieve their career aspirations?

The Group also had a highly successful FE Commissioner's visit that reviewed the integration of Ashford and Spring Lane. The report stated 'Following acquisition, strong and purposeful leadership and governance has ensured a very effective and smooth transition to the group'.

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. The Group does not have the ability to accurately monitor this KPI, but it does estimate that it pays the vast majority of its invoices within 30 days. The Group incurred no interest charges in respect of late payment for this period.

Employer Engagement

Employer engagement has always been a significant activity for the Group to ensure there is strong involvement from business in the development and delivery of our curriculum provision. As an anchor institution within the communities we serve, the Group is committed to delivering the skills which will power the local economy. In line with this commitment, the Group's various Colleges and Business Units have continued to develop partnerships with employers across East Kent and to deliver Apprenticeship provision through EKC WorkHigher. Our EKC IntoWork business unit has also been successful in developing community-based employability provision that is able to deliver dynamically to help meet emerging employer needs, and has worked with a range of key employers to help retrain and upskill the unemployed to help meet skills gaps. Employer engagement has also been crucial as the Group continues its ambitious rollout of T Levels. Ensuring we have a steady supply of employer partners to offer work experience placements will be critical to its success.

The Group has worked closely with the two other Kent FE Colleges and Kent Invicta Chamber of Commerce to deliver £1.5m of Strategic Development Fund (SDF). This project has seen the Group work with engineering companies across Kent, helping them to plan the decarbonisation of their processes. The Group has also been successful in a second bid into the Strategic Development Fund which will see us implementing a project that will help deliver key digital skills required by businesses in the future.

Taxation

As an exempt charity for the purposes of the Charities Act 2011 the Group is not liable to Corporation Tax.

EQUALITY AND DIVERSITY

Equal Opportunities

EKC Group is fully committed to ensuring equality of opportunity for all who learn and work here. Our equality, diversity and inclusion agenda will always form a key part of our overall People Strategy, and within this strategy we will set out clear plans to deliver on our overall commitment to the creation of a workplace that provides equity of opportunity for everyone, and that embraces and welcomes the differences in all of our people.

The Group will continually strive to remove the blockers and conditions that place people at a disadvantage, and as part of our overall commitment to the Equality and Diversity agenda, during the second half of 2021 we will set out a number of key objectives and priorities as part of the wider strategy development activity, and these will be shared with our staff base and key stakeholders.

EKC Group welcomes applications for employment from people with disabilities where an existing employee becomes disabled, every effort will be made to ensure that EKC Group employment can continue.

The Group is fully committed to provide training, career development and opportunities for promotion that are accessible to all our staff and we will continue to regularly discuss our overall inclusion agenda.

Disability Statement

EKC Group will, as a minimum conform to the requirements set out in the Equality Act 2010 and in particular makes the following commitments:

- as part of the redevelopment and provision of new buildings it has installed lifts and ramps so that most of the facilities allow wheelchair access to those who need it;
- there is a significant stock of specialist equipment, such as lighting for audio facilities, which the Group can make available for use by students;
- the student admissions policy ensures all needs are fully assessed prior to the start of the course ensuring full inclusivity and any appeals against a decision not to offer a place are dealt with under the admissions policy;
- the Group has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities. There are a number of student support practitioners who can provide a variety of support for learning. There is also a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- specialist programmes are described in programme information guides, and achievements and destinations are recorded and published; and
- counselling and welfare services are readily available for staff and students.

Trade union facility time

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

Numbers of employees who were relevant union officials during the period	FTE employee number
11	9.14

Percentage of time spent on facility time	Number of employees
0%	-
1-50%	11
51-99%	-
100%	-

Total cost of facility time	£29,514
Total pay bill	£45,425,000
Percentage of total bill spent on facility time	0.065%

Time spent on paid trade union activities as a percentage of total paid facility time	2.5
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Gender pay gap reporting

	Year ending 31 March 2021
Mean gender pay gap	11.67%
Median gender pay gap	19.67%
Mean bonus gender pay gap	N/A
Median gender bonus gap	N/A
Proportion of males/females receiving a bonus	N/A

The proportion of males and females in each quartile of the pay distribution are:

	Males	Females
1 - Lower quartile	25.92%	73.56%
2	27.56%	72.44%
3	41.10%	58.90%
4 – Upper quartile	43.83%	56.17%

The Group publishes its annual gender pay gap report on its website.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The Group continues to deliver a strong level of EBITDA, albeit a reduced level against previous years at 6%. The Group still maintains a significant underlying operating cash inflow, although the underspent capital budget in 2020/21 that caught up during 2021/22 has reduced the year-end current ratio from above 1.2:1 to 0.93:1.

The Group's new debt structure, which is now likely to involve both Santander and DfE facilities, will ensure it has adequate financing in place to support the capital programme, that adequate working capital is always available and that the current ratio is above 1:1.

The Group has prepared a three-year financial plan, including a cash-flow forecast, which shows that the Group will be able to meet its debts as they fall due, can deliver a positive EBITDA position in every year of the plan and can maintain a satisfactory level of cash throughout. It should also be noted that the level of EBITDA that the Group continues to deliver is maintained at significantly ahead of sector norms. It is therefore appropriate for these financial statements to be prepared on a going concern basis.

EVENTS AFTER THE REPORTING PERIOD

The ONS reclassification of Colleges into the central government sector has had an immediate impact on the Group. A planned re-structuring of existing debt was due to take place in January 2023 at the maturity of three facilities, a term loan and two revolving credit facilities amounting to approximately £19.25million. A full credit-backed set of terms had already been negotiated with the Group's bankers, Santander, to facilitate this renewal and ensure continued progress in delivering the Group's property strategy.

The DfE have stated in their published guidance that they will put alternative financing arrangements in place to support Colleges whose existing loan financing arrangements are nearing maturity, so the Group has received adequate assurances that the maturing of the existing commercial loan facilities will not cause a risk to cash flow or the EKC Group as a going concern.

The Group has taken the difficult decision to close Anne's restaurant, ceasing trading in November 2022.

FUTURE DEVELOPMENT AND PERFORMANCE

Future prospects

To further the achievement of the Group's Strategic Plan, a number of annual priorities have been agreed by the Governing Body. These also take account of challenges such as the rising cost of living and Government policy changes, including Levelling Up, Skills, Schools, and greater devolution to localities. Our priorities include the delivery of our ambitious capital programme, continued implementation of curriculum reform, and securing further alternative provision for young people who are not yet ready to learn in a College environment.

We have plans to deliver further systems integration, focused on improving connectivity across the Group and providing high quality and timely information to enable effective decision-making. The Group has also worked with the Kent FE Colleges, the Chamber of Commerce and employers to secure a further £2.5m for an SDF 2 project that will develop a range of data and digital skills training, immersive classrooms, and virtual and augmented reality equipment, with applications across key sectors. Alongside our existing decarbonisation SDF project, this will directly address national skills needs and cross-cutting skills needs identified in the Kent and Medway Workforce Skills Evidence Base and LSIP Trailblazer.

We are also focused on supporting our staff to deal with the rising cost of living and have worked closely with the Unions on a pay award for 2022-23.

The Group continues to work with partners to support the prosperity of the communities it serves. This includes building on an East Kent Skills Summit, held in June 2022, to jointly deliver a clear set of actions to collectively address skills issues across the area. Building on our successful Community Renewal Fund projects, we will continue to work closely with our councils and other partners to develop and deliver plans for the UK Shared Prosperity Fund and the Government's numeracy programme, Multiply.

Reputation

The Group's reputation has continued to grow as society has emerged from the lockdowns of the pandemic. As the lockdowns have diminished, the Group has been able to leverage a number of projects started through the pandemic to showcase its positive impact on the communities it serves. This has helped to ensure that the Group has received a significant amount of media coverage promoting its work and investments across East Kent. Projects which the Group has led, such as the Community Renewal Fund, have also helped to boost the prominence of the Group, with a number of outstanding case studies of the impact this provision has had being generated. This has continued to grow the narrative of the Group as an anchor within the East Kent community it serves, whilst also building the prominence of its constituent Colleges and Business Units.

This year was also the first, since the beginning of the pandemic, that the Group's annual East Kent Apprenticeship Awards ceremony was held in person. Participants commented on how much they had enjoyed the event and how glad they were that the situation had stabilised. As a consequence of this, the ceremony achieved strong engagement on social media, highlighting the Group as a sector leader in East Kent whilst building its standing more widely.

The Group has also continued with its annual GCSE surgery initiative, working in close collaboration with a local radio station to ensure that post-16 options are fully articulated for those receiving their results. This high prominence initiative ensures the Group is positioned as a leader in post-16 education, information, advice and guidance, growing its reputation locally. This year the Group has also created a suite of podcasts so that those receiving results can listen to 'on-demand' content in line with the media consumption of the demographic.

The Group has also worked hard to develop strategic partnerships that will further help to grow and embed its reputation. One of those signed in the past year is with Kent Cricket Club, which will open up access to the sport to all of our students, whilst introducing further education to the cricketing community. This partnership promises to bring significant reputational benefit to both the Group, and the cricket club.

STAFF AND STUDENT INVOLVEMENT

Students

During 2021/22, EKC Group had Student Union Presidents for each College. Students were able to provide feedback on College progress through regular student question times with Senior Managers, three student experience reviews a year and the student class representative structure.

Student Union Presidents were also members of the Local College Boards where they actively engaged in shaping the future direction of respective Colleges.

Due to the pandemic and the restrictions in place the Group was not able to implement its usual series of “community weeks” during which students participate in social action programmes including work in the community, volunteering and charity events. However, colleges approached this creatively and enabled students to conduct these activities virtually. There was even a Group wide virtual Careers Fair that took place towards the end of the year.

During the lockdown period all vulnerable students were contacted regularly to check on their wellbeing and to ensure any safeguarding concerns were picked up quickly. Counselling provision was maintained and offered virtually and virtual well-being hubs were also implemented.

Staff

It has continued to be a very difficult and challenging period for our staff, given the restrictions put in place by the COVID-19 pandemic and more recently the phased return to our college sites. During this time, a daily update from the CEO has continued to keep all of our staff in touch with developments, celebrating successes and sharing experiences. College leaders have provided extensive support to staff as they begin to establish ‘new normals’ in how they undertake their roles, with Microsoft Teams continuing to be a key tool for staff and teams to keep in touch and to continue to provide our services to students and to undertake our general business wherever possible.

Staff absence rates return to a more expected level when compared to rates during the key periods of lockdown, with the end of year staff survey results broadly holding a very strong and positive view of overall employee satisfaction albeit slightly reduced versus the 2020 results.

2021 also saw the appointment to a new post of Chief People Officer, and this appointment will lead to the creation of the first ever People Strategy for the Group which is set for publication and delivery from September 2021. It is expected that the strategy will build upon the strong foundations of people practices across the Group with the goal of ensuring that the EKC Group is seen as an employer of choice in all of the Communities in which we serve.

DISCLOSURE OF INFORMATION TO AUDITORS

The Governors 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 Group’s auditors are unaware; and each Governor 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 Group’s auditors are aware of that information.

Approved by order of the members of the Governing Body on 13 December 2022 and signed on their behalf by:



Charles Buchanan

Chair of Governors

Governance Statement

The following statement is provided to enable readers of the annual report and financial statements of EKC Group to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

Governance Code

EKC Group endeavours to conduct its business:

- in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- in accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges; and
- having due regard to the UK Corporate Governance Code 2018 (“the Code”) insofar as it is applicable to the further education sector.

The Group is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the Group has applied the principles set out in the Code. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, the Group complies with all the provisions of the Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2022. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015 including the Senior Post Holder Remuneration Code adopted by the Board in February 2019. The Board will review the updated September 2021 Code in line with the expectation that the Group will report against it in 2022/23.

The Group 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.

In 2020 the Charity Commission for England and Wales authorised the remuneration of a trustee for work undertaken for the Group under the power given in section 105 of the Charities Act 2011. This order is for the Chair of Governors and has been approved for up to two years.

The Governing Body

The composition of the Governing Body is set out in the table below. The Governing Body operated under a traditional committee structure during the period.

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

Name	Date of appointment / re-appointment	Term of office	Date of resignation	Status of appointment	Committees served	Corporation Attendance	Meeting Attendance
Charles Buchanan <i>(Chair of Governors)</i>	Re-appointed 01.09.2021	4 years 31.08.2025		Independent member	Business, Search and Governance, Remuneration	100%	100%
Tim Kent	Re-appointed 01.09.2022	1 year 31.08.2023		Independent member	Business <i>(Chair)</i> , Search and Governance	75%	100%
Jonathan Clarke	Re-appointed 04.06.2019	4 years 31.08.2023	Resigned 31.07.2022	Independent member	Search and Governance <i>(Chair)</i> , Remuneration <i>(Chair)</i>	75%	100%
Gail Clarke	Re-appointed 01.09.2020	3 years 31.08.2023		Independent member	Audit, Business	100%	83%
Miranda Chapman	Re-appointed 01.09.2021	4 years 31.08.2025		Independent member	Education	100%	100%
Peter Troke	Re-appointed 01.09.2020	3 years 31.08.2023		Independent member	Education	100%	100%
John Korzeniewski	Re-appointed 01.09.2020	3 years 31.08.2023		Independent member	Education <i>(Chair)</i>	100%	100%
Peter Cheney	Re-appointed 01.09.2020	3 years 31.08.2023		Independent member	Audit <i>(Chair)</i> , Remuneration, Search and Governance	100%	100%
Joanna Worby	Re-appointed 01.09.2022	4 years 31.08.2026		Independent member	Business, Remuneration	100%	80%
Richard Brooks	Re-appointed 01.09.2020	3 years 31.08.2023	Resigned 31.07.2022	Independent member	Education	75%	33%
Allan Baillie	Re-appointed 01.09.2021	2 years 31.08.2023		Independent member	Audit	100%	67%
Ella Brocklebank	Re-appointed 01.09.2021	4 years 31.08.2025		Independent member	Education	50%	33%
Jason Howard	Re-appointed 01.09.2021	4 years 31.08.2025		Independent member	Education	75%	67%
Natalie Garner	Re-appointed 01.09.22	4 years 31.08.2026		Independent member	Education	100%	67%

<i>Name</i>	<i>Date of appointment / re-appointment</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>	<i>Corporation Attendance</i>	<i>Meeting Attendance</i>
Graham Razey	01.02.2018	N/A		Chief Executive Officer	Business, Education, Search and Governance	100%	87.5%
Gregg Skinsley-Stephens	28.01.2020	2 years	End of Term 28.01.2022	Staff Governor	Business	75%	100%
Ethan Stocker	14.12.2021	Up to 1 year 31.07.2022	End of Term 31.07.2022	Student Governor	Education	33%	100%
Karen Wilks	29.03.2022	2 years 29.03.2024		Staff Governor	Business	50%	100%

Board Diversity

Male	65%	Female	35%
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SENIOR OFFICERS ATTENDING

	<i>Date of appointment / re-appointment</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>	<i>Attendance</i>
Chris Legg	01.02.2018	N/A		Chief Financial Officer (Asst CEO)	Audit, Business, Corporation	100%
Paul Sayers	01.02.2018	N/A		Chief Strategy Officer (Asst CEO)	Audit, Corporation	86%
Lucy McLeod	01.11.2020	N/A		Chief Education Officer (Asst CEO)	Corporation, Education	100%
Tammy Mitchell	03.09.2018	N/A		Chief Education Officer	Corporation, Education	75%
Andrew Stevens	16.09.2019	N/A	19.11.2021	Chief Operations Officer	Corporation, Audit, Business	100%
Nick Holbrook-Sutcliffe	01.11.2020	N/A		Chief Curriculum Officer	Corporation, Education	100%
Simon Smith	01.02.2021	N/A	19.11.2021	Chief People Officer	Corporation, Business, Search &	100%

	<i>Date of appointment / re-appointment</i>	<i>Term of office</i>	<i>Date of resignation</i>	<i>Status of appointment</i>	<i>Committees served</i>	<i>Attendance</i>
					Governance, Remuneration	
Dan Shelley	01.01.2022	N/A		Chief Transformation Officer	Business	100%
Sharon Hollingsworth	Director of Governance					100%

The Governing Body is provided with regular and timely information on the overall financial performance of the Group 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 Governing Body meets at least four times per academic year.

During the 2021/22 academic year the Governing Body conducted its business through a traditional committee governance structure. These committees are Audit, Remuneration, Search and Governance, Education, and Business. Each committee has clearly defined devolved responsibilities from the Governing Body, and each has terms of reference, which have been approved by the Governing Body. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the Clerk by writing to 'The Director of Governance, EKC Group, Ramsgate Road, Broadstairs, Kent, CT10 1PN or from the Group's website at <https://www.ekcgroup.ac.uk/group/about-us/governance>

The Director of Governance maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address.

All Governors are able to take independent professional advice in furtherance of their duties at the Group's expense and have access to the Clerk to the Governing Body, 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 Governing Body as a whole.

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

The Director of Governance is a senior postholder. The postholder has various relevant qualifications including a Diploma in Governance for Clerks, MCIPD, and CMI Diploma in Strategic Management and Leadership. The Board ensures that they receive appropriate development throughout the year including attendance at relevant governance conferences and training and in November 2021 attending the Governance Professional's Leadership Programme run by the Institute of Directors in conjunction with ETF.

The Board receives monthly Group updates and sector briefings throughout the academic year. Training is provided to cover areas identified as requiring development, there is an induction programme for new governors and a Governor and Executive Engagement programme, also. Training has included in 2021/22, safeguarding, Inclusion 'Being a more inclusive College', Ofsted - update for Governors and understanding their role, Curriculum Specialisation, Prevent Awareness, AoC Chairs Networks, KFE Governors' Mini-Conference, latest news and insights in the insurance industry for commercial and public sector, Audit Committee members development session, AOC Regional Governance Conference and the ETF online Governor Development Programme (FutureLearn). The Chair has attended additional training events and attended in October 2021 the Chair's Leadership Programme run by the Institute of Directors in conjunction with ETF. The Chair is taking part in the ETF Chairs' Forum and is a National Leader of Governance.

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

There is a clear division of responsibility in that the role of the Chair of the Governing Body and Group Chief Executive Officer of the Group are separate.

APPOINTMENTS TO THE GOVERNING BODY

Any new appointments to the Governing Body are a matter for the consideration of the Governing Body as a whole. The Governing Body has a Search and Governance Committee, which is comprised of five members: the Chair of Search and Governance Committee, the Chair of the Governing Body, the Group Chief Executive Officer and two additional members from the Corporation. This Committee is responsible for the selection and nomination of any new members for the Governing Body's consideration and ensuring that appropriate training is provided in accordance with a continuing review of the skills profile of the Governing Body.

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

CORPORATION PERFORMANCE

Governance at EKC Group is strong and highly effective. The Governing Body plays a key role in challenging the senior management to ensure that the Group aims are achieved. Through the traditional committee governance structure, the Governors are particularly focused on a devolved approach to governance and the timely accurate reporting trajectory of this model ensures that Governors are able to support and challenge effectively. Through this model, the Board has been able to take considerable assurance that governance was robust and appropriately structured to support delivery of the strategic plan and continued improvements to EKC Group.

The Board considers its individual performance over the year at the strategic events and through Governor self-evaluation and 1-to-1 meetings with the Chair. Further assurance is gained from both external parties and the Group Performance Indicators (GPIs). These indicators cover all aspects of the Group's operations including teaching and learning, student outcomes, satisfaction and leadership and management. The GPIs form a sound basis from which managers and Governors can judge performance and progress. The annual and three-year targets are based on the most accurate comparative data from within and outside the sector (where appropriate) and targets are set to be both challenging but achievable.

REMUNERATION COMMITTEE

The Remuneration Committee comprises; the Chair of the Remuneration Committee, the Chair of the Governing Body and two additional members from the Corporation. The Group Chief Executive Officer is a reporting Officer in line with the schedule of delegation for Senior Postholders. The Committee's responsibilities are to approve the remuneration and benefits of the Group Chief Executive Officer and Senior Postholders of the organisation and approve the remuneration and employment terms and conditions of the remunerated Chair.

Details of remuneration for the year ended 31 July 2022 are set out in note 7 to the financial statements.

AUDIT COMMITTEE

The Audit Committee comprises the Chair of the Audit Committee and three members of the Governing Body (excluding the Group Chief Executive Officer). The Committee operates in accordance with written terms of reference approved by the Governing Body. Its purpose is to advise the Governing Body on the adequacy and effectiveness of the Group's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets three times per year and provides a forum for reporting by the Group's financial statements auditors, who have access to the Committee for independent discussion, without the presence of management.

The Governing Body took the decision to manage the internal audit under the freedom and flexibilities of the Post-16 Audit Code of Practice to procure a wider range of internal audit services, focused on added-value improvement reviews linked to key risks and new developments. The Audit Committee has responsibility for reviewing these reports.

The Committee also receives and considers reports from the main FE funding bodies as they affect the Group's business. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure recommendations have been implemented.

The Audit Committee also advises the Governing Body on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work, as well as reporting annually to the Governing Body.

The Audit Committee met three times in the year to 31 July 2022. The members of the Committee and their attendance records are shown below:

Committee member	Meetings attended
Mr Peter Cheney	3 of 3
Mrs Gail Clarke	3 of 3
Mr Allan Baillie	2 of 3

INTERNAL CONTROL

Scope of responsibility

The Governing Body is ultimately responsible for EKC Group'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 Governing Body has delegated the day-to-day responsibility to the Chief Executive Officer as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of EKC Group policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the Group and the funding bodies. He is also responsible for reporting to the Governing Body 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 EKC Group 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 within EKC Group for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Governing Body has reviewed the key risks to which EKC Group is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing EKC Group's significant risks that has been in place for the period ended 31 July 2022 and up to the date of approval of the annual report and financial statements. This process is reviewed regularly by the Governing Body.

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 by use of Group Performance Indicators;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

EKC Group has an internal audit service, supplemented by additional work provided by other industry practitioners, which operates in accordance with the requirements of the ESFA's Post-16 Audit Code of Practice. The scope of this work is informed by an analysis of the risks to which the Group is exposed. The analysis of risks and the internal audit plans are endorsed by the Governing Body on the recommendation of the Audit Committee. The Chair of the Audit Committee provides the Governing Body with a report on internal audit activities and will include the independent opinions on the adequacy and effectiveness of the Group's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors;
- the work of the Executive Team within EKC Group who have responsibility for the development and maintenance of the internal control framework; and
- comments made by EKC Group's financial statements auditors, the regularity auditors and the appointed funding auditors in their management letters and other reports.

The Chief Executive Officer has been advised on the implications of the results of his review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor and other independent advisers and approves plans to address weaknesses and ensure continuous improvement of the control systems.

The Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Executive Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Governing Body's agenda includes regular consideration of risk and control and receives reports thereon from the Executive Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Based on the advice of the Audit Committee and the Chief Executive Officer, the Governing Body is of the opinion that EKC Group has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the safeguarding of the assets".

Risks faced by the EKC Group

EKC Group has a Risk Management Policy and Procedures in place which describes how the corporation identifies, evaluates, and manages risk, including an impact and likelihood evaluation of key operational, financial, compliant, and other risks. The Policy outlines EKC Group's approach to risk management and internal control, the role of the Governing Body and Committees, the role of the Group's Risk, Audit and Compliance Committee and the role of senior management and staff across the Group.

Control weaknesses identified

The internal auditors did not identify any areas of significant weakness in the internal controls in operation for the areas reviewed and in their opinion the Group has adequate and effective management, control and governance processes in the areas examined.

Responsibilities under funding agreements

The funding agreements with the funding body set out very clear guidelines to adhere to. The Group directly employs a team to deal with meeting these guidelines and has developed a suite of internal reporting to ensure compliance to operate alongside the existing suite of reports provided by the funding body to undertake a comprehensive set of data checks. This work is overseen by the Group's Risk, Audit & Compliance Committee which then reports into the Governing Body's Audit Committee.

Statement from the Audit Committee

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

The specific areas of work agreed and undertaken by the Audit Committee in 2021/22 and up to the date of the approval of the financial statements are:

- Financial systems and controls – no areas of significant weaknesses in the internal controls in the operation of the Group were identified.
- Follow-up Exam Registration Assurance Audit – on-going, findings to be reported November 2022
- Review of the Agreements between EKC Group and EKC Schools Trust – no areas of significant weakness, the current Agreements are fit for purpose

Approved by order of the members of the Governing Body on 13 December 2022 and signed on their behalf by:



Charles Buchanan
Chair of Governors



Graham Razey
Chief Executive Officer

Governing Body's Statement on the Group's Regularity, Propriety and Compliance

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

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

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



Charles Buchanan
Chair of Governors
13 December 2022



Graham Razey
Chief Executive Officer
13 December 2022

Statement of Responsibilities of the Members of the Governing Body

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

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

In preparing the financial statements, the Governing Body is required to:

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

The Governing Body is also required to prepare a Strategic Report of the Governing Body 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 Group.

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

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

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

Approved by order of the Governing Body on 13 December 2022 and signed on their behalf by:



Charles Buchanan
Chair of Governors

Independent auditor's report to the Governing Body of EKC Group

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2022 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- in all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 on going concern in the financial statements, which explains that the DfE has stated in its published guidance that alternative financing arrangements will be put in place to support colleges whose existing loan financing arrangements are nearing maturity. The DfE has stated that a college that wishes to have alternative financing arrangements must apply to the DfE for consent. At the date of our auditor's report, the DfE had not given consent to the College.

Our opinion is not modified in respect of this matter.

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of the members of the Governing Body

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the group and the College through discussions with management, and from our knowledge and experience of the sector;

- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group and the College, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

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

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

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

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

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

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

Use of our report

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

Edward Liu

22 December 2022

Buzzacott LLP
Statutory Auditor
130 Wood Street
London EC2V 6DL

Reporting Accountant's Assurance Report on Regularity

To: The Governing Body EKC Group and Secretary of State for Education acting through the Education and Skills Funding Agency ("the ESFA")

In accordance with the terms of our engagement letter dated 13 May 2019 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by EKC Group during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ("the Code") issued by 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 has other assurance arrangements in place.

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

Respective responsibilities of EKC Group and the reporting accountant

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

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

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP

22 December 2022

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Statement of Comprehensive Income

	Notes	Year ended 31 July 2022		31 July 2021
		Group £'000	College £'000	College £'000
INCOME				
Funding body grants	2	55,453	55,453	52,453
Tuition fees and education contracts	3	6,106	6,106	7,014
Other grants and contracts	4	2,506	2,506	990
Other income	5	4,886	2,690	2,270
Endowment and investment income	6	17	17	-
Total income		68,968	66,772	62,727
EXPENDITURE				
Staff costs	7	52,849	51,292	46,419
Fundamental restructuring costs	7	74	74	117
Other operating expenses	8	16,886	16,015	13,625
Depreciation	10	5,567	5,567	5,117
Interest and other finance costs	9	1,386	1,386	1,085
Total expenditure		76,762	74,334	66,363
Deficit before other gains and losses		(7,794)	(7,562)	(3,636)
Deficit for the year		(7,794)	(7,562)	(3,636)
Actuarial gain/(loss) in respect of pension schemes	19	65,534	65,534	(5,261)
Total Comprehensive Income for the year		57,740	57,972	(8,897)
Represented by:				
Unrestricted Comprehensive Income		57,740	57,972	(8,897)

The Statement of Comprehensive Income is in respect of continuing activities.

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
College			
Balance at 1 August 2020	56,478	3,222	59,700
Deficit from the income and expenditure account	(3,636)	-	(3,636)
Actuarial loss in respect of pension schemes (note 19)	(5,261)	-	(5,261)
Transfers between revaluation and income and expenditure reserves	161	(161)	-
	<hr/>	<hr/>	<hr/>
Total comprehensive expenditure for the year	(8,736)	(161)	(8,897)
Balance at 31 July 2021	47,742	3,061	50,803
Deficit from the income and expenditure statement	(7,562)	-	(7,562)
Actuarial gain in respect of pension scheme	65,534	-	65,534
Transfers between revaluation and income and expenditure reserves	161	(161)	-
	<hr/>	<hr/>	<hr/>
Total comprehensive expenditure for the year	58,133	(161)	57,972
Balance at 31 July 2022	105,875	2,900	108,775
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Group			
Balance at 1 August 2020	56,478	3,222	59,700
Deficit from the income and expenditure account	(3,636)	-	(3,636)
Actuarial loss in respect of pension schemes (note 19)	(5,261)	-	(5,261)
Transfers between revaluation and income and expenditure reserves	161	(161)	-
	<hr/>	<hr/>	<hr/>
Total comprehensive expenditure for the year	(8,736)	(161)	(8,897)
Balance at 31 July 2021	47,742	3,061	50,803
Deficit from the income and expenditure statement	(7,794)	-	(7,794)
Actuarial gain in respect of pension scheme	65,534	-	65,534
Transfers between revaluation and income and expenditure reserves	161	(161)	-
	<hr/>	<hr/>	<hr/>
Total comprehensive expenditure for the year	57,901	(161)	57,740
Balance at 31 July 2022	105,643	2,900	108,543
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Balance sheet as at 31 July

	Not	Group	College	College
		2022	2022	2021
		£'000	£'000	£'000
Non-current assets				
Tangible fixed assets	10	178,199	178,199	174,264
		178,199	178,199	174,264
Current assets				
Stocks		76	21	40
Trade and other receivables	11	4,223	3,449	1,779
Cash and cash equivalents	16	4,855	4,572	11,125
		9,154	8,042	12,944
Creditors – amounts falling due within one year	12	(11,616)	(10,272)	(12,145)
Net current (liabilities) / assets		(2,462)	(2,230)	799
Total assets less current liabilities		175,737	175,969	175,063
Creditors – amounts falling due after more than one year	13	(57,570)	(57,570)	(57,305)
Provisions				
Defined benefit obligations	15	(9,162)	(9,162)	(66,394)
Other provisions	15	(462)	(462)	(561)
Total net assets		108,543	108,775	50,803
Unrestricted Reserves				
Income and expenditure account		105,643	105,875	47,742
Revaluation reserve		2,900	2,900	3,061
Total unrestricted reserves		108,543	108,775	50,803

The financial statements on pages 33 to 53 were approved and authorised for issue by the Governing Body on 13 December 2022 and were signed on its behalf on that date by:



Charles Buchanan
Chair of Governors



Graham Razey
Chief Executive Officer

Consolidated Statement of Cash Flows

	Notes	2022 £'000	2021 £'000
Cash flow from operating activities			
Deficit for the year		(7,794)	(3,636)
Adjustment for non-cash items			
Depreciation	10	5,567	5,117
Increase in stocks		(36)	(16)
(Increase)/decrease in debtors	11	(2,444)	112
(Decrease)/increase in creditors due within one year	12	(142)	4,555
Increase in creditors due after one year	13	912	955
Increase in provisions	15	(99)	-
Pensions costs less contributions payable	19	8,302	5,831
Adjustment for investing or financing activities			
Investment income	6	(17)	-
Interest payable	9	347	328
Profit on sale of fixed assets			-
Net cash flow from operating activities		4,596	13,246
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	-
Investment income	6	17	-
Payments made to acquire fixed assets	10	(9,502)	(5,544)
		<u>(9,485)</u>	<u>(5,544)</u>
Cash flows from financing activities			
Interest paid	9	(347)	(328)
Repayments of amounts borrowed	14	(1,034)	(1,034)
		<u>(1,381)</u>	<u>(1,362)</u>
Increase in cash and cash equivalents in the year		(6,270)	6,340
Cash and cash equivalents at 1 August 2021	16	11,125	4,785
Cash and cash equivalents at 31 July 2022	16	4,855	11,125

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 & Higher Education 2019 (the 2019 FE HE SORP), the ESFA's College Accounts Direction for 2021 to 2022 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom & Republic of Ireland" (FRS 102). The Group is a public benefit entity and has therefore applied the relevant FRS 102 public benefit requirements.

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 Group'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 on 1 August 2014, 1 February 2018 and 1 April 2020 for certain non-current assets, due to the transfer in of assets from other colleges on these dates.

Basis of consolidation

The consolidated financial statements include the college and its subsidiaries, Yarrow Hotel Limited and Folkestone College Restaurant Limited, 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. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation.

In accordance with FRS 102, the activities of the student union have not been consolidated because the college does not control those activities.

Going concern

The financial statements have been prepared on a going concern basis. The Group continues to deliver a strong level of EBITDA, albeit a reduced level against previous years at 6%. The Group still maintains a significant underlying operating cash inflow, although the underspent capital budget in 2020/21 that caught up during 2021/22 has reduced the year-end current ratio from above 1.2:1 to 0.93:1.

The Group's new debt structure, which is now likely to involve both Santander and DfE facilities, will ensure it has adequate financing in place to support the capital programme, that adequate working capital is always available and that the current ratio is above 1:1.

The Group has prepared a financial plan, including a cash-flow forecast, which shows that the Group will be able to meet its debts as they fall due, can deliver a positive EBITDA position in every year of the plan and can maintain a satisfactory level of cash throughout. It should also be noted that the level of EBITDA that the Group plans to deliver is maintained at significantly ahead of sector norms. It is therefore appropriate for these financial statements to be prepared on a going concern basis.

The ONS reclassification of Colleges into the central government sector has had an immediate impact on the Group. A planned re-structuring of existing debt was due to take place in January 2023 at the maturity of three facilities, a term loan and two revolving credit facilities amounting to approximately £19.25million. A full credit-backed set of terms had already been negotiated with the Group's bankers, Santander, to facilitate this renewal and ensure continued progress in delivering the Group's property strategy.

The DfE have stated in their published guidance that they will put alternative financing arrangements in place to support Colleges whose existing loan financing arrangements are nearing maturity, so the Group has received adequate assurances that the maturing of the existing commercial loan facilities will not cause

a risk to cash flow or the EKC Group as a going concern. At date of approving these financial statements, the DfE had not given consent to the College.

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 income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the 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 OFS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

Grants (including research grants) from non-government sources are recognised in income when the Group 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 model as permitted by FRS 102. Other non-governmental capital grants are recognised in income when the Group is entitled to the funds subject to any performance-related conditions being met.

Income from tuition fees is recognised in the period in which it is received and includes all fees payable by students or their sponsors.

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 Group 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.

The TPS is an unfunded scheme. Contributions to the TPS are calculated to spread the cost of pensions over employees' working lives with the Group 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 based on valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. 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 is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount

the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial 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 Group. Any unused benefits are accrued and measured as the additional amount the Group expects to pay because of the unused entitlement.

Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by a 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 Group'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.

Assets acquired through merger are recognised at fair value as at the date of acquisition.

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation based on depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

Building improvements made since 1994 are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the Group of between 40 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 Group followed the transitional provision to retain the book value of land and buildings, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Equipment

Equipment costing less than £2,000 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:

- General Equipment 7 years
- IT Equipment 3-5 years

Borrowing costs

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

Leased assets

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

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 per 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.

Taxation

The Group 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 Group 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 Group is partially exempt in respect of Value Added Tax (VAT), so that it can only recover a minor element 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, where the inputs themselves are tangible fixed assets.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation because 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 Group 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 Group. 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 Group acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies, where the Group is exposed to minimal risk or enjoys minimal economic benefit related to the transaction. These amounts and subsequent disbursements to students are excluded from the Income and Expenditure Account of the Group and are shown separately in Note 21, except for the 5 per cent of the total grant received which is available to the Group to cover administration costs relating to those funds.

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 Group 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 the appropriateness of preparing the financial statements on a going concern basis.

*Other key sources of estimation uncertainty**Tangible fixed assets*

Tangible fixed assets are depreciated over their useful economic 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. Valuation estimates used in the financial statements, particularly with respect to the fair value of tangible fixed assets are subject to a greater degree of uncertainty. In providing their valuation of properties transferred from the Hadlow Group as at 1 April 2020, the chartered surveyors reported that as a result of the Covid-19 pandemic, market activity is being impacted in many sectors. As at the valuation date less weight can be attached to previous market evidence for comparison purposes. The valuation is therefore reported on the basis of 'material valuation uncertainty' in accordance with RICS guidance. Consequently, less certainty - and a higher degree of caution - should be attached to the valuation than would normally be the case.

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 19, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants	2022		2021
	Group £'000	College £'000	College £'000
Recurrent grants			
Education and Skills Funding Agency - adult	10,438	10,438	9,298
Education and Skills Funding Agency – 16 -18	36,718	36,718	35,300
Office for Students	129	129	144
Specific grants			
Education and Skills Funding Agency	6,139	6,139	5,888
Releases of government capital grants	2,029	2,029	1,823
Total	55,453	55,453	52,453
3 Tuition fees and education contracts			
	2022		2021
	Group £'000	College £'000	College £'000
Adult education fees	684	684	426
Apprenticeship fees and contracts	65	65	78
Fees for HE loan supported courses	517	517	641
Fees for FE loan supported courses	878	878	1,058
Total tuition fees	2,144	2,144	2,203
Education contracts	3,962	3,962	4,811
Total	6,106	6,106	7,014
4 Other grants and contracts			
	2022		2021
	Group £'000	College £'000	College £'000
Local Authority Project Grants	1,727	1,727	-
Coronavirus job retention scheme	-	-	355
Other grants and contracts	779	779	635
Total	2,506	2,506	990
5 Other income			
	2022		2021
	Group £'000	College £'000	College £'000
Catering and residences	3,419	1,374	309
Other income generating activities	1,467	1,316	1,961
Total	4,886	2,690	2,270

6 Investment income

	2022		2021
	Group	College	College
	£'000	£'000	£'000
Other interest receivable	17	17	-
Total	17	17	-

7 Staff costs – Group and College

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

	2022		2021
	Group	College	College
	No.	No.	No.
Teaching staff	1,025	1,025	988
Non-teaching staff	546	515	476
	1,571	1,540	1,464

Staff costs for the above persons

	2022		2021
	£'000	£'000	£'000
	Wages and salaries	35,518	33,999
Social security costs	3,157	3,129	2,753
Other pension costs (note 19)	13,814	13,804	10,992
Payroll sub total	52,489	50,932	45,760
Contracted out staffing services	360	360	659
Fundamental restructuring costs - contractual	74	74	117
Total Staff costs	52,923	51,366	46,536

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and are represented by the College Executive Team which comprises the CEO, Chief Financial Officer, Chief Strategy Officer, CEO EKC Schools Trust, Chief Education Officer, Chief Transformation Officer and Chief Curriculum Officer.

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

	2022		2021
	Group	College	College
	No.	No.	No.
The number of key management personnel including the CEO was:	7	7	9

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

	Key management personnel		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£50,001 to £55,000 p.a.	n/a	1	n/a	n/a
£55,001 to £60,000 p.a.	1	n/a	1	n/a
£60,001 to £65,000 p.a.	n/a	n/a	8	6
£65,001 to £70,000 p.a.	n/a	n/a	3	n/a
£70,001 to £75,000 p.a.	n/a	n/a	4	3
£75,001 to £80,000 p.a.	n/a	n/a	n/a	1
£80,001 to £85,000 p.a.	1	2	1	n/a
£85,001 to £90,000 p.a.	1	n/a	n/a	n/a
£95,001 to £100,000 p.a.	n/a	1	1	n/a
£100,001 to £105,000 p.a.	n/a	2	n/a	1
£110,001 to £115,000 p.a.	1	n/a	n/a	n/a
£115,001 to £120,000 p.a.	n/a	1	n/a	n/a
£120,001 to £125,000 p.a.	2	n/a	n/a	n/a
£135,001 to £140,000 p.a.	n/a	1	n/a	n/a
£185,001 to £190,000 p.a.	n/a	1	n/a	n/a
£190,001 to £195,000 p.a.	1	n/a	n/a	n/a
	7	9	19	11

Key management personnel compensation is made up as follows:

	2022		2021
	Group £'000	College £'000	College £'000
Salaries	769	769	936
Employers National Insurance	102	102	115
Benefits in kind	3	3	5
	874	874	1,056
Pension contributions	158	158	202
Total key management personnel emoluments	1,032	1,032	1,258

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

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

	2022		2021
	Group £'000	College £'000	College £'000
Salaries	190	190	184
Benefits in kind	1	1	2
	191	191	186
Pension contributions	45	45	44
	236	236	230

The Governing Body adopted the Association of College's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principles.

The remuneration package of key management staff, including the Chief Executive Officer, is subject to annual review by the Remuneration Committee of the Governing Body who justify the remuneration by taking into account the value delivered, sector benchmarking and the context in which the Group is operating.

The members of the Governing Body, other than the Chair of the Governing Body, who received a salary of £20,000 for the year, the Chief Executive Officer and the Staff Governors did not receive any payment from the Group other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Benefits in kind relate to the provision of health insurance.

Relationship of Chief Executive Officer pay and remuneration expressed as a multiple

	2022	2021
CEO's basic salary as a multiple of the median of all staff	6.7	6.6
CEO's total remuneration as a multiple of the median of all staff	6.7	6.6

8 Other operating expenses

	2022		2021
	Group	College	College
	£'000	£'000	£'000
Teaching costs	3,302	3,307	2,603
Non-teaching costs	9,547	8,674	7,200
Premises costs	4,037	4,034	3,822
Total	16,886	16,015	13,625

Other operating expenses include:

	2022		2021
	Group	College	College
	£'000	£'000	£'000
Auditors' remuneration:			
Financial statements audit	37	38	31
Other services provided by the external auditors	23	16	16
Internal audit	17	17	5
Hire of assets under operating leases	243	241	239

9 Interest and other finance costs – Group & College

	2022		2021
	Group	College	College
	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	347	347	328
Net interest on defined pension liability (note 19)	1,039	1,039	757
Total	1,386	1,386	1,085

10 Tangible fixed assets (Group and College)

	Land and buildings	Equipment	Assets in the course of construction	Total
Cost or valuation	£'000	£'000	£'000	£'000
At 1 August 2021	185,269	20,147	4,346	209,762
Transfers	2,139	1,106	(3,245)	-
Additions	730	1,906	6,866	9,502
At 31 July 2022	188,138	23,159	7,967	219,264
At 1 August 2021	22,405	13,093	-	35,498
Charge for the year	3,561	2,006	-	5,567
At 31 July 2022	25,966	15,099	-	41,065
Net book value at 31 July 2022	162,172	8,060	7,967	178,199
Net book value at 31 July 2021	162,864	7,054	4,346	174,264

Land and buildings were valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the Group on a depreciated replacement cost basis with the assistance of independent professional advice. Fixed assets transferred from K College on 1 August 2014, fixed assets transferred from Canterbury College on 1 February 2018 and fixed assets transferred from Hadlow Group on 1 April 2020 were valued by a firm of independent chartered surveyors on a depreciated replacement cost basis in order to assess the fair value at the point of transferring the assets into the Group. These assets have been transferred in at fair value and then used as deemed cost. See the accounting policy on key sources of estimation uncertainty in respect to tangible fixed assets for more detail on the valuation as at 1 April 2020.

The Department for Education holds a charge over property at Folkestone College in relation to £5,000,000 of the restructuring grant received for the merger of East Kent College and Canterbury College in February 2018.

Ashford Borough Council holds a charge over the Cumming House property in Ashford in relation to the first £950,000 of net sale proceeds for a period of 25 years from the date of transfer (1 April 2020).

The education administrators of the Corporation of West Kent and Ashford College hold a charge over the Ashford College sites and the education administrators of the Corporation of Hadlow College hold a charge over the Spring Lane, Canterbury site, both for a period of 40 years from the date of transfer (1 April 2020).

11 Trade and other receivables

	2022		2021
	Group £'000	College £'000	College £'000
Amounts falling due within one year:			
Trade receivables	776	1,017	724
Prepayments and accrued income	3,096	1,618	834
Amounts owed by subsidiaries	-	463	-
Amounts owed by the ESFA	351	351	221
Total	4,223	3,449	1,779

12 Creditors: amounts falling due within one year

	2022		2021
	Group £'000	College £'000	College £'000
Bank loans and overdrafts (note 14)	647	647	1,034
Trade payables	2,388	2,348	1,617
Other taxation and social security	761	752	681
Accruals and deferred income	4,658	3,363	3,976
Employee holiday pay	261	261	238
Deferred income - government capital grants	1,698	1,698	1,686
Amounts owed to the ESFA	1,203	1,203	2,913
Total	11,616	10,272	12,145

13 Creditors: amounts falling due after one year

	2022		2021
	Group £'000	College £'000	College £'000
Bank loans (note 14)	9,967	9,967	10,614
Deferred income – government capital grants	47,603	47,603	46,691
Total	57,570	57,570	57,305

14 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2022 £'000	2021 £'000
In one year or less	647	1,034
Between one and two years	707	8,615
Between two and five years	2,132	426
In five years or more	7,128	1,573
Total	10,614	11,648

Bank loans and overdrafts at fixed and variable interest rates of between 2.86% and 4.73% repayable by instalments falling due between 1 August 2017 and 31 August 2028 and are secured over the Canterbury College estate.

15 Provisions

(Group & College)

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2021	66,394	561	66,955
Net expenditure in the period	(57,232)	(99)	(57,331)
At 31 July 2022	9,162	462	9,624

Defined benefit obligations relate to the liabilities under the Group's membership of the Local Government Pension Scheme. Further details are given in Note 19.

The enhanced pension provision relates to the cost of staff who have already left the Group's employ and commitments for reorganisation costs from which the Group cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:	2022	2021
Price inflation	2.60%	2.20%
Discount rate	1.60%	1.30%

16 Movement in net debt

	At 1 August 2021 £'000	Cash flows £'000	At 31 July 2022 £'000
Cash and cash equivalents	11,125	(6,270)	4,855
Bank loans	(11,648)	1,034	(10,614)
Total Net Debt	(523)	(5,236)	(5,759)

17 Capital and other commitments

	2022	2021
	£'000	£'000
Commitments contracted for at 31 July	17,021	9,582

The commitments relate to the delivery of the Property Strategy with major projects across many of the Group's College sites including Ashford, Broadstairs Canterbury Spring Lane, Folkestone & Dover.

18 Lease obligations

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

Future minimum lease payments due	2022	2021
	£'000	£'000
Land and buildings		
Not later than one year	117	66
Later than one year and not later than five years	224	105
Later than five years	-	-
	341	171
Other		
Not later than one year	75	143
Later than one year and not later than five years	7	82
	82	225
Total lease payments due	423	396

19 Defined benefit obligations (Group & College)

The Group's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Kent County Council. 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 31 March 2019 and of the LGPS 31 March 2019.

Total pension cost for the year	2022	2021
	£000	£'000
Teachers' Pension Scheme: contributions paid	3,722	3,485
Local Government Pension Scheme:		
Contributions paid	2,878	2,494
FRS 102 (28) charge	7,204	5,013
Charge to the Statement of Comprehensive Income	10,082	7,507
Total Pension Cost for Year within staff costs	13,804	10,992

Contributions amounting to £413,531 (2021: £397,794) were payable to the scheme at 31 July 2022 and are included within creditors.

Teachers' Pension Scheme

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

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

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

Accordingly, the Group 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 Group has set out above the information available on the plan and the implications for the Group from the anticipated contribution rates.

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

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

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

The pension costs paid to TPS in the year amounted to £3,721,391 (2020/21: £3,484,847).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Kent County Council Local Authority. The total contribution made for the year ended 31 July 2022 was £3,894,456, of which employer's contributions totalled £2,878,181 and employees' contributions totalled £1,011,835. The agreed contribution rates for future years are 18.4% for employers and range from 5.5% 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 2019 updated to 31 July 2022 by a qualified independent actuary.

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	2.80%	2.85%
Future pensions increases	2.80%	2.85%
Discount rate for scheme liabilities	3.40%	1.60%
Inflation assumption (CPI)	2.80%	2.85%

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

	At 31 July 2022 years	At 31 July 2022 Years
<i>Retiring today</i>		
Males	21.00	21.90
Females	23.50	23.80
<i>Retiring in 20 years</i>		
Males	22.30	23.30
Females	24.90	25.30

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

	Fair Value at 31 July 2022 £'000	Fair Value at 31 July 2021 £'000
Equity instruments	66,242	66,082
Gilts	585	645
Bonds	13,570	14,148
Property	12,281	10,581
Cash	1,901	3,014
Target Ratio Portfolio	7,443	7,133
Total fair value of plan assets	102,022	101,603
Actual return on plan assets	(728)	13,220

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

	2022	2021
	£'000	£'000
Fair value of plan assets	102,022	101,603
Present value of plan liabilities	(111,161)	(167,972)
Present value of unfunded liabilities	(23)	(25)
Net pensions liability (Note 15)	(9,162)	(66,394)

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

	2022	2021
	£'000	£'000
Amounts included in staff costs		
Current service cost	10,067	7,552
Past service cost	23	25
Total	10,090	7,577

Amount recognised in Other Comprehensive Income

	2022	2021
	£'000	£'000
Return on pension plan assets	(2,363)	11,994
Experience gains arising on defined benefit obligations	(379)	-
Changes in assumptions underlying the present value of plan liabilities	68,276	(17,255)
Amount recognised in Other Comprehensive Income	65,534	(5,261)

Movement in net defined liability during year

	2022	2021
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(66,394)	(55,302)
Movement in year:		
Current service cost	(10,067)	(7,527)
Employer contributions	2,883	2,536
Administration expenses	(59)	(61)
Past service cost	(23)	(25)
Unfunded pension payments	3	3
Net interest on the defined liability	(1,039)	(757)
Actuarial gain / (loss)	65,534	(5,261)
Net defined benefit liability at 31 July	(9,162)	(66,394)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	2022	2021
	£'000	£'000
Defined benefit obligations at 1 August	167,997	142,066
Current Service cost	10,067	7,527
Interest cost	2,674	1,983
Contributions by Scheme participants	1,013	898
Experience gains and losses on defined benefit obligations	379	-
Changes in financial assumptions	(68,276)	17,255
Past Service Costs	23	25
Estimated benefits paid	(2,690)	(1,754)
Unfunded pension payments	(3)	(3)
Defined benefit obligations at 31 July	111,184	167,997
Changes in fair value of plan assets	2022	2021
	£'000	£'000
Fair value of plan assets at 1 August	101,603	86,764
Interest on plan assets	1,635	1,226
Return on plan assets	(2,363)	11,994
Actuarial Gains/Losses	-	-
Employer contributions	2,886	2,539
Administration expenses	(59)	(61)
Contributions by Scheme participants	1,013	898
Assets transferred from Hadlow Group	-	-
Estimated benefits paid	(2,693)	(1,757)
Fair value of plan assets at 31 July	102,022	101,603

The other financial and demographic assumptions adopted to calculate the past service cost are the same as those used to calculate the overall scheme liability. Adopting different assumptions, or making other adjustments to reflect behavioural changes stemming from the judgment, would be expected to change the disclosed past service cost.

Similarly, allowing for variations in individual members' future service or salary progression is expected to produce higher costs. The past service cost is particularly sensitive to the difference between assumed long term general pay growth and the CPI. If the long-term salary growth assumptions were 0.5% pa lower, then the past service cost disclosed here would be expected to reduce by 50% and conversely a 0.5% p.a. increase would increase the estimated cost by 65%.

20 Related party transactions

Due to the nature of the Group's operations and the composition of the Governing Body being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Governing Body may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Group's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £1,608.93; 6 Governors (2021: 0). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor, other than the Chair of the Governing Body has received any remuneration or waived payments from the College during the year (2021: None). The annual remuneration of the Chair of the Governing Body is £25,000.

Balances due from the subsidiary companies at 31 July 2022 are shown in note 11.

21 Amounts disbursed as agent

Learner support funds

	2022	2021
	£'000	£'000
Funding body grants – 16-19 Bursary Support and Vulnerable Bursary	1,387	1,195
Funding body grants – Advanced Learner Loans Bursary	121	287
	<u>1,508</u>	<u>1,482</u>
Disbursed to students - 16-19	(966)	(809)
Disbursed to students - Vulnerable	(178)	(125)
Disbursed to students - Advanced Learner Loan	(72)	(56)
Administration costs	(52)	(43)
Balance unspent as at 31 July	<u>240</u>	<u>449</u>

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

22 Post Balance Sheet Events

The ONS reclassification of Colleges into the central government sector has had an immediate impact on the Group. A planned re-structuring of existing debt was due to take place in January 2023 at the maturity of three facilities, a term loan and two revolving credit facilities amounting to approximately £19.25million. A full credit-backed set of terms had already been negotiated with the Group's bankers, Santander, to facilitate this renewal and ensure continued progress in delivering the Group's property strategy.

The DfE have stated in their published guidance that they will put alternative financing arrangements in place to support Colleges whose existing loan financing arrangements are nearing maturity, so the Group has received adequate assurances that the maturing of the existing commercial loan facilities will not cause a risk to cash flow or the EKC Group as a going concern.

The Group has taken the difficult decision to close Anne's restaurant, ceasing trading in November 2022.