



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

## Key Management Personnel, Board of Governors and Professional advisers

### Key management personnel

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

Graham Razey, Chief Executive Officer; Accounting officer  
Anne Leese, Deputy Chief Executive Officer  
Chris Legg, Chief Financial Officer  
Paul Sayers, Chief Strategy Officer  
Tammy Mitchell, Chief Education Officer  
Andrew Stevens, Chief Operating Officer

### Board of Governors

A full list of Governors is given on pages 15 to 17 of these financial statements.

Ms S Hollingsworth acted as Director of Governance and Clerk to the Corporation from 24 February 2020 and was appointed as Director of Governance from 1<sup>st</sup> July 2020.

### Professional advisers

#### Financial statements auditors and reporting accountants:

Buzzacott LLP  
130 Wood Street  
London  
EC2V 6DL

#### Internal auditors:

Wilkins Kennedy  
35 Station Road  
Ashford  
Kent  
TN23 1PP

#### Bankers:

Santander  
South East  
3<sup>rd</sup> Floor  
Santander House  
100 Ludgate Hill  
London  
EC4M 7RE

#### Solicitors:

Cripps LLP  
Wallside House  
12 Mount Ephraim Rd  
Tunbridge Wells  
TN1 1EG

Gillian Howard Associates  
C/o Howard & Howard Solicitors  
43 Wimpole Street  
London  
W1M 7AF

Eversheds  
1 Wood St  
London  
EC2V 7WS

# 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 2020.

### 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 February 2018, a 'Type B' merger was completed between East Kent College and Canterbury College. This resulted in the transfer of assets, liabilities and rights of Canterbury College to East Kent College and the dissolution of the Corporation of Canterbury College. On 1 August 2018 East Kent College was renamed EKC Group. On 1 April 2020 EKC Group also 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).

### Mission

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

### Introduction – Financial Statements

This past Academic Year has been a busy one, with significant operational changes as the entire Group was required to pivot at pace to meet the challenges brought by the coronavirus pandemic.

In the first half of the Academic Year the Group continued to build on the work it had started, ensuring a growth in brand awareness, the improved performance of its Colleges and Business Units and the development of its work to enrich learners studies. Within this the Group was shortlisted (prior to winning later in the year) for a coveted national Beacon Award for its work to deliver a sector leading programme of social action for students. The award was made following a rigorous assessment process that saw Association of Colleges assessors visit the Group to explore the impact of the programme on students, staff and wider community stakeholders.

The Group has continued to develop its offering, launching the EKC Schools Trust on 1 March 2020 to help deliver its ambition of providing access to high quality technical and vocational opportunities for students at an earlier age. The Trust launched with four inaugural primary schools but aims to grow by three schools every year.

On 1 April 2020, the Group welcomed Ashford College and the Canterbury Spring Lane campus into the organisation following their acquisition from the former Hadlow College and West Kent and Ashford College. The Group had been working to bring them onboard after the two former corporations were placed in education administration.

As part of the work the Group has undertaken to develop technical and vocational education opportunities for everyone within the communities it serves, it has built on its successful delivery of 14 to 16-year-old provision at its Broadstairs College by adopting the same model of a 'Junior College' at its Folkestone site. The new College was on track to launch for the beginning of the new Academic Year 2020-2021, giving younger learners the opportunity to engage with technical and vocational subjects at an earlier age, and breaking down barriers to joining further education provision.

EKC Group also launched its new Strategic Plan which will run until 2024. The plan had undergone a series of consultations with both internal and external stakeholders and had received widespread support. It retains the same core mission, vision and values, but has sought to give sharper relief to the core goals and objectives of the Group in order to provide stakeholders with a greater clarity and understanding of what it is attempting to achieve.

The Group also rallied following the pandemic, pivoting its offer to remote delivery for its 12,000 students and maintaining an inspirational student experience despite an increasingly complex environment. Within this work the Group developed an online portal, EKC Online, to help learners access their education more easily. It also placed a significant emphasis on ensuring that vulnerable learners remained safeguarded, with regular support given to them. As an anchor organisation in East Kent the Group also developed a 'Recovery Package' to support its communities economic regeneration, with additional support for those who had been made redundant due to coronavirus and a greater range of support for businesses which faced an uncertain future.

### 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 £166,158,000; equipment, plant and machinery with a net book value of £6,787,000; and assets under construction with a net book value of £892,000.

#### *Financial*

The Group has £59,700,000 of net assets (after deducting a £55,302,000 pension liability) and long-term debt of £11,648,000.

#### *People*

The Group employs 901 people (expressed as full-time equivalents), of whom 575 are teaching staff.

### Stakeholders

EKC Group has many stakeholders who are vitally important to supporting the achievement of its strategic goals. These include, but are not limited to:

- 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.

### Public Benefit

EKC Group is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body who are trustees of the exempt charity are disclosed on pages 13-15.

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 develop a new Strategic Plan, whilst continuing to deliver against its three existing goals and objectives. The three strategic goals of its former plan were:

- To drive educational change with the communities we serve
- To provide exceptional learning opportunities
- To achieve outstanding outcomes for students and employers

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

The Group has worked hard to deliver on each of these key goals. It has regularly reviewed and, where necessary, altered its service level strategies to ensure every area is delivering on its objectives. Alongside this, the Group has worked to develop a new Strategic Plan which runs between 2020-2024. The Strategic Plan launched at the beginning of the Academic Year 2020-2021. The work undertaken to deliver the plan included significant consultation, with two internal rounds with staff and one external round with stakeholders. The plan received significant support in its consultations.

### Curriculum developments

EKC Group had 5,117 students on 16-19 study programmes across 14 subject areas 4,028 students on funded Adult Education provision, 663 High Need students and 67 students on 14-16 programmes in our Junior College at Broadstairs.

On 1 April, 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, an exciting new addition which forms a key development priority within the newly launched Strategic Plan.

EKC Group continued to improve and develop its study programmes focusing on their relevance and impact with more young people than ever participating in social action projects pre lockdown. Our exceptional approach to social action was recognised on the UK stage with us being awarded a national Beacon Award in June 2020.

English and mathematics continued to be developed and improved with a new entry point system implemented, maximising positive progress and ensuring students were suitably stretched and challenged. A new regular checkpoint assessment process meant we were well placed to accurately predict and evidence grades for GCSE outcomes.

New provision developed during 2019-20 included creative arts at Dover Technical College, sport, leisure, finance and performing arts at Broadstairs, civil engineering at Canterbury, sport at Folkestone along with a new Junior College and a number of higher apprenticeships through EKC WorkHigher. EKC IntoWork

also opened a new adult community learning centre in Sittingbourne with a further one planned to open in Ashford.

A new project with Rail Track was successfully delivered and a bid to engage in the Erasmus project was also successful.

EKC Group delivered T-Level work placements in 2019-20 as part of the national pilot and continue to develop T-Levels across 5 routes for delivery from September 2021.

EKC Group gained approval for its highly successful Centre of Excellence for Mathematics to continue for a further two years.

## **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 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 over-performed against its budgeted EBITDA outcome of £3,976,000 for the year, with an EBITDA of £5,276,000, out-performed the current ratio objective for the year ended 31 July 2020 with an adjusted current ratio of 1.23:1 but came in above the 65% target level of staff costs as a percentage of income at 68.3%.

### **Financial Results**

The Group reports an operating deficit of £2,367,000 after pensions adjustments (£4,076,000) have been taken into the Statement of Comprehensive Income. At 31 July 2020, the Group had accumulated income and expenditure reserves before pension reserve of £115,002,000 and a cash at bank balance of £4,785,000. 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 £55,302,000. This is a deterioration on the previous year-end position, with an in-year actuarial loss of £17,551,000.

Tangible fixed asset additions during the year amounted to £1,983,000. This was mostly on a number of smaller value projects, with the more significant capital projects during the year being the continuation of the Folkestone College new build, various IT investments and some boiler replacements.

### **Cash flow and liquidity**

The net cash inflow for the year is £2,997,000 (2018/19: net cash inflow of £1,180,000). This is predominantly made up of an operating cash inflow of £6,451,000 (2018/19: £4,626,000), capital expenditure of £1,983,000 (2018/19: £2,031,000) and loan capital repayments of £1,054,000 (2018/19: £937,000).

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 much-reduced level of trade payables at the 2018/19 year-end (£238,000), which has now risen to a more expected level of £503,000 at the 2019/20 year-end. This is still a relatively low level of trade payables and is as a result of a front-loading of some revenue expenditure budgets and a low number of on-going capital projects.

### **Developments**

Plans are on-going to develop a new building at Folkestone College, with costs incurred during the year on professional fees of £461,000. The design stage has now been completed and the main contractor

procurement exercise will be completed in the early months of the 2020/21 academic year, with work expected to begin on-site before the end of the 2020 calendar year.

The Group also received grant funding in-year to implement improvements to the Ashford College and Canterbury Spring Lane sites, amounting to £1,277,000. These funds are to be expended before 31 March 2021 with any unspent funds returned to the ESFA.

### **Reserves**

The Group continues to be reliant on its core government grant funding, which has seen annual real-term funding reductions in recent years, although there is a 4.7% rates increase to the core 16-19 funding in 2020/21. However, it continues to be important to ensure there are sufficient reserves to maintain the on-going solvency of the Group.

The Group already has substantial positive unrestricted reserves of £56,478,000, so the financial plan focuses on following a strategy of maintaining the Group's underlying cash holdings to deliver a current ratio of between 1:1 and 1.2:1, whilst continuing to invest in improvements to the Group estate and technology. The current cash balance of £4,785,000 is forecast to reduce during the 2020/21 academic year, with a forecasted cash balance of £3,274,000 by July 2021, through a mixture of cash inflow from operating activities of £4,340,000, new capital expenditure of £9,359,000 (of which, £2,803,000 will be grant-financed) and loan repayments offset by the beginning of the drawdown of the new loan facility to 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 2019/20, there was an increase in the reliance on ESFA income to 81.7% (2018/19: 80.2%).

## **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 81.7%. This is higher than the benchmarked average for general further education colleges (72.1% as per the ESFA Finance Record 2018/19 for all General FE Colleges). The Group has been following the strategy below to diversify its income:

- To develop a broader portfolio of courses in the Group's specialisms to include pre 16 and higher education, already evidenced by the Group's 14-16 Junior College and HE offer, and the creation of EKC Schools Trust.
- To grow the commercial income by implementing business ventures and commercialism as part of the curriculum, for example The Yarrow Hotel, community cafés, commercial salons, and other entrepreneurial student-led enterprises.
- To be outstanding in all aspects of our work to raise the Group's profile with employers and stakeholders.

## **2. Tuition fee policy**

In line with the majority of other colleges, EKC Group will seek to increase tuition fees in accordance with Government's fees policy. The risk for the Group is that demand falls off. This is mitigated in a number of ways:

- By ensuring the Group is rigorous in delivering high quality education and training, thus ensuring value for money for students.
- Close monitoring of the demand for courses due to changes in price.

## **3. 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.

## **4. 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.

## **5. The effect of coronavirus on our local economies and communities**

Whilst the pandemic is an ongoing operational challenge it remains a key and significant risk for the Group. The full effects of the pandemic are, as yet, unknown. However, it is clear that they will be significant as we move forward. As a large organisation within East Kent the Group has a clear responsibility to the communities it serves, and has formulated a 'recovery group' to help ensure that it supports the continued growth and development of its local areas.

## **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 new 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 2019/20, the Group has delivered activity that has produced £40,390,000 in funding body main allocation funding (2018/19 - £39,865,000). The Group had approximately 10,500 funded and 6,500 non-funded students.

### Student achievements

EKC Group, at the point of lockdown, was showing improved retention and attendance rates for both young people and adults. More students than ever had achieved a high grade in the November re-sits for English and mathematics.

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
<b>Overall effectiveness</b>	Good
<b>Leadership &amp; Management</b>	Outstanding
<b>Teaching Learning &amp; Assessment</b>	Good
<b>Personal Development, Behaviour and Welfare of Students</b>	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 nursery based at Broadstairs College was inspected in May 2019 and was graded “Good”. Similarly, the nursery at Canterbury College was last inspected in 2018 and was graded “Good”.

### **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**

Respective Colleges and business units have continued to develop partnerships with employers across East Kent and to grow their Apprenticeship provision through EKC WorkHigher. Our EKC IntoWork business unit has also been particularly successful in developing community-based adult provision to best meet employer need and has been very successful in working with a range of employers to help meet their staff recruitment needs such as Wetherspoon and Café Rouge. EKC IntoWork has also grown its provision, launching a new site in Sittingbourne that offers a range of provision for those within the town.

The Group has also developed a more robust strategic engagement programme to develop wider collaborative workstreams with employers. Its new ‘Key Accounts Strategy’ will empower it to leverage its work with employers, improving outcomes for even more within the communities it serves.

### **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 committed to ensuring equality of opportunity for all who learn and work here. The Group respects and values positively differences in race, gender, sexual orientation, able-bodiedness, class and age. The Group strives vigorously to remove conditions that place people at a disadvantage and will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis.

EKC Group considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the Group continues. The Group’s approach is to provide training, career development and opportunities for promotion that are accessible to all staff.

The Organisation Culture Development Group has been formed for 2020-21 to focus on how we make sure our day to day represents these core values.

## Disability Statement

EKC Group seeks to achieve the objectives set down in the Equality Act 2010 and in particular makes the following commitments;

- as part of the redevelopment of the buildings it has installed lifts and ramps so that most of the facilities allow access to people with a disability;
- there is a list of specialist equipment, such as lighting for audio facilities, which the Group can make available for use by students;
- the admissions policy ensures all needs are fully assessed prior to the start of the course ensuring full inclusivity. 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 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 period	FTE employee number
6	5.16

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

Total cost of facility time	£27,090
Total pay bill	£36,374,000
Percentage of total bill spent on facility time	0.07%

Time spent on paid trade union activities as a percentage of total paid facility time	97.5%
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## GOING CONCERN

The financial statements have been prepared on a going concern basis. The Group continues to deliver a strong EBITDA of 9.5%, significantly above sector norms, the Group still maintains a significant operating cash inflow and has therefore been able to improve the current ratio to above 1.2:1 through this healthy cash generation.

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 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.

## **FUTURE DEVELOPMENT AND PERFORMANCE**

### **Future prospects**

The Group has just launched its new Strategic Plan which will guide its direction for the next four years. Within it, the Group will seek to continue to develop its estate, with a focus on improving its Colleges in Dover and Folkestone, whilst also engaging in new capital developments at its newly acquired Ashford College and Spring Lane sites. Alongside this, the Group will seek to engage in other anchor developments within the communities it serves, looking to work to shape exciting new developments that could offer opportunities for our students such as potentially at the Newtown Works development in Ashford and the regenerated Manston Airport in Thanet. The Group will also seek to expand its nursery provision, breaking down barriers to education through high quality childcare which meets the needs of the communities it serves.

The Group will also seek to drive growth within its communities in light of the current coronavirus pandemic. It will do this through the implementation of Government schemes at a local level, as well as its dynamic and responsive recovery package which seeks to support both individuals and employer stakeholders alike.

The Group is also getting ready to launch a new business unit, EKC DigitalLearn, which will unlock education for a new segment of the market. This 100 per cent on-line provision will empower those, who find attendance on a College campus challenging, to access training through remote learning platforms, leveraging technology and systems to deliver an inspirational education experience.

### **Reputation**

Over the past year EKC Group has continued to develop its reputation, growing awareness of its distinctive brand whilst also promoting its individual Colleges and business units within their localities. Despite a challenging environment it has retained a positive reputation sentiment through its continued delivery of a high-quality learning experience and commitment to delivering for its communities. The Group has continued to deliver a set of core business activities such as its East Kent Apprenticeship Awards, growing its reputation with community stakeholders, local media providers and employers within the area. Its media strategy has also delivered impactful, positive coverage, highlighting the positive effects of high quality technical and vocational education within East Kent. The Group has also continued to refine and develop its stakeholder engagement, building on work to grow its prominence within its locality, and enhance the broader reputation of technical and vocational education within East Kent.

The Group's continued commitment to its sector leading social action programme was also rewarded this year, when it won the AoC Beacon Award in the Pears #iwill Award for Social Action and Student Engagement category. The award rewarded staff and students for their continued engagement in social action, highlighting the considerable positive effects the programme has had across the communities which we serve. This resulted in a significant boost to the Group's reputation, with excellent awareness being raised throughout the sector, and with other key stakeholders and media providers.

## **STAFF AND STUDENT INVOLVEMENT**

### **Students**

During 2019/20, EKC Group had Student Union Presidents for each College. Students were able to provide feedback on College progress through national and College surveys, regular student question time with Senior Managers, three student experience reviews a year and the student class representative structure.

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

The Group continued to implement a series of "progress weeks" during which students participated in social action programmes including work in the community, volunteering and charity events. A National Beacon Award was won by the Group in recognition of the unique and extensive impact of our social action programmes.

During the lockdown period all vulnerable students were contacted daily to check on their wellbeing and to ensure any safeguarding concerns were picked up quickly. In addition, two student surveys were undertaken to gauge the impact of lockdown on students' mental wellbeing and to better understand the impact of our wellbeing centres.

## **Staff**

It has been a difficult and challenging year for staff, given the lockdown measures in place since March 2020. During this time, a daily CEO update kept staff in touch with developments, celebrated successes and shared experiences. Microsoft Teams was used extensively to keep in touch and to continue business wherever possible.

A whole staff body online consultation on pay, terms and conditions and workload was undertaken with live meetings engaging upwards of 150 staff at any one time. Never have more staff contributed to a consultation process and in doing so really influenced the final outcomes.

EKC Group signed a new recognition agreement with the University and College Union (UCU) and worked extensively with them throughout the consultation process. In doing so, a number of benefits and changes were agreed including a 2-year pay deal, time off for staff at Christmas, an extended delivery year, increased remission and additional Programme Director roles.

Staff absence rates fell to their lowest ever during the lockdown period with the end of year staff survey showing a significant and dramatic increase in levels of staff satisfaction.

## **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 15 December 2020 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 the EKC Group to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2019 to 31 July 2020 and up to the date of approval of the annual report and financial statements.

### 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 2016 (“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 2020. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

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 2018 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 two years in the first instance.

### The Governing Body

The composition of the Governing Body is set out in the table below. The Governing Body operated under the Carver model of governance until April 2020 and then reverted to a traditional committee structure from May 2020, so the committees served information is shown for both models of governance as “Pre-May 2020” and “Post-May 2020” where they differ.

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

<b>Name</b>	<b>Date of appointment / re-appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Corporation Attendance</b>	<b>Meeting Attendance</b>
Charles Buchanan (Chair of Governors)	01.02.2018	4 years 01.02.2022		Independent member	<b>Pre-May 2020:</b> Search & Governance, Remuneration <b>Post-May 2020:</b> Business, Search and Governance, Remuneration	100%	100%
Tim Kent	01.02.2018	4 years 01.02.2022		Independent member	<b>Pre-May 2020:</b> Audit (Chair), Remuneration, Search and Governance <b>Post-May 2020:</b> Business (Chair), Search and Governance	100%	100%
Jonathan Clarke	Re-appointed 30.06.2019	3 years 2 months 31.08.2022		Independent member	Search and Governance (Chair), Remuneration (Chair)	71%	100%
Gail Clarke	Re-appointed 30.06.2020	3 years 2 months 31.08.2023		Independent member	<b>Pre-May 2020:</b> Audit <b>Post-May 2020:</b> Audit, Business	100%	100%
Miranda Chapman	01.02.2018	3 years 5 months 30.06.2021		Independent member	<b>Post-May 2020:</b> Education	100%	100%
Peter Wood	Re-appointed 30.06.2019	3 years 2 months 31.08.2022		Independent member	Audit	71%	100%
Peter Troke	Re-appointed 30.06.2020	3 years 2 months 31.08.2023		Independent member	<b>Post-May 2020:</b> Education	100%	100%
John Korzeniewski	Re-appointed 30.06.2020	3 years 2 months 31.08.2023		Independent member	<b>Post-May 2020:</b> Education (Chair)	100%	100%

<b>Name</b>	<b>Date of appointment / re-appointment</b>	<b>Term of office</b>	<b>Date of resignation</b>	<b>Status of appointment</b>	<b>Committees served</b>	<b>Corporation Attendance</b>	<b>Meeting Attendance</b>
Peter Cheney	Re-appointed 30.06.2020	3 years 2 months 31.08.2023		Independent member	<b>Pre-May 2020:</b> Audit <b>Post-May 2020:</b> Audit (Chair), Remuneration, Search and Governance	100%	80%
Joanna Worby	Re-appointed 30.06.2020	2 years 2 months 31.08.2022		Independent member	<b>Post-May 2020:</b> Business, Remuneration	100%	50%
Richard Brooks	Re-appointed 30.06.2020	3 years 2 months 31.08.2023		Independent member	<b>Post-May 2020:</b> Education	57%	100%
Allan Baillie	30.06.2020	1 year 2 months 31.08.2021		Independent member	Audit	100%	N/A
Ella Brocklebank	30.06.2020	1 year 2 months 31.08.2021		Independent member	Education	100%	N/A
Jason Howard	30.06.2020	1 year 2 months 31.08.2021		Independent member	Education	100%	N/A
Graham Razey	01.02.2018	N/A		Chief Executive Officer	<b>Pre-May 2020:</b> Search & Governance <b>Post-May 2020:</b> Business, Education, Search and Governance	100%	100%
Nicola Kelly	01.02.2018	2 years	Term expired 31.01.2020	Staff Governor		100%	N/A
Gregg Skinsley-Stephens	28.01.2020	2 years 28.01.2022		Staff Governor	<b>Post-May 2020:</b> Business	100%	100%
Lucas Hammond	01.08.2019	1 year 31.07.2020	Term expired 31.07.2020	Student Governor	<b>Post-May 2020:</b> Education	86%	0%

**Board Diversity**

Male	73%	Female	27%
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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>
Anne Leese	01.02.2018	N/A		Group Deputy CEO	Education, Corporation	89%
Chris Legg	01.02.2018	N/A		Chief Financial Officer	Audit, Business, Corporation	92%
Paul Sayers	01.02.2018	N/A		Chief Strategy Officer	Audit, Corporation	100%
Tammy Mitchell	03.09.2018	N/A		Chief Education Officer	Corporation, Education	100%
Andrew Stevens	16.09.2019	N/A		Chief Operations Officer	Corporation, Audit, Business	100%
Tara Ashman	Clerk appointed 01.02.2018 left the organisation on 04.10.2019					-
Sandy Foster	Interim Director of Governance 4 November 2019 – 28 February 2020					100%
Sharon Hollingsworth	Interim Director of Governance February 2020 – 30 June 2020 Director of Governance 1 July 2020					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 six times per academic year.

During the majority of the 2019/2020 academic year the Governing Body conducted its business through a Carver model structure and additional agreed committees. Each committee has terms of reference, which have been approved by the Governing Body. These committees are Audit, Remuneration, and Search & Governance. 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>

In May 2020, the Governing Body took the decision to move away from the Carver model to adopt a more traditional governance structure to support the improvement trajectory of the Group. The new governance devolved model with committees has been designed to build upon the emerging strength of the Local College Board model. These committees are Audit, Remuneration, Search & 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. The newly formed Education Committee and the Business Committee held their inaugural meetings in June 2020. The Governing Body meets at least four times per academic year.

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 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 four members; the Chair of Search and Governance Committee, the Chair of the Governing Body, the Group Chief Executive Officer and one additional member 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. The Governing Body plays a key role in challenging the senior management to ensure that the Group aims are achieved. Through the Carver model, the Governors are particularly focused on an holistic approach to governance and timely and accurate reporting ensures that Governors are able to 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 Governing Body has approved the move from the Carver model to a traditional committee structure in 2020.

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 (Ofsted visits) and the Group Performance Indicators (GPIs), which are reported on a monthly basis. 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**

Following adoption of the Senior Postholders Remuneration Code by formal resolution in March 2019, the EKC Group Remuneration Committee comprised three members; the Chair of the Remuneration Committee, the Chair of the Governing Body and one additional member from the Corporation. Since March 2019, the Group Chief Executive Officer has been a reporting Officer in line with the schedule of delegation for Senior Postholders, prior to this he was a member of the Committee. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Group Chief Executive Officer and Senior Postholders of the organisation.

Details of remuneration for the year ended 31 July 2020 are set out in note 7 to the financial statements.

## AUDIT COMMITTEE

The Audit Committee comprises the Chair 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 Post16 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.

## 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 being 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 2020 and up to the date of approval of the annual report and financial statements. The system of internal control has been largely unaffected by the Covid-19 pandemic as IT systems have adequately and securely supported remote working with only minor inefficiencies evident due to connectivity speed issues.

### 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 2020 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 a regular item for 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 identified a weakness in the Group's systems whereby there was a lack of segregation of duties in the adding of new suppliers to the finance system. In response to this, the -Group policy now requires a second authorisation before suppliers can be paid, including an independent check of new suppliers' bank details. This check is embedded within the accounting system software and so cannot be circumvented. The Audit Committee is satisfied that the action taken is sufficient to address the control weakness.

**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 undertaken by the Audit Committee in 2019/20 and up to the date of the approval of the financial statements are:

- Data protection compliance audit
- Financial systems and controls
- Funding assurance audit

Approved by order of the members of the Governing Body on 15 December 2020 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 with Funding Body Terms and Conditions of Funding**

The Governing Body has considered its responsibility to notify the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with the terms and conditions of funding, under the Group's Financial Memorandum. As part of its consideration the Governing Body has had due regard to the requirements of the Financial Memorandum.

We confirm, on behalf of the Governing Body that, after due enquiry, and to the best of its knowledge, the Governing Body is able to identify any material irregular or improper use of funds by the Group, or material non-compliance with the terms and conditions of funding under the Group's Financial Memorandum.

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



Charles Buchanan  
**Chair of Governors**  
15 December 2020



Graham Razey  
**Chief Executive Officer**  
15 December 2020

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

Members of the 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 members of the Governing Body on 15 December 2020 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 'Group') for the year ended 31 July 2020 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the 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 affairs as at 31 July 2020 and of its deficit of income over expenditure, comprehensive income and expenditure and changes in reserves and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- in all material aspects, funds from whatever source administered by the Group for specific purposes have been properly applied only for those purposes for which they were received, and managed in accordance with relevant legislation;
- in all material respects, funds provided by the Office for Students (OfS), 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 the OfS' Accounts Direction have been met.

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

- the Group's grant and fee income, as disclosed in note 2 to these financial statements has been materially misstated.

### 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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



**Other information**

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

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

We have nothing to report in this regard.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters 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; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of the Governing Body**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

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

A handwritten signature in black ink that reads 'Buzzacott LLP'.

Date: 7 January 2021

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 of the financial memorandum with the ESFA, 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 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ("the Code") issued by the 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 2019 to 31 July 2020 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 self-assessment questionnaire including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

**Conclusion**

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



Date: 7 January 2021

Buzzacott LLP  
Chartered Accountants and Registered Auditors  
130 Wood Street  
London  
EC2V 6DL

## Statement of Comprehensive Income

	Notes	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
<b>INCOME</b>			
Funding body grants	2	45,277	43,907
Tuition fees and education contracts	3	6,027	5,611
Other grants and contracts	4	840	310
Other income	5	2,833	4,216
Endowment and investment income	6	2	2
<b>Total income</b>		<b>54,979</b>	<b>54,046</b>
<b>EXPENDITURE</b>			
Staff costs	7	40,022	36,595
Fundamental restructuring costs	7	119	65
Other operating expenses	8	11,535	12,960
Depreciation	10	4,619	4,418
Interest and other finance costs	9	1,056	1,044
<b>Total expenditure</b>		<b>57,351</b>	<b>55,082</b>
<b>Deficit before other gains and losses</b>		<b>(2,372)</b>	<b>(1,036)</b>
Gain/(Loss) on disposal of assets		5	(553)
<b>Deficit for the year</b>		<b>(2,367)</b>	<b>(1,589)</b>
Gain on fair value of assets and liabilities acquired from Hadlow Group	10 & 19	15,898	-
Actuarial loss in respect of pensions schemes	19	(17,551)	(4,567)
<b>Total Comprehensive Expenditure for the year</b>		<b>(4,020)</b>	<b>(6,156)</b>
Represented by:			
<b>Unrestricted Comprehensive Expenditure</b>		<b>(4,020)</b>	<b>(6,156)</b>

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
<b>Balance at 31 July 2018</b>	<b>66,332</b>	<b>3,544</b>	<b>69,876</b>
Deficit from the income and expenditure account	(1,589)	-	(1,589)
Actuarial loss in respect of pension schemes (note 19)	(4,567)	-	(4,567)
Transfers between revaluation and income and expenditure reserves	161	(161)	-
Total comprehensive expenditure for the year	<b>(5,995)</b>	<b>(161)</b>	<b>(6,156)</b>
<b>Balance at 31 July 2019</b>	<b>60,337</b>	<b>3,383</b>	<b>63,720</b>
Deficit from the income and expenditure account	(2,367)	-	(2,367)
Tangible fixed assets transferred from Hadlow Group (note 10)	19,664	-	19,664
Net pension liabilities transferred from Hadlow Group (note 19)	(3,766)	-	(3,766)
Actuarial loss in respect of pension schemes (note 19)	(17,551)	-	(17,551)
Transfers between revaluation and income and expenditure reserves	161	(161)	-
Total comprehensive expenditure for the year	<b>(3,859)</b>	<b>(161)</b>	<b>(4,020)</b>
<b>Balance at 31 July 2020</b>	<b>56,478</b>	<b>3,222</b>	<b>59,700</b>

Balance sheet as at 31 July

	Notes	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Tangible fixed assets	10	173,837	156,809
		<b>173,837</b>	<b>156,809</b>
<b>Current assets</b>			
Stocks		24	55
Trade and other receivables	11	1,891	1,758
Cash and cash equivalents	16	4,785	1,788
		<b>6,700</b>	<b>3,601</b>
<b>Creditors – amounts falling due within one year</b>	12	(7,590)	(6,669)
<b>Net current liabilities</b>		<b>(890)</b>	<b>(3,068)</b>
<b>Total assets less current liabilities</b>		<b>172,947</b>	<b>153,741</b>
<b>Creditors – amounts falling due after more than one year</b>	13	(57,384)	(59,509)
<b>Provisions</b>			
Defined benefit obligations	19	(55,302)	(29,963)
Other provisions	15	(561)	(549)
<b>Total net assets</b>		<b>59,700</b>	<b>63,720</b>
<b>Unrestricted Reserves</b>			
Income and expenditure account		56,478	60,337
Revaluation reserve		3,222	3,383
<b>Total unrestricted reserves</b>		<b>59,700</b>	<b>63,720</b>

The financial statements on pages 29 to 48 were approved and authorised for issue by the Governing Body on 15 December 2020 and were signed on its behalf on that date by:



Charles Buchanan  
Chair of Governors



Graham Razey  
Chief Executive Officer

## Statement of Cash Flows

	Notes	2020 £'000	2019 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year	10	(2,367)	(1,589)
<b>Adjustment for non-cash items</b>			
Depreciation		4,619	4,418
Decrease/(increase) in stocks		31	(27)
(Increase)/decrease in debtors	11	(133)	95
Increase/(decrease) in creditors due within one year	12	941	(972)
Decrease in creditors due after one year	13	(1,091)	(1,749)
Increase in provisions	15	12	185
Pensions costs less contributions payable	19	4,022	3,214
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(2)	(2)
Interest payable	9	424	484
Loss on sale of fixed assets		(5)	569
<b>Net cash flow from operating activities</b>		<b>6,451</b>	<b>4,626</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		5	4
Investment income	6	2	2
Payments made to acquire fixed assets	10	(1,983)	(2,031)
		<u>(1,976)</u>	<u>(2,025)</u>
<b>Cash flows from financing activities</b>			
Interest paid	9	(424)	(484)
Repayments of amounts borrowed	14	(1,054)	(937)
		<u>(1,478)</u>	<u>(1,421)</u>
<b>Increase in cash and cash equivalents in the year</b>		<b>2,997</b>	<b>1,180</b>
Cash and cash equivalents at 1 August 2019	16	1,788	608
Cash and cash equivalents at 31 July 2020	16	4,785	1,788



## Notes to the Accounts

### 1. Statement of accounting policies and estimation techniques

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

#### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the ESFA's College Accounts Direction for 2019 to 2020 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The Group is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

#### Going concern

The financial statements have been prepared on a going concern basis. The Group continues to deliver a strong EBITDA of 9.5%, significantly above sector norms, the Group still maintains a significant operating cash inflow and has therefore been able to improve the current ratio to above 1.2:1 through this healthy cash generation.

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 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.

#### 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.

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 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

<b>2 Funding body grants</b>	<b>Year ended 31 July 2020 £'000</b>	<b>Year ended 31 July 2019 £'000</b>
<b>Recurrent grants</b>		
Education and Skills Funding Agency - adult	9,870	10,383
Education and Skills Funding Agency – 16 -18	30,520	29,482
Office for Students	182	149
<b>Specific grants</b>		
Education and Skills Funding Agency	3,027	2,091
Releases of government capital grants	1,678	1,802
<b>Total</b>	<b>45,277</b>	<b>43,907</b>
<b>3 Tuition fees and education contracts</b>	<b>Year ended 31 July 2020 £'000</b>	<b>Year ended 31 July 2019 £'000</b>
Adult education fees	798	707
Apprenticeship fees and contracts	50	115
Fees for HE loan supported courses	606	1,057
Fees for FE loan supported courses	1,073	812
<b>Total tuition fees</b>	<b>2,527</b>	<b>2,691</b>
Education contracts	3,500	2,920
<b>Total</b>	<b>6,027</b>	<b>5,611</b>
<b>4 Other grants and contracts</b>	<b>Year ended 31 July 2020 £'000</b>	<b>Year ended 31 July 2019 £'000</b>
Other grants and contracts	713	310
Coronavirus job retention scheme	127	-
<b>Total</b>	<b>840</b>	<b>310</b>

The Group furloughed some of the commercial staff under the government's Coronavirus Job Retention Scheme. The funding received of £127,000 relates to staff costs which are included within the staff costs note below as appropriate.

<b>5 Other income</b>	<b>Year ended 31 July 2020</b>	<b>Year ended 31 July 2019</b>
	<b>£'000</b>	<b>£'000</b>
Catering and residences	752	1,189
Other income generating activities	2,081	3,027
<b>Total</b>	<b>2,833</b>	<b>4,216</b>

<b>6 Investment income</b>	<b>Year ended 31 July 2020</b>	<b>Year ended 31 July 2019</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

### **7 Staff costs**

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

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	911	870
Non-teaching staff	472	463
	<b>1,383</b>	<b>1,333</b>

#### **Staff costs for the above persons**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	29,196	27,692
Social security costs	2,417	2,253
Other pension costs (note 19)	8,308	6,429
<b>Payroll sub total</b>	<b>39,921</b>	<b>36,374</b>
Contracted out staffing services	101	221
	<b>40,022</b>	<b>36,595</b>
Fundamental restructuring costs - contractual	119	65
<b>Total Staff costs</b>	<b>40,141</b>	<b>36,660</b>

#### **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, Deputy CEO, Chief Finance Officer, Chief Strategy Officer, Chief Education Officer, Chief Operating Officer and the Director of Governance.

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

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the CEO was:	<b>7</b>	<b>6</b>

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:

	<b>Key management personnel</b>		<b>Other staff</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£45,001 to £50,000 p.a.	-	1	N/A	N/A
£50,001 to £55,000 p.a.	1	-	N/A	N/A
£60,001 to £65,000 p.a.	-	-	7	5
£65,001 to £70,000 p.a.	-	-	2	-
£70,001 to £75,000 p.a.	-	-	4	4
£80,001 to £85,000 p.a.	1	-	-	-
£85,001 to £90,000 p.a.	-	1	-	1
£95,001 to £100,000 p.a.	1	1	-	-
£100,001 to £105,000 p.a.	1	-	1	1
£110,001 to £115,000 p.a.	1	1	-	-
£130,001 to £135,000 p.a.	1	1	-	-
£165,001 to £170,000 p.a.	1	-	-	-
£170,001 to £175,000 p.a.	-	1	-	-
	<b>7</b>	<b>6</b>	<b>14</b>	<b>11</b>

There are two other staff, who had they worked a full year, would have fallen into the 'other staff' categories in the brackets of £60,001 to £65,000 and £70,001 to £75,000.

Key management personnel compensation is made up as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	747	647
Employers National Insurance	94	83
Benefits in kind	4	5
	<b>845</b>	<b>735</b>
Pension contributions	126	101
Total key management personnel emoluments	<b>971</b>	<b>836</b>

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:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	169	174
Benefits in kind	1	1
	<u>170</u>	<u>175</u>
Pension contributions	39	29

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 Governor 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**

	<b>2020</b>	<b>2019</b>
CEO's basic salary as a multiple of the median of all staff	6.8	6.5
CEO's total remuneration as a multiple of the median of all staff	7.4	7.2

#### **8 Other operating expenses**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Teaching costs	2,179	2,792
Non-teaching costs	6,029	6,583
Premises costs	3,327	3,585
<b>Total</b>	<u><b>11,535</b></u>	<u><b>12,960</b></u>

#### **Other operating expenses include:**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Auditors' remuneration:		
Financial statements audit	32	27
Other services provided by the external auditors	16	29
Internal audit	13	25
Hire of assets under operating leases	166	299

#### **9 Interest and other finance costs**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans, overdrafts and other loans:	424	484
Net interest on defined pension liability (note 19)	632	560
<b>Total</b>	<u><b>1,056</b></u>	<u><b>1,044</b></u>



**10 Tangible fixed assets**

	Land and buildings	Equipment	Assets in the course of construction	Total
<b>Cost or valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2019	165,584	16,749	316	182,649
Transfers	-	215	(215)	-
Transfer from Hadlow Group	19,610	54	-	19,664
Disposals	-	(78)	-	(78)
Additions	-	1,192	791	1,983
<b>At 31 July 2020</b>	<b>185,194</b>	<b>18,132</b>	<b>892</b>	<b>204,218</b>
<b>Depreciation</b>				
At 1 August 2019	15,838	10,002	-	25,840
Charge for the year	3,198	1,421	-	4,619
Charge on disposal	-	(78)	-	(78)
<b>At 31 July 2020</b>	<b>19,036</b>	<b>11,345</b>	<b>-</b>	<b>30,381</b>
<b>Net book value at 31 July 2020</b>	<b>166,158</b>	<b>6,787</b>	<b>892</b>	<b>173,837</b>
Net book value at 31 July 2019	<b>149,746</b>	<b>6,747</b>	<b>316</b>	<b>156,809</b>

Land and buildings were valued in 1994 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**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade receivables	435	309
Prepayments and accrued income	1,187	961
Amounts owed by the ESFA	269	488
<b>Total</b>	<b>1,891</b>	<b>1,758</b>

**12 Creditors: amounts falling due within one year**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts (note 14)	1,034	1,054
Trade payables	503	238
Other taxation and social security	614	544
Accruals and deferred income	3,053	2,689
Employee holiday pay	379	463
Deferred income - government capital grants	1,686	1,673
Amounts owed to the ESFA	321	8
<b>Total</b>	<b>7,590</b>	<b>6,669</b>

**13 Creditors: amounts falling due after one year**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans (note 14)	11,648	12,682
Deferred income - government capital grants	45,736	46,827
<b>Total</b>	<b>57,384</b>	<b>59,509</b>

**14 Maturity of debt**

**Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
In one year or less	1,034	1,054
Between one and two years	1,257	1,034
Between two and five years	8,675	9,790
In five years or more	1,716	1,858
<b>Total</b>	<b>12,682</b>	<b>13,736</b>

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**

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2019	29,963	549	30,512
Net expenditure in the period	25,339	12	25,351
<b>At 31 July 2020</b>	<b>55,302</b>	<b>561</b>	<b>55,863</b>

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:

	2020	2019
Price inflation	2.20%	2.20%
Discount rate	1.30%	2.00%

**16 Movement in net debt**

	At 1 August 2019 £'000	Cash flows £'000	At 31 July 2020 £'000
Cash and cash equivalents	1,788	2,997	4,785
Bank loans	(13,736)	1,054	(12,682)
<b>Total Net Debt</b>	<b>(11,948)</b>	<b>4,051</b>	<b>(7,897)</b>

**17 Capital and other commitments**

	2020 £'000	2019 £'000
Commitments contracted for at 31 July	643	570

**18 Lease obligations**

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

<b>Future minimum lease payments due</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Land and buildings</b>		
Not later than one year	87	69
Later than one year and not later than five years	120	76
Later than five years	26	-
	<b>233</b>	<b>145</b>

**Other**

Not later than one year	78	86
Later than one year and not later than five years	147	195
	225	281
<b>Total lease payments due</b>	<b>458</b>	<b>426</b>

**19 Defined benefit obligations**

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 2016 and of the LGPS 31 March 2019.

<b>Total pension cost for the year</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£'000</b>
Teachers' Pension Scheme: contributions paid	2,801	1,845
Local Government Pension Scheme:		
Contributions paid	2,157	1,961
FRS 102 (28) charge	3,350	2,623
Charge to the Statement of Comprehensive Income	5,507	4,584
<b>Total Pension Cost for Year within staff costs</b>	<b>8,308</b>	<b>6,429</b>

Contributions amounting to £354,000 (2019: £229,000) were payable to the scheme at 31 July 2020 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 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

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

The pension costs paid to TPS in the year amounted to £2,801,000 (2018/19: £1,845,000).

### 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 2020 was £3,033,000, of which employer's contributions totalled £2,157,000 and employees' contributions totalled £868,000. The agreed contribution rates for future years are 16.2% for employers to March 2021, 17.3% April 2021 to March 2022 and 18.4% April 2022 to March 2023 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 2020 by a qualified independent actuary.

	<b>At 31 July 2020</b>	<b>At 31 July 2019</b>
Rate of increase in salaries	2.20%	2.35%
Future pensions increases	2.20%	2.35%
Discount rate for scheme liabilities	1.40%	2.10%
Inflation assumption (CPI)	2.20%	2.35%

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

	<b>At 31 July 2020</b>	<b>At 31 July 2019</b>
	<b>years</b>	<b>years</b>
<b><i>Retiring today</i></b>		
Males	21.80	22.00
Females	23.80	24.00
<b><i>Retiring in 20 years</i></b>		
Males	23.20	23.70
Females	25.20	25.80

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

	<b>Fair Value at 31 July 2020</b>	<b>Fair Value at 31 July 2019</b>
	<b>£'000</b>	<b>£'000</b>
Equity instruments	56,198	49,528
Gilts	583	520
Bonds	11,203	6,554
Property	9,533	8,472
Cash	2,642	1,941
Target Ratio Portfolio	6,605	5,645
<b>Total fair value of plan assets</b>	<b>86,764</b>	<b>72,660</b>
<b>Actual return on plan assets</b>	<b>3,327</b>	<b>3,288</b>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	86,764	72,660
Present value of plan liabilities	(142,039)	(102,598)
Present value of unfunded liabilities	(27)	(25)
<b>Net pensions liability (Note 15)</b>	<b>(55,302)</b>	<b>(29,963)</b>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts included in staff costs</b>		
Current service cost	9,319	4,783
Past service cost	-	51
<b>Total</b>	<b>9,319</b>	<b>4,834</b>

Amount recognised in Other Comprehensive Income

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Return on pension plan assets	1,729	1,467
Changes in assumptions underlying the present value of plan liabilities	(19,280)	(6,034)
<b>Amount recognised in Other Comprehensive Income</b>	<b>(17,551)</b>	<b>(4,567)</b>

Movement in net defined liability during year

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Net defined benefit liability in scheme at 1 August	(29,963)	(22,182)
Movement in year:		
Current service cost	(5,553)	(4,732)
Employer contributions	2,201	2,157
Administration expenses	(40)	(31)
Past service cost	-	(51)
Unfunded pension payments	2	3
Net interest on the defined liability	(632)	(560)
Actuarial loss	(17,551)	(4,567)
Net liabilities transferred from Hadlow Group	(3,766)	-
<b>Net defined benefit liability at 31 July</b>	<b>(55,302)</b>	<b>(29,963)</b>

**Asset and Liability Reconciliation**

<b>Changes in the present value of defined benefit obligations</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Defined benefit obligations at 1 August</b>	102,623	90,246
Current Service cost	5,553	4,732
Interest cost	2,230	2,381
Contributions by Scheme participants	872	801
Experience gains and losses on defined benefit obligations	5,646	-
Changes in financial assumptions	14,739	6,034
Liabilities transferred from Hadlow Group	12,123	-
Estimated benefits paid	(1,718)	(1,619)
Unfunded pension payments	(2)	(3)
Curtailments and settlements	-	51
<b>Defined benefit obligations at 31 July</b>	<b>142,066</b>	<b>102,623</b>
<b>Changes in fair value of plan assets</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fair value of plan assets at 1 August</b>	72,660	68,064
Interest on plan assets	1,598	1,821
Return on plan assets	1,729	1,467
Actuarial Gains/Losses	1,105	-
Employer contributions	2,203	2,160
Administration expenses	(40)	(31)
Contributions by Scheme participants	872	801
Assets transferred from Hadlow Group	8,357	-
Estimated benefits paid	(1,720)	(1,622)
<b>Fair value of plan assets at 31 July</b>	<b>86,764</b>	<b>72,660</b>

**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 £1,390; 7 governors (2019: £2,058; 7 governors). 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 Group during the year (2019: None). The annual remuneration of the Chair of the Governing Body is £20,000 (2019 - £20,000).

The Group has provided financial investment to the EKC Schools Trust during the year amount to £125,000.

**21 Amounts disbursed as agent**
**Learner support funds**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Funding body grants – 16-19 Bursary Support and Vulnerable Bursary	996	996
Funding body grants – Advanced Learner Loans Bursary	389	190
	<u>1,385</u>	<u>1,186</u>
Disbursed to students - 16-19	(640)	(691)
Disbursed to students - Vulnerable	(258)	(268)
Disbursed to students - Advanced Learner Loan	(65)	(78)
Administration costs	(37)	(46)
Balance unspent as at 31 July	<u>385</u>	<u>103</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**

None