

South Thames Colleges Group

Report and Financial Statements for the year ended 31 July 2024

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South Thames Colleges Group

Strategic report

NATURE, OBJECTIVES AND STRATEGIES

The governing body present their annual report together with the financial statements and auditor's report for South Thames Colleges Group for the year ended 31 July 2024.

Legal status

The Corporation was established under The Further and Higher Education Act 1992, originally for the purpose of conducting Kingston College, now renamed South Thames Colleges Group. The College is an exempt charity for the purposes of the Charities Act 2011.

On 1 August 2017 Kingston College merged with Carshalton College and South Thames College. South Thames and Carshalton College Corporations dissolved, and all assets and liabilities transferred to Kingston College Corporation on this date. The Kingston College Corporation subsequently changed its legal name to South Thames Colleges Group.

Mission, vision and values

Governors reviewed the Group's mission during 2021 and agreed a new strategic plan that was published in the Autumn of 2021. It builds on the previous plan and sets the Group an ambitious aim to grow in scale through partnership, innovation and development of its curriculum. The plan is due to be renewed in December 2024.

The headline elements of the plan are summarised here:

Growing great futures

Mission

To achieve the ambitions of more students and partners than ever before.

Vision

South Thames Colleges Group aspires to be an exceptional Further and Higher Education provider, leading our sector in London and beyond.

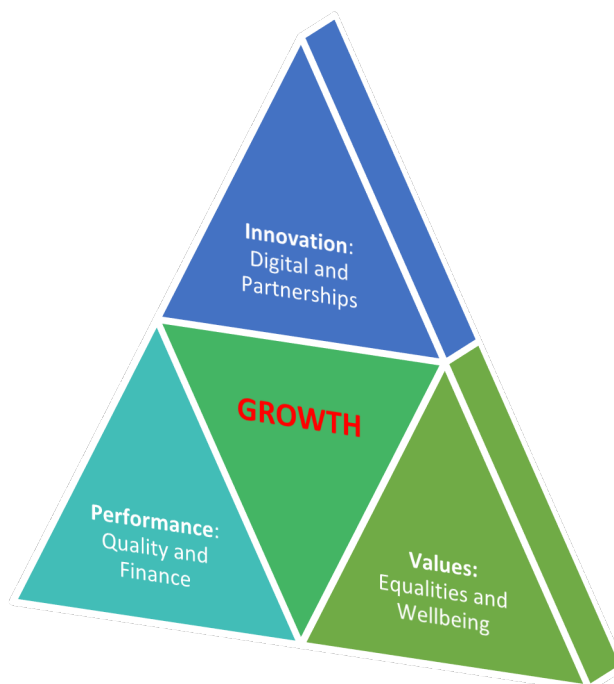
This will mean:

- Excelling in our curriculum, securing great outcomes for our students
- Growing our provision, attracting new students and developing new pathways to success
- Transforming our teaching, learning and services through digital innovation
- Establishing and sustaining effective partnerships with employers and schools across the region
- Upholding the fundamental values of our community, especially equalities and wellbeing
- Managing resources well so that we are financially robust to invest in our buildings and staff

Our strategic plan

This strategic plan sets the Group on an ambitious path as it helps to lead its communities through the recovery following the pandemic and building on the substantial success enjoyed by the Group since merger. It sets out to combine its existing strengths in both curriculum quality and financial management with a bold plan to grow and innovate while remaining true to its fundamental beliefs.

The core of our strategy will be:



Our strategic approach

This strategic plan restates the core purpose of the Group and directs all of our organisational capital towards growth and development, doing so in service of our communities and making sure that our regional roots stay strong throughout the process of transformation.

We aim to grow this organisation in order to ensure that more individuals and partners benefit because of our involvement.

Many of the innovations set out here are designed to deliver our mission more widely and in new ways. This includes our ambition for comprehensive digital transformation of our curriculum and services and the bold expansion of our partnership activity, seeking more integration with more employers and schools. In setting out actively to broaden and grow this Group of Colleges, we will remain true to our fundamental values.

These values span many influences and expectations from within and beyond the Group and are captured here, updated to reflect our new priorities. At South Thames Colleges Group, we

- **Aspire** to excellent outcomes for everyone, ensuring our students succeed and progress to great futures, improving our work continuously through reflection and mutual support
- **Innovate** to develop and expand the Group, with an active focus on new ways of working, digital transformation and meaningful partnerships
- **Care** about the wellbeing of our staff and students, building resilience in a challenging world, safeguarding the vulnerable and promoting happiness

- **Make equality happen**, equalising outcomes, raising diverse talent through our work and including everyone from all our communities

To secure these values in practice, we have committed to a curriculum which will:

- Secure equal **access** for students from all backgrounds
- Ensure structured and ambitious **learning** towards successful attainment of meaningful qualifications
- Develop **capable** people, able to adapt, progress and continue to learn into the future
- Sustain a line of sight on **employment** and its requisite skills across a broad range of vocations

And we wholeheartedly embrace British Values, committing the Group to:

- Democracy
- The rule of law
- Individual liberty
- Mutual respect and tolerance of different faiths and beliefs

Stakeholders

The Group has many stakeholders including:

- its current, future and past students;
- its staff and their trade unions;
- the employers it works with;
- the professional organisations in the sectors where it works;
- its partner schools, especially the schools of which it is a sponsor, The Kingston Academy and Fernhill primary School in North Kingston
- its partner universities, especially Kingston University
- the wider college community through various associations and memberships, such as the AoC
- Employer and business groups, such as Kingston First, local Chambers of Commerce and the South London Partnership
- the four local borough councils in Kingston, Merton, Sutton and Wandsworth
- other local councils who fund and support High Needs Students to attend the Group
- the Greater London Authority, now a significant funding body with the devolution of responsibility for most of our ASF (previously AEB) activity to the GLA
- Government offices, such as the DfE and ESFA, with which the Group works closely
- regulatory bodies, such as Ofsted
-

Resources

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

During 2023/24, the Group employed an average of 927 permanent members of staff, of whom 564 were teaching staff.

The total number of students enrolled by the Group during 2023/24 was approximately 17,011. The college's student population includes 5,269 16-to-18-year-old students, 519 apprentices, 479 higher education students, 7,036 adult learners in directly-funded provision

and 2,486 adult learners in the two adult education contracts delivered by the Group for Wandsworth and Merton Councils. In addition, the Group also had 1,222 other students mostly on full cost courses.

As at 31 July 2024, the Group had £73.5 million of net assets, long-term debt of £4.2 million and a pension asset which has been capped at £nil in the financial statements in accordance with the requirements of FRS102. Tangible resources include six main campuses across South London.

Public Benefit

South Thames Colleges Group is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 30 and 31. 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 Group's strategic approach is to base its work around the values and ethos of public service and to provide a community-based Further Education offer firmly rooted in south-west London.

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

- High-quality teaching and excellent student outcomes
- Widening participation, tackling social exclusion and supporting social mobility
- High participation rates for students with High Needs
- High rates of progression for students into further learning or employment
- Strong student support systems, with particular emphasis on mental health at this time
- Links with employers, industry and commerce
- Well-developed partnerships with local authorities, universities and other local and national agencies
- An emphasis on equality of outcomes for students and staff, targeting equality gaps in pay, achievement and progression

The legacy organisations brought together on merger have long records of committed public service and had undertaken structural reforms before the Local Area Reviews, with South Thames College and Merton College merging and Kingston and Carshalton Colleges entering into their novel alternative to merger, an FE Federation. The Group's long-established historic approach to the delivery of public benefit is further exemplified in its current strategic plan, although this also extends the work of the Group to diversify its curriculum and expand its student numbers through partnership and innovation. Early work on the Group's new strategic plan for 2025-28 demonstrate an appetite to extend these characteristics further and establish the Group as an 'exceptional Further Education College'.

The culture and focus of the Group's leadership remain strongly guided by a meaningful commitment to public service and the Group has demonstrated that its values are firmly aligned to the public bodies it partners, locally, regionally and nationally. These values are at the heart of its current strategic plan and the Group is currently delivering full, detailed programmes to strengthen its impact on equalities, wellbeing and climate change. It has formed Advisory Groups to help the leadership team to expand its perspective on these issues and understand expectations across and beyond the Group.

During the recovery from the disruption of the pandemic, the Group has exemplified this approach through a number of positive measures:

- Local leadership of recovery efforts to support businesses in the Royal Borough of Kingston
- Work with local schools to ensure young people leaving year eleven were able to access the FE curriculum and begin planning their next steps, using a mix of virtual and in-person activities to deliver this
- Establishment of a schools and employer partnership team within a strengthened Marketing and Recruitment Department, intended to enhance the offer to schools, school-leavers and businesses in the region and improve the Group's likelihood of securing growth
- Delivery of a sub-regional ESF project to reduce the incidence of young people becoming NEET
- Developing delivery solutions and innovations that enabled it to retain its many learners and continue to support the participation and success of its students in spite of the disruptions consequent on the pandemic, including effective use of the small-group tuition fund for 16-19 year-olds, which saw its last year of operation in 2023-24
- Renewed efforts to diversify and expand the Group's curriculum offer to meet better the evolving demands of a sophisticated market for 16-18 education and training, including the launch of new combined A Level and BTEC courses in Autumn 2022 and the roll-out of T Levels in 2023

Separately from the impact of the pandemic and the measures the Group is taking to tackle its legacy, the Group has worked on a number of projects to develop further the impact of its benefit to the community, continuing through the merger to influence the operations of the Group and drawing on the work of all the colleges becoming part of the merged Group:

- Increased focus on learner destinations and detailed metrics developed to report on students' progression and participation post-college
- Strong emphasis on our enrichment curriculum to diversify students' experience and provide opportunities for volunteering, project activity and community engagement
- Particular emphasis on the expansion and development of work experience opportunities, especially for younger students and has benefited from additional Government investment through its Capacity Development Fund in this area, which expenditure the Group opted to sustain after it ceased in 2022
- An active focus on the protection of students from safeguarding and radicalisation risks
- A whole-organisation approach to welfare, wellbeing and mental health issues, including sub-regional leadership of the NHS Mental Health Trailblazer; the Group's Principal/CEO has consequently been asked to take the national lead on Mental Health policy by the AoC in Spring 2024
- Contribution to significant public projects, such as the establishment of the new Free School in North Kingston, The Kingston Academy, now having extended this activity

further to establish a Multi-Academy Trust and support the work of a local primary school in partnership with Kingston University and the Royal Borough of Kingston-upon-Thames

- Participation in skills competitions, such as World Skills
- Project activity, such as the pilot of the T Level industrial placement scheme and significant European Social Fund projects
- The merger itself has generated public benefit by creating a consolidated institution, better able to reduce cost and invest in its key priorities and making for a more resilient organisation in the context of straitened public finances
- Significant investment in its buildings and resources through its evolving Estates Strategy, which has created space for a new primary school in Wandsworth, a base for a Job Centre Plus in Tooting and investment in the dilapidated building at Kingston Hall Road, completed during the year 2022-23
- Further capital projects now planned within the Group's evolving Estates Strategy, notably further disposals, refurbishments, improved sustainability across our facilities and the installation of specialist facilities

The Group is also actively engaged with the new policy agenda established by the Government in 2022, requiring the Group to develop further its focus on skills, employment and the regional economy. The Group has embraced this with enthusiasm and is strongly committed to extensive partnership with employers, having previously created a well-distributed employer partnership network throughout its curriculum schools as well as establishing Employability teams in every College in 2018. The Group is working to assess the impact of these efforts through internal reviews carried out during 2022-23 and is seeking to add further strategic resources to its ability to respond to local and regional skills needs by:

- Establishing an Employer Advisory Group
- Establishing sectoral and local employer panels
- Appointing a lead Governor for Skills and a senior leader with a designated responsibility for this development theme
- Enhancing its partnerships with key bodies, such as Chambers of Commerce, the South London Partnership and Business LDN (the organisation designated by Government as the regional Employer Representative Body)

The Group has benefited significantly from additional Government investment through the national Strategic Development Fund with the Group's allocation being dedicated to the rapid expansion of sub-regional capacity to deliver skills training for those working in industries now using more low-carbon technologies, such as electric vehicles and renewable energy sources. During 2022-23, the Group led this sub-regional partnership, with Croydon and Richmond Colleges as key partners, further adding social value through its leadership and organisation of public resources. The year also saw the publication of the Local Skills Improvement Plan for London and the South London Partnership's sub-regional annex within the broader plan.

The Group has taken a central role in the South London sub-region and chosen to position itself as the leader for this development. In doing so it has, during 2023-24:

- Led on the development of a partnership bid for approximately £2.5M of capital and revenue funding derived from the national Local Skills Improvement Fund (LSIF)
- Developed a robust provider partnership to secure meaningful interaction between delivery organisations in South London to address skills shortages and prevent duplication and less strategic developments

- Convened an extensive range of interactions and activities for businesses, providers and local agencies to assess skills needs, plan joint interventions and review progress, culminating in a sub-regional conference in Summer 2024 led and hosted by the Group
- Sustained a strong emphasis on the development of an inclusive workforce model, ensuring that those furthest from the workplace are most advantaged by the additional public investments being made in skills training and employment support
- Supported the development of a South London Skills Alliance, drawing partners, business group and other agencies together to target improvements in the sub-regional workforce supply
- Successfully overseen the delivery of a number of short-term LSIF projects, including some major capital investments

As the LSIF funding granted by the DfE tapers to a close in March 2025, the Group has committed to continue its revenue investment in the business partnership team created to deliver the associated projects in Autumn 2023. This new team has delivered tangible benefit and helped establish the Group firmly in its local business community as an engaged and responsive partner.

The Group published its Accountability Statement in the Summer of 2023 as required by the DfE, setting out its commitment not just to use hypothecated funding for the development of its response to London's skills priorities, but orienting both its curriculum development and estates strategy to the needs of its communities and businesses. It renewed its Accountability Statement in Summer 2024, reviewing progress over the first year and finding much to celebrate as well as some strong foundations on which the Group now expects to build further support for the local economy.

DEVELOPMENT AND PERFORMANCE

Financial Review

The Group incurred a deficit of £494k for the year ended 31 July 2024 (2023: deficit of £3.7 million) and EBITDA of £3.7 million (2023: £2.5 million). Based on the ESFA's financial health measures, the Group is in 'Outstanding' financial health at the end of 2023/24 with a financial health score of 240. The performance indicators that inform the Group's financial health assessment can be found on page 26 of this report.

The financial targets set within the budget for 2023/24 recognised the extraordinary nature of the increase in energy prices during 2022/23, and the EBITDA target for the year was set at a realistically low level. Through a combination of Government intervention in energy costs, fixing prices a year in advance and reduced consumption, the Group was able to reduce the impact of the price rises. The actual EBITDA for the year was an improvement of 86% on the budget for the year. The Group benefited significantly from in-year growth funding allocated for the growth in 16-19 enrolments above target. An increase in the rate of funding also enabled the Group to improve its pay offer to staff and strengthen the retention and recruitment of staff. The Group budget for 2024/25 is based on an EBITDA target of 5% and does not include any allowance for in-year growth funding, even though 16-19 enrolment numbers are expected to continue to remain above the funding target.

During 2023/24, the number of 16-19 students enrolled by the Group colleges were significantly higher than the funded target for the year and the devolved AEB funding allocation was also exceeded by 3%. The cash balance at the end of 2023/24 was healthy and significantly above the minimum balance of £7.5 million required by the Group's Finance Policy. At the balance sheet date, the Group held current assets of £19.8 million and net assets of £73.5 million. The defined benefit pension scheme valuation was a surplus

position, which has been capped at £nil in the financial statements in accordance with FRS102.

The operating cashflow for 2023/24 and compliance with the debt service covenant were impacted by changes in the way that the ESFA recovered AEB funding from 2021/22 to 2022/23. The change meant that the underperformance in 2022/23 was not recovered till 2023/24 and contributed to a significant increase in creditors payable within one year at the end of 2022/23. The recovery of funds in 2023/24, coupled with a reduced AEB allocation from the ESFA lead to a significant reduction in the creditor balance at the end of 2023/24. The operating cashflow for 2023/24 therefore didn't cover 100% of the debt service costs for the year. The Group's lender recognises that this is a timing difference and not a reflection of the Group's operational performance and has confirmed that a waiver will be provided for the non-compliance. Loan covenants over the previous five years were met with a comfortable margin and in 2023/24, with the exception of the debt service covenant, compliance was once again achieved with a significant margin.

The budget for 2024/25 that was approved by the Governing Body in June 2024 as well as the College Financial Forecasting Return (CFFR) submitted to the Funding Body in July 2024 indicate that the Group will remain in 'Good' to 'outstanding' financial health over 2024/25 and 2025/26. The Group has sought to reduce its total indebtedness and has achieved a 70% reduction on total borrowings since the merged Group was formed in August 2017. By making Significant voluntary repayments between December 2020 and July 2022, the Group has improved its borrowings ratio and is also less constrained by loan covenants in its operational decisions and financial target setting.

The Group's Estates Strategy seeks to improve the quality of accommodation and facilities as well as align it to current requirement. The Strategy is intended to provide learners with high quality learning facilities at the same time as improving efficiency and reducing operating costs. Parts of the estate were disposed of in 2019 and the proceeds were utilised in part to fund the reduction in long term debt. The disposals also enabled the Group to make significant investment in the Kingston Hall Road campus between 2020 and 2024. An LSIF grant secured in 2023/24 also contributed to the development of a teaching facility that will be completed in 2024/25. Further investment is planned across all campuses for 2024/25.

Reserves

As at 31 July 2024, the Group had accumulated reserves of £73.5 million (Income and expenditure reserve of £68 million and revaluation reserves of £5.5 million) and cash balance of £17.5 million. The defined benefit pension has been capped at £nil as noted above following the last valuation of the LGPS (2022/23: £nil). It should be noted that when a pension liability is included in the balance sheet, this does not represent a liability which is payable because the contributions payable to the LGPS are based on the results of the triennial revaluation of the scheme. Further details of the LGPS can be found in the notes to the financial statements.

The Group seeks to continue to accumulate reserves and cash balances in order to retain a safety net as well as to fund future capital development. The cash reserves policy contained within the Group's overall Finance Policy sets out the minimum required cash reserves at year end (£7.5m) as well as a minimum average cash balance (£5m).

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2023/24, the FE and HE funding bodies provided 88% of the Group's total income (85% in 2022/23). As the Group continues to respond to the demand for places for 16-19 year olds, the dependence on funding bodies also continues to grow.

Group companies

The Group has two subsidiary companies, Kingston and Sutton Educational Partnership Limited (KSEP) and KCTC Limited. The principal activity of KCTC Limited is the rental of sports facilities and equipment. KSEP Limited is a dormant company that has not traded since merger on 1 August 2017.

Any surpluses generated by the subsidiary companies are normally gift aided to the parent Group. KCTC Limited generated a surplus of £45,000 for the year ended 31 July 2024 (2023: £63,000). The adjusted surplus of £102,000 will be donated to the parent College.

Developments

The Group developed its Estates Strategy for all campuses during 2017-18. The Strategy was further refined during 2018-19 and parts of the estate were put up for sale. In addition to the disposals already completed, further disposals are planned for completion in 2024-25 and beyond. The disposals offer the Group the opportunity to generate additional reserves for reinvestment in our poorer quality facilities, such as the building at Kingston Hall Road. A new Estates Strategy is currently in place, reviewing the accommodation needs of the Group as it refreshes and expands its curriculum, committing it to the retention of all six of its current sites, while investing in and improving its facilities in all four of the boroughs in which it has a base.

It is clear that the Group still enjoys capacity beyond that warranted by its curriculum delivery, although a sharp rise in the numbers of 16-18 year-olds and students with High Needs has occasioned a further review of building usage for October 2024. There also remain persistent risks of internal competition and lags in critical developments as sectors grow and contract and an overarching skills and curriculum strategy is being developed to help govern the distribution, development and investment associated with new provision. The Group's pace and focus in responding to economic trends and employment demands need further refinement and the Estates Strategy responds to this evolving curriculum framework, based on growth, inclusion and skills delivery.

The main capital project completed during the previous financial year 2022-23 was the completion of the first phase of development of Kingston Hall Road, including a new front entrance and Learning Resource centre as well as the ongoing replacement of the original windows in the tower block. This has proven to be a welcome use of resources and has transformed the character and presentation of the building.

Investment was also made during the year 2023-24 in refurbishment works and IT and other equipment purchases. This was generously supported by investment from the Government through the LSIF, which enabled the Group to develop specialist facilities for training people working in retrofit and sustainable energy sectors during the year. The Group also completed a major project at the Kingston Hall Road site to establish a specialist Care sector training facility on the 5th floor, costing approximately £1M and opened for use in October 2024.

The Group, as it embarks on the next phase of its major investment programme, will continue to seek to build reserves through the generation of operating cash flows as well as the disposal of surplus accommodation. Whereas 2022-23 saw reductions in cash

generation as the Group met rising costs from staff salaries and utility prices, 2023-24 was marked by reducing pressure on utility costs and, in July 2023, the Government agreed to fund a significant pay rise for FE staff, helping the Group to afford increasing salary costs and avoid any potential dispute over pay with its trade unions. This was further enhanced by a comprehensive reform of the Group's pay and grading arrangements, completed during the Autumn of 2023.

Further investment is planned in 2024-25 and beyond for the next phase of the replacement and refurbishment programme across the Estate.

Academic performance

At merger, the separate constituent Colleges that came together to form the Group had a range of inspection grades:

Kingston College	South Thames College	Carshalton College
Good (2016)	Requires Improvement (2016)	Requires Improvement (2016)

At merger, the Group self-assessed the quality of its provision as Requires Improvement. This was because:

- results across the different Colleges in the Group were too disparate
- English and Maths achievement and high grades were too low in some of the Colleges
- the quality of teaching and learning was too variable
- work experience was insufficiently developed
- standards of provision at Carshalton College were generally very poor

In addition, the original silver rating for Kingston College in the Teaching Excellence Framework reduced to bronze as the other Colleges' HE provision and its data were drawn together in the Group.

In 2018-19, significant focus was sustained in raising the standards of teaching and the proportions of students achieving their outcomes. Considerable attention was given to assessment practice across the Group, with greater focus on students successfully completing their assignments to deadline and then being stretched to aspire to higher grades. This has led to some increases in the value-added scores at Kingston College, Carshalton and Merton College using the ALPS measurement system. In Carshalton, Merton and South Thames Colleges, student achievement rose substantially, in some cases surpassing the historically high achievement levels seen previously at Kingston College.

On the basis of these improvements, as well as strong progression rates, and a strengthened approach to work placements and subcontracted provision, the Group was inspected successfully in February 2020, with an overall grade of 'Good', only the provision for students with High Needs graded as 'Requiring Improvement'.

After this, the impact of the pandemic was to disrupt teaching and learning significantly and exacerbate educational disadvantage nationally. While the Group sought to mitigate these effects as fully as possible, participating diligently in both the Centre-Assessed (2020) and Teacher-Assessed (2021) Grade processes, some impact remained and student attainment proved uneven. This was especially true in areas where no adaptations were made to assessment practice and, for example, Functional Skills and Apprenticeship outcomes fell

back in the results recorded by the Group in 2021, alongside similar national trends in the same provision. 2021-22 saw some improvements in Apprenticeship and Adult provision, although less progress in Functional Skills and some decline in Study Programmes for young people.

2022-23 saw significant progress in a number of key outcome measures for the Group, although retention proved challenging in some of the Group's colleges as student engagement showed an unusually high level of variability and incidents among the learner population disrupted progress for some. The Group responded to these severe challenges with new staff roles, such as Student Community Officers, better co-operation with the police, stronger security and management presences in circulation areas and firm disciplinary measures to assert the Group's standards.

The Group's academic leaders adopted a comprehensive 42-day plan for the beginning part of the 2023-24 academic year and committed to some assertive measures across the whole Group to promote good engagement, behaviour, attendance and retention. This plan was effectively delivered in the context of significant growth in the Group's 16-18 recruitment which saw an increase of approximately 600 students in this provision, amounting to growth of around 15%.

These measures led to a sharp improvement in retention and a reduction in behavioural challenges, with significant equalisation in outcomes for students across the Colleges, different protected characteristics and levels and types of provision. Apprenticeship provision remained stubbornly unimproved despite significant effort and investment and this remained the profile of the Group's provision when an Ofsted inspection was called for the Group in May 2024, the report published in July, with this grade profile:

From September 2024, Ofsted no longer makes an overall effectiveness judgement in inspections of state-funded schools.

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South Thames Colleges Group

URN: 130448

Address: Kingston Hall Road, Kingston upon Thames, Surrey, KT1 2AQ

On 1 August 2017, Kingston College merged with South Thames College and Carshalton College to become South Thames Colleges Group. Only reports published after 1 August 2017 are for the merged college.

Rating and reports

Inspection outcome

The overall outcome of the inspection on 21 May 2024 was:

Good

Quality of education:	Good
Behaviour and attitudes:	Outstanding
Personal development:	Outstanding
Leadership and management:	Good
Education programmes for young people:	Good
Adult learning programmes:	Good
Apprenticeships:	Requires Improvement
Provision for learners with high needs:	Good

Rightly, this presented the Group with cause for celebration, amounting it its best-ever set of inspection grades and vindicating the extensive effort to improve behaviour and student development by assigning them ‘Outstanding’ grades, the first time the Group has achieved the highest level of judgement in an inspection. This was also the first inspection to grade any of the High Needs provision in any part of the Group and its predecessors as ‘Good’ since 2014. The report highlighted numerous strengths and a limited number of areas for improvement. The principal findings in the narrative were:

- A strong culture of inclusion, support and belonging, with high expectations (*‘Governors, leaders and staff create an environment in which all learners feel they have the opportunity to succeed, and in which diversity is acknowledged and celebrated.’*)
- Active and effective safeguarding, overseen at all levels of the Group

- Highly effective support arrangements for students with mental health difficulties (*'Staff at all levels care very much about their learners and apprentices and provide them with excellent support, including counselling, and exceptional support for mental health.'*)
- Standards of conduct are very good and the students' behaviour is praiseworthy across the Group
- Excellent opportunities for students to interact with the wider community, enabling them to develop and progress successfully (*'Leaders and managers design their curriculums effectively to enable learners to develop the knowledge, skills and behaviours they need to go on to higher-level courses, university or employment.'*)
- Students do well at the Group, with the majority attaining in line with or above expectations
- Governance is very strong and enables the Group to improve and develop successfully (*'Governance arrangements across the group are highly effective. Governors, who are passionate about their communities and learners, bring rich and wide-ranging experience to the board.'*)
- Staff are expert, authoritative in their subjects and have good opportunities to develop their skills and professional roles
- The Group makes a 'reasonable contribution' to meeting local skills needs, with some highly effective practice contrasted against some isolated weaker approaches, especially in the Group's Apprenticeship provision (*'Employers are not involved enough in reviewing curriculum content or in reviews of apprentices' progress.'*)

The full report is available here: <https://files.ofsted.gov.uk/v1/file/50251831>

The weaknesses identified in the Apprenticeship provision led to Governors and senior leaders applying a new process of intervention to this area of the Group, restructuring and centralising elements of its staffing and applying a rigorous monitoring and reporting regime to it. This was put in place immediately following the inspection and continues into 2024-25.

Other areas for improvement were limited, with inspectors identifying only two others for specific attention:

- *'Improve the quality of teaching, learning and assessment on a small number of courses, including engineering and multi-skills construction, to ensure all learners and apprentices receive a consistently good-quality learning experience.'*
- *'Provide high-quality feedback to learners and apprentices on their work so that they know what they have done well and how to improve their work and achieve highly.'*

Overall, the findings of the inspectors were substantially borne out by the high levels of student achievement in 2023-24, with a far greater degree of consistency across all of the Group's Colleges, provision types, cohorts and levels:

Group FE 2023/24 Achievement Rates - All Qualifications

College	Age Grp	Leavers Overall 19/20 (CAG)	Leavers Overall 20/21 (TAG)	Leavers Overall 21/22	Leavers Overall 22/23	Leavers Overall 23/24	%	Retained Overall 23/24	Ach Overall % 19/20 (CAG)	Ach Overall % 20/21 (TAG)	Ach Overall % 21/22	Ach Overall % 22/23	Ach Overall % 23/24	Nat Ach Overall % 22/23	Diff to National Ach %
Carshalton College	16-18	1,325	1,492	1,182	1,123	1,181	12.0	90.5	81.7	82.0	77.0	76.2	83.2	81.4	1.8
Kingston College	16-18	4,445	3,991	3,947	4,336	5,232	53.0	91.7	90.0	88.4	80.3	85.2	85.1	81.4	3.7
Merton College	16-18	1,375	1,412	1,382	1,316	1,611	16.3	92.2	88.4	86.8	79.4	83.0	85.1	81.4	3.7
South Thames College	16-18	1,876	1,938	1,564	1,619	1,842	18.7	90.4	86.0	82.0	76.8	81.8	83.8	81.4	2.4
Group	16-18	9,021	8,833	8,075	8,394	9,866		91.4	87.7	85.7	79.0	83.0	84.6	81.4	3.2
Carshalton College	19+	228	389	396	431	394	2.4	92.4	82.9	75.6	77.8	81.9	83.5	86.8	3.3
Kingston College	19+	2,469	2,450	2,948	3,164	3,207	19.7	93.8	93.8	91.2	89.6	91.4	88.1	86.8	1.3
Merton College	19+	988	787	1,249	1,488	1,189	7.3	92.8	91.6	85.5	86.0	85.4	87.3	86.8	0.5
South Thames College (exc. Subcontractors)	19+	6,766	9,005	8,373	9,370	9,661	59.2	92.9	85.9	79.4	83.3	87.8	86.1	86.8	0.7
Subcontractors	19+	1,368	1,584	2,485	2,557	1,867	11.4	92.7	94.2	85.8	87.7	87.5	90.7	86.8	3.9
Group	19+	11,819	14,215	15,451	17,020	16,318		93.0	88.9	82.3	85.3	88.1	87.0	86.8	0.2
Carshalton College	All	1,553	1,881	1,578	1,554	1,575	6.0	91.0	81.8	80.7	77.2	77.8	83.3	84.2	0.9
Kingston College	All	6,914	6,441	6,895	7,500	8,439	32.2	92.5	91.4	89.5	84.2	87.8	86.2	84.2	2.0
Merton College	All	2,363	2,199	2,631	2,814	2,800	10.7	92.5	89.7	86.3	82.5	84.3	86.0	84.2	1.8
South Thames College (exc. Subcontractors)	All	8,642	10,943	9,937	10,989	11,503	43.9	92.5	85.9	79.8	82.3	86.9	85.7	84.2	1.5
Subcontractors	All	1,368	1,584	2,485	2,557	1,867	11.4	92.7	94.2	85.8	87.7	87.5	90.7	84.2	6.5
Group	All	20,840	23,048	23,526	25,414	26,184		92.4	88.4	83.6	83.1	86.4	86.1	84.2	1.9

Overall Education & Training:

The Group performed well through the time of the pandemic, with high levels of retention and sustained achievement for 16-18 year-olds and most adults, although some provision showed a decline, especially in practical and craft subjects. While 2022/23 showed some signs of decline, 2023/24 saw significant improvements in spite of a number of challenges:

- Variable and weak student attendance
- Poor retention rates in some areas
- More students enrolled for GCSE retakes rather than Functional Skills

This progress was consolidated and sustained through 2023-24, when greater levels of commonality across the Group's curriculum leadership and more use of shared strategies allowed teaching and support staff to work in a more defined framework, such as the 2023 42-day plan for the start of the academic year, with a more consistent impact on all areas of provision. Consequently retention improved, although attendance remained largely unchanged in spite of significant efforts to strengthen this, especially in English and Maths classes. Nonetheless, despite the Group's focus on this and its identification of attendance as an area for improvement, in May 2024 Ofsted inspectors indicated that the Group's position reflected national trends and commented: *'Most learners and apprentices have good attendance and are ambitious to succeed.'*

Adult Programmes

This provision was much less subject to adaptations to its associated assessment practices during the pandemic, although some programmes such as GCSEs were subject to different approaches. In 2020-21, recruitment, retention and achievement all fell for the Group's adult provision, more so in some Colleges, but the general picture was one of decline through this period.

In 2021-22, still with low levels of student recruitment in evidence, the Group did make progress, drawing on the efforts of both its in-house delivery teams and those of its sub-contracted partners, to a higher level of student achievement, improving the headline rate by about four percentage points. This level of improvement was sustained in 2022-23 and adults' outcomes reached a very high level at 88.1%. This very high level fell back slightly in 2023-24 to 87%, but the Group achieved a better level of consistency across all of its Adult

provision, with the gap between the best and worst performing areas closing from 10 percentage points in 2022-23 to seven in 2023-24.

Student recruitment also showed signs of improvement during 2021-22 year and enrolments during Spring 2022 rose as confidence grew after the pandemic. This trend continued into 2023-24 and areas such as ESOL and Workforce Development have reported ongoing success in attracting learners into these programmes. The Group has been able to reduce its dependence on subcontracted delivery and this process of rebalancing is now firmly established in the Group's curriculum planning.

Apprenticeships

The Group's Apprenticeship provision had improved following merger, but a combination of weak internal systems and the effects of the pandemic on employment in a number of sectors in which the Group operates saw a marked decline in Apprenticeship achievement rates. The published national average showed a significant decline, but not as great as that experienced by the Group. In 2021-22, national achievement rates fell to 57.7%, while the Group's rate declined further, to 49%, with a very differentiated level of performance across the Colleges. This metric some progress in 2023-24, but the overall rate continues to track the national average, with timely achievement poor.

The Group resolved to address these deficiencies and established new roles and quality processes to attempt to improve its performance in this regard. Apprenticeship achievement rates have improved to around the level of the previous national average and compliance and administrative issues have seen some progress with positive internal and external audit reports received during 2021-22 and 2022-23 and again through the ESFA's Funding Regularity Audit in Autumn 2024. However, the limited improvements delivered over this period were not adequate and significant deficiencies in a number of areas were reported by inspectors during their review of the provision in May 2024, including:

- Poor engagement with employers, leading to some weak progress reviews, limited contribution to curriculum development and delivery and low levels of satisfaction
- Some weaker teaching and learning, with feedback and formative assessment lagging
- Some Apprentices taking very extended periods to achieve their qualification

Apprenticeship recruitment has remained flat or declined over recent years, while competitors have reported increases. The Group's ability to deliver successful Apprenticeship provision remains patchy and its use of these programmes to respond successfully to employer needs is limited, with these characteristics extending through 2023-24.

These features taken together caused Governors and the Group's senior staff to move the Apprenticeship provision into its new intervention procedures, giving it a year to make significant progress. Close scrutiny of this progress is now firmly in place and the process has brought to light some underlying weaknesses in practice, inconsistencies and some important and enduring staff shortages, all to be remedied over a very short timescale.

High Needs Students

The Group's provision for High Needs Students had not made sufficient progress to improve consistently to a good standard in all areas by the time of inspection in 2020, but, by 2024 and the inspection in May of that year, had made very extensive gains in quality. This provision was graded 'Good' and demonstrated the positive effects of centralised and committed leadership, a robust focus on improvement and the distribution of a wide and supportive culture to change the experiences of students with High Needs. Inspectors

commented: 'Most learners with high needs, including those who study in the college's specialist provision, achieve their learning goals. Staff provide effective support to meet the individual needs of learners with high needs.'

This continues to be a fast-growing element of the Group's provision, with numbers rising from around 200 at the time of merger to around 750 in 2022; this number was sustained in 2022-23, but appears to be rising again in the enrolments completed in 2024 to around 850.

Concerted efforts to enhance this thriving area of the Group's provision have been undertaken during and after the pandemic, with a focus on raising expectations for High Needs Students and ensuring they attain and progress at rates comparable to students from across the Group. This metric was adopted by Governors as an equality indicator at the start of the current strategic plan and it has now improved such that students with High Needs generally achieve at or above the rates seen among their peers, although this is not yet true for English and Maths high grades.

This focus has clearly helped the Group establish strong and widely distributed foundations and has been supported by the new structures adopted in 2021 and, although they have taken some time to fill to capacity, they are having an effective impact, with strong college-based leadership and good levels of partnership with mainstream curriculum teams. This provision has improved significantly and, with the exception of Functional Skills outcomes and high grades at GCSE, this cohort of students is generally performing at a level comparable with its peers and has now done so for two years running. A developmental priority will be the expansion of the work-oriented curriculum provision to ensure students with these needs have an equal opportunity to engage in work experience and, ultimately, employment.

Students with High Needs are now attaining at rates comparable to the peers. On vocational programmes, effective support and the use of adapted assessment practices have ensured that this group of students achieve better than their peers. This is not yet true for English and Maths, where GCSE and Functional Skills present significant challenges and ongoing work to improve these programmes for Students with High Needs remain an improvement priority and the Group is exploring progress measures and other ways to recognise their achievements in these critical subjects.

Study Programmes

The Group has a strong track record in the delivery of Study Programmes for young people and this has been a very substantial part of its provision for many years, with about half of the Group's annual grant income derived from this cohort, with this proportion beginning to rise further as significant growth in this cohort changes the balances within the Group. Recruitment between 2022 and 2024 saw an increase from about 4500 young people to around 5700, close to the number enrolled at the Group at merger.

The quality of provision has largely been sustained since it became an improvement focus post-merger, given the inconsistencies in standards and the limited extent of Work Experience and Employability opportunities. These areas were rapidly addressed in 2019 and practice improved significantly with interventions in teaching and learning, English and Maths and the establishment of the Employability teams across the Group. Standards rose to match the best in the Group and this was reflected in the inspection outcomes in 2020.

Since then, the pandemic disrupted progress and temporarily removed any meaningful set of national benchmarks. Student outcomes were largely sustained through the pandemic, although the picture was not wholly consistent across provision types and the different

Colleges. Nonetheless, progression rates remained strong and almost all students in this cohort progressed to a positive destination in 2020-21 and 2021-22.

Data for 2021-22 appears to show a decline in some outcomes, for example Functional Skills and Level 3 BTEC Diplomas with new, examined elements within the syllabus. Teachers also commented on the study skills and resilience of this student body during the past few years and indicated that a number of critical aspects of student engagement fluctuated seriously in parts of the Group, impacting attendance, retention and behaviour in particular. However, concerted efforts through 2022-23 enabled the Group to deliver general improvements in the attainment levels of young people, which rose by around 4 percentage points and exceed national averages.

This trend was sustained over the past year and success was more evenly distributed across all of the Colleges in 2023-24, the gap in achievement rates between them closing from 10 percentage points in 2022-23 to under two percentage points in 2023-24; this underpinned an overall increase in achievement rates to a level significantly above the national average.

Of particular note is the progress made by the Group in the delivery of English and Maths since merger. This is a requirement on all colleges and a condition of funding for their 16-18 Study Programmes, meaning that all young people attending an FE College must retake their English and Maths if they don't already have a grade C or grade 4 in the new grading methodology introduced in 2016. Most colleges struggle to do this well and the national average for the proportion of young people retaking their English and Maths and achieving a grade 4 or above is between 20% and 30%; the four Colleges drawn together in the merger are no exception, but continued improvement, building on the progress in 2017-18 and 2018-19 and based on the Group's approach to the Teacher-Assessed Grades system adopted across England during the pandemic, saw sustained progress in this area.

This was enhanced further in 2021-22, where the data shows that national averages for high grades in English and Maths GCSEs fell by about 12-15 percentage points nationally. The Group's own data shows a very similar position between 2020-21 and 2021-22, with a very limited reduction in its high grades profile, demonstrating the integrity of its local assessment decisions and strong teaching and learning in these key subjects, although the performance has been less positive for students taking Functional Skills. More High Needs Students took GCSEs in 2022-23 and 2023-24 raising the Group's pass rates, but reducing the proportion of retakes achieving a high grade.

The Group has now committed to exploring the application of value-added and progress measures to its Study Programmes in order to understand better the experiences of its students who don't pass the all-important grade 4 threshold as well as those on Level 3 programmes. This will be a significant project during 2024-25 and beyond.

Employability remains an important priority within this provision and the Group has sustained its commitment to an extensive set of work-related experiences for its younger students. Inspectors paid close attention to the aspect of the Group's Study Programmes during the 2024 inspection and observed: *'Staff ensure that young learners on study programmes have access to meaningful work placements.'* The Group will continue to build on this good practice and use its extensive network of employer partnerships to develop opportunities for this cohort of students.

Higher Education

The Group's Higher Education provision has reduced very significantly since merger as the HE market has become increasingly competitive, the national decline in part-time, in-service HE programmes has been reflected markedly at the Group and some large franchised programmes have been closed. This has resulted in a decrease in this provision from 1800 students at merger to less than 300 in 2024.

The Group continues to explore opportunities to consolidate these programmes and reverse some of the decline, but the range of efforts applied to this strategy have not yet proved successful. The quality of provision remains strong with above-average student approval ratings remaining consistent across most indicators, although the Group has only achieved a Teaching Excellence Framework rating of Bronze since merger. A new HE Strategy is currently development and will explore the potential for new programmes and new partnerships to dispel the gathering doubts about the viability of this provision. Nonetheless, Governors and senior leaders remain committed to the preservation of an HE offer at the Group and will continue to support measures designed to strengthen its appeal.

Curriculum intent

During 2018-19, the Group commissioned and completed a thorough and comprehensive review of its curriculum offer, providing signposts towards a reinvigorated digital skills strategy, better employer engagement and stronger internal progression for students among several other recommendations. These have been adopted and a curriculum strategy for the Group was agreed during the Autumn of 2019; it states that, at South Thames Colleges Group, the curriculum will:

- Secure equal **access** for students from all backgrounds
- Ensure structured and ambitious **learning** towards successful attainment of meaningful qualifications
- Develop **capable** people, able to adapt, progress and continue to learn into the future
- Sustain a line of sight on **employment** and its requisite skills across a broad range of vocations

These statements were reviewed during 2021-22 and their validity has been sustained through and after the pandemic, especially with the new Skills policy as a key influence for curriculum expectations. A new action plan to enhance the curriculum's relevance to the employment market and develop its reflection of the realities of the workplace was agreed for implementation during 2022-23 and this will influence curriculum planning among other operations within the Group. A new approach to curriculum planning was adopted during 2023-24, building on the previous work in place and the Group is stronger cross-College systems to ensure new and developing programmes are successfully supported.

The Group also reviewed its historical subcontracting activities and in 2019-20 it reprocured all of this provision in line with the Group's new curriculum strategy, focusing better on priority provision in key regions. This has proved successful and the consistency and strength of its subcontracted work have improved significantly. Further procurement exercises were run effectively in Autumn 2020 and Summer 2022, again with a strong emphasis on the quality and relevance of the provision as well as the safety and wellbeing of learners. This area of the Group's adult provision is now stable, but likely to reduce as the Group's own direct delivery continues to expand. Ofsted inspectors reviewed this provision in May 2024, commenting: '*Leaders make judicious use of subcontractors. Subcontractors*

find their working relationship with the group to be mutually beneficial. Leaders and managers make sure subcontractors are involved in discussions around curriculum design and delivery and share best practice and resources with them.'

The Group's partners have indicated that there are some significant developmental priorities for it to consider as part of its curriculum planning, including:

- Expanded opportunities for retrofit and sustainable energy training
- Intensive provision for SEND students with high or very high levels of need
- Childcare and Care provision to meet local employment priorities

FUTURE PROSPECTS

Ongoing improvements

Significant efforts are now being exerted to continue these positive trends and remedy the emerging shortcomings, by identifying and tackling those areas still under-performing and in need of further improvement. The Group has been able to attract additional funding to help it build best practice, draw on support from partner Colleges and provide additional development opportunities to teachers and junior and middle leaders. This focus on CPD opportunities and the development of strong, distributed leadership capabilities has proved successful.

The Group will use its improvement focus in 2024-25 to:

- Enhance its improvement focus on Apprenticeships provision and finally secure its progression to a robust standard quality
- Review areas previously under Notices to Improve
- Enhance teaching and learning, with a strong developmental focus on value-added measures, pedagogy and formative assessment

Further developments

The Group has invested in its facilities over a number of years, and engaged proactively with the Area Review Process that led to the merger of Kingston, South Thames and Carshalton Colleges on 1 August 2017. The merger was intended to secure a strategic solution to the sectoral challenges faced by all three Colleges and eliminate some over-supply in the local FE marketplace. In particular, the duplication in the curriculum provision spanning both Merton and Carshalton Colleges, so very near each other, was eliminated during the Summer of 2018. The merged Group is continuously seeking to improve efficiency and resource utilisation across all its campuses and performance to date demonstrates decisively that the Group has made significant progress in achieving this, its quality of provision at inspection rated 'good' in 2020 and 2024 and its financial health has remained 'outstanding' or 'good' since 2019-20.

The Group has agreed a new Estates Strategy during 2023-24, having successfully delivered the previous plan to rebalance its facilities, divesting some of its over-capacity and investing in enhancements for students, staff and stakeholders.

The Group will also implement new curriculum development plans during 2024-25, with the purpose of further enhancing its relevance to the regional economy and to ensure that it is able to grow. After a gradual start following the pandemic, this approach has begun to yield some positive impact based on the Autumn 2023 enrolment patterns and the early indicators from the numbers in its 2024 intake and the Group will refine and sustain this strategy over the coming year. Numbers of young people and adults joining the Group to study appear to have risen by about 15 percentage points in 2023, with further positive progress of about 10 percentage points looking likely in 2024, vindicating the Group's decision to pursue growth as part of its strategic plan from 2021.

The Group is also committed to sustaining the quality and capacity of its workforce and has completed a set of reforms to its pay and grading systems, addressing legacies from a number of previous and now defunct institutions and their employment practices. The Group was operating around seventy-five different contracts and pay scales and tackled these during 2022-23, with some final elements of these reforms implemented in 2023-24.

The Group has also had to acknowledge significant cost pressures on its employees' households during a time of challenging inflation levels. Amplifying these challenges, trade unions representing staff at the Group have argued forcefully for stronger action in the Group to tackle pay levels, with disputes raised and the prospects of industrial action averted. The Group seeks to make its pay strategy generous and effective in recruiting and retaining staff and it improved staff pay by an average of 6.94% in 2023-24, drawing on the very welcome intervention from the Department for Education to improve study programme funding rates for colleges nationally during the Summer of 2023. Further pressures on recruitment and staff pay levels remain and the Group will sustain its efforts to reward its very capable staff into the future, alongside efforts to support wellbeing and manage workloads successfully.

Financial plan

The Group has a Financial Policy in place that sets parameters for capital investment, minimum cash reserves and EBITDA generation. The Governing Body approved the Financial Policy along with Group's budget for 2024/25 in June 2024. The budget formed the basis of the College Financial Forecast Return (CFFR) submitted to the Funding Body in July 2024. The CFFR sets out the Group's financial objectives for the two years ending 31 July 2026 and indicate that the Group will remain in 'Good' to 'outstanding' financial health over the plan period.

The budget for 2024/25 and the CFFR for 2024 to 2026 took account of the Strategic Plan that came into effect in 2021/22 and identified growth as its main ambition. The EBITDA target for 2024/25 has been set at 1% below the Finance Policy target in recognition of the requirement to provide higher pay awards and continue to meet high energy prices. The 2024/25 budget does not include any allowance for in-year growth funding, even though 16-19 enrolment numbers are expected to continue to remain above the funding target. Any in-year growth funding in 2024/25 will enable the Group to improve its financial position above the budgeted level. In 2025/26, the Group will set an EBITDA target in line with the minimum EBITDA of 6% required by the Group's Finance Policy

The Group has sought to reduce its total indebtedness and has achieved a 70% reduction on its total borrowings since the merged Group was formed in August 2017. By making Significant voluntary repayments between December 2020 and July 2022, the Group has improved its borrowings ratio and is also less constrained by loan covenants in its operational decisions and financial target setting.

Treasury policies and objectives

The Group has a separate Treasury Management Policy and procedures in place that set out the treasury management arrangements for managing cash flows, banking arrangements and the risks associated with those activities.

At the point of merger on 1 August 2017, the existing loans of South Thames and Kingston Colleges were consolidated into borrowings from one lender. The total loan balance at 1 August 2017 was £16.75 million. The Group repaid £5,000,000 of its term loan in December 2020, and a further voluntary repayment of £2,100,000 in July 2022 means that the Group has now fully repaid one of the two term loan facilities that were in place in August 2017. In total, through a combination of monthly repayments and voluntary payments the Group has reduced its total loan balance by 70% over a six-year period. Reducing long term borrowings has enabled the Group to set realistic EBITDA targets for 2022/23 and 2023/24 and still remain compliant with its loan covenants and in good or outstanding financial health.

Cash flows and liquidity

The Group's cash balance improved in line with improved operating performance and disposal of parts of its estates. Disposals during 2019 contributed £13,200,000 to cash reserves. Proceeds were used in part to re-accommodate activities that were previously housed in disposed parts of the estate. The disposals also enabled the Group to repay a part of its borrowings as well as fund the much-needed investment in parts of its estate.

There were no material disposals of fixed assets in 2023/24, but the Group continues to explore opportunities for reducing its accommodation to match its requirement, allowing capacity for growth. This is intended to generate proceeds for further improving the accommodation as well as reducing operating costs.

The net cash flow from operating activities in 2023/24 was £811k (£4.09 million in 2022/23). The decline of £3.3 million in net operating cash flow from 2022/23 is mainly attributable to the movement in creditors. Creditors payable within one year reduced by £2.4 million. The main reason for this is the change in the ESFA creditor balance at the end of 2023/24 (£580k compared to £2.7 million in 2022/23). This is, in part due to the Funding Body changing its approach to the reconciliation and recovery of AEB funding (see page 8 for comments on covenant compliance). In addition, a capital and revenue funding received in 2022/23 for the SDF project and High Needs Element 2 growth were included in creditors at the end of 2022/23 and recovered in 2023/24.

Latest forecasts indicate that the Group will exceed the EBITDA target set for 2024/25. As the Funding Body grants to be recovered in 2024/25 are significantly lower than in 2023/24, this will not have a material impact on operating cashflow for 2024/25. This, coupled with the reduced level of borrowings, will enable the Group to remain covenant compliant in 2024/25.

Because of improved operating performance and the delay in some capital projects, cash balance at the end of 2023/24 was a significant improvement on planned levels. The Group's latest management accounts indicate a cash balance of £15m at the end of 2024/25. Despite the increased cash outflow during 2023/24, the Group still hold a healthy cash reserve at year end and will continue to maintain reserves that are higher than the target for minimum cash reserves set within its finance policy.

The size of the College's total borrowing and its approach to interest rates have been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. This margin was maintained over a number of years, and the reasons for the shortfall in 2023/24 are explained on page 8. The Group expects to maintain the ratio in 2024/25 and beyond.

Reserves

The Group has a Cash Reserves Policy and recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The Group's Financial Policy sets parameters for capital investment, minimum cash balance and EBITDA generation. A minimum percentage target for EBITDA (percentage of income) is set each year as part of the budget setting process.

The EBITDA target for 2023/24 was 3% (£1.98 million). This was lower than the minimum required by the Group's finance policy, but set at this level in recognition of the exceptional rise in energy costs during 2022/23. The actual EBITDA of £3.7 million (5.3%) is an improvement of £1.7 million on the target for the year. The income and expenditure reserve balance at 31 July 2024 has reduced only by £262k despite the Group's high levels of depreciation.

The Financial Policy also requires the Group to maintain minimum year end cash reserves of £7.5m and an average cash balance of £5m throughout the financial year. The Group takes a risk-based approach to its reserves target each year and environmental volatility or poor financial performance may increase the minimum average cash balance by up to 75% from the base requirement of £5 million. The purpose of this target is to build up sufficient reserves to enable further investments in accommodation and teaching resources.

Going concern

The activities of the Group, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the Group, its cash flow and liquidity are presented in the financial statements and accompanying notes.

The financial targets set within the budget for 2023/24 recognised the extraordinary nature of the increase in energy prices during 2022/23, and the EBITDA target for the year was set at a realistically low level. Through a combination of Government intervention in energy costs, fixing prices a year in advance and reduced consumption, the Group was able to reduce the impact of the price rises. The actual EBITDA for the year was an improvement of 86% on the budget for the year. The Group budget for 2024/25 is based on an EBITDA target of 5% and does not include any allowance for in-year growth funding, even though 16-19 enrolment numbers are expected to continue to remain above the funding target.

The College Financial Forecasting Return (CFFR) submitted to the Funding Body in July 2024 indicates that the Group will remain in 'Good' to 'outstanding' financial health throughout the plan period. The Group has sought to reduce its total indebtedness and has achieved a 70% reduction on total borrowings since the merged Group was formed in August 2017. By making Significant voluntary repayments between December 2020 and July 2022, the Group has improved its borrowings ratio and is also less constrained by loan covenants in its operational decisions and financial target setting.

Total loans outstanding as at 31 July 2024 amounted to £4.235 million. The borrowings are secured on a part of the Group's estate and repayable over 13 years commencing 1 August 2017. At the end of 2023/24, compliance with the debt service covenant was impacted by changes in the way that the ESFA recovered AEB funding from 2021/22 to 2022/23. The change meant that the underperformance in 2022/23 was not recovered till 2023/24 and contributed to a significant increase in creditors payable within one year at the end of 2022/23. The recovery of funds in 2023/24, coupled with a reduced AEB allocation from the ESFA lead to a significant reduction in the creditor balance at the end of 2023/24. The operating cashflow therefore didn't meet 100% of the debt service costs for the year. The

lender recognises that this is a timing difference and not a reflection of the Group's operational performance and has confirmed that a waiver will be provided for the non-compliance. Loan covenants over the previous five years were met with a comfortable margin and in 2023/24, compliance was once again achieved with the exception of the debt service covenant referred to above. The Group's forecasts and financial projections indicate that it will be able to operate within the existing facility and covenants for the foreseeable future. The CFFR submitted in July 2024 includes monthly cash flow forecasts up to 31 July 2026 and indicates that the cash balance will remain above the Group's minimum cash balance target of £7.5 million throughout the two-year period.

The Group has net current assets at 31 July 2024 and creditors payable within one year include a holiday pay accrual and deferred capital grants (total of £2.6 million) for which payments are not required. Additional 16-19 funding allocated by the Funding Body after the 2024/25 budgets were set has enabled the Group to improve its staff recruitment and retention through an improved pay offer. The Group has significantly exceeded its 16-19 enrolment targets for 2024/25 and early forecasts contained within the management accounts to date for 2024/25 indicate a significant improvement in the budgeted financial performance for the year and 'outstanding' financial health.

Accordingly, the Group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

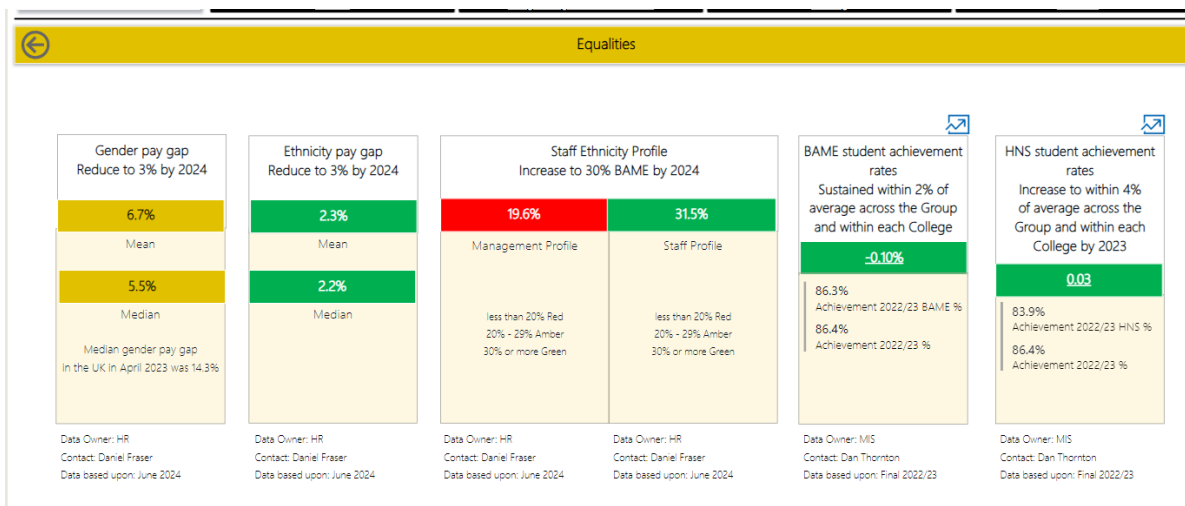
PRINCIPAL RISKS AND UNCERTAINTIES

Risk management

The Group has well developed strategies for managing risk and strives to embed risk management in all that it does. Risk management processes are designed to protect its assets, reputation and financial stability. The governing body has overall responsibility for risk management and its approach to managing risks and internal controls is explained in the Statement on Corporate Governance.

A risk register is maintained at the Group level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. Not all the factors which constitute or contribute to a risk may be within the Group's control. Given the challenges within the sector's funding systems, policy changes and public sector finances, other factors besides those listed within the risk register may also emerge which adversely affect the Group and these are identified and incorporated in the Risk Register as they arise. The committees of the Governing Body own a number of the Group's risks and report on these and their levels of assurance at the end of each meeting.

The Group has also invested in the development of dashboard, capturing key metrics in a live interactive display, allowing risk areas such as enrolment, attendance and retention for example, to be monitored closely. The Group has cemented the use of this as an effective governance tool by introducing Key Performance Indicators to highlight progress or lack of it in critical areas, an example shown below, using the set of KPIs assigned to Equalities:



The main risk factors affecting the Group are outlined below along with the action taken to minimise them. Other factors besides those listed below may also adversely affect the Group.

1. Funding and income levels

The Group has considerable reliance on funding for 16-18 year olds, and just under 50% of total income in 2023-24 was derived from this student cohort, with another 15% received for the associated support needs of High Needs Students. The Group recognises the risk that recruitment will potentially be affected by competition from other providers including schools, and insufficient internal progression and retention. The risk is mitigated through curriculum planning, internal delivery targets set above funding targets, internal marketing targeted at improving progression and the development of curriculum clusters aimed at maintaining quality and reputation. The Group saw gentle but constant decline in 16-18 recruitment over the years 2017-18 to 2021-22. This had given the Group a considerable challenge in consolidating to a level of activity that is affordable and based on reliable and stable student numbers and cost reduction had become a constant habit in the Group.

However, recruitment to the Group's Study programmes stabilised in 2022-23. New initiatives such as curriculum development and a new schools liaison team have been undertaken to address this issue and, in Autumn 2023, this trend was markedly reversed, with strong indication that this is being repeated in 2024. On this basis, the Group seems better set to grow its numbers by a substantial margin, with efforts now turning to actions to make this a sustained and successful pattern, spread across all the colleges.

Significant opportunities exist for the Group to grow its adult provision further and there are major investment funds have been drawn down by the Group from Government as it promotes engagement and supports employment across the economy. The Group has got better in realising these opportunities over recent years and successfully delivered provision more in line with its funding allocations in 2023-24, relying less on subcontracted provision to achieve this.

HE recruitment continues to be a significant concern and the withdrawal of some key collaborative programmes from Autumn 2018 has created further pressure on the

Group to reduce costs and find growth elsewhere. Apprenticeship recruitment has fallen and remains a cause for concern. The recruitment of High Needs Students is generating growth, but contribution rates for this provision to central costs is limited. Additionally, the complexity of claiming funding from a large number of Local Authorities has proved challenging and these bodies regularly engage with the Group to challenge costs and pricing for this provision.

The Group resolved to identify the decline in 16-18 recruitment as a principal strategic risk to its future over the medium-term and actions to address this rightly formed the core of its new strategic plan from 2021 onwards.

2. Staff recruitment

In common with many employers, the Group has experienced significant challenges in the recruitment and retention of staff after the Covid-19 pandemic. A number of measures have been implemented or proposed to address the issue, including the comprehensive implementation of a new pay and grading structure. These measures have significant cost implications that the Group has estimated and current forecasts indicate that the additional costs will not impact the Group's financial viability. New income secured as well as other savings will compensate the additional expenditure and the Government implemented funding changes in Summer 2023 to address exactly these challenges.

3. Cost efficiency

Where income targets are not achieved, if fixed costs are not controlled, there is a risk that expenditure will exceed affordable levels and undermine efficiency. In order to mitigate the risk, the Group sets an annual EBITDA target and a minimum contribution target for each delivery area. Annual budgets also contain an allowance for contingency. Monthly financial performance monitoring meetings are held to review the forecast outturn and lead to detailed monthly reports to the Group Leadership Team and Governors and the impact of these measures have been decisive in returning the Group's financial performance to a positive level after the first year of merger.

From 2022/23 onwards, the Group has faced the significant challenge of containing the impact of the increase in energy costs as well as other cost of living increases. The Group also introduced a new paying grading system in stages over 2022/23 and 2023/24 and invested in improving its staff recruitment and retention through an improved pay offer. Funding rate changes that came into effect after the budgets were set for 2023/24 enabled the Group to overcome the challenge of staff retention and recruitment in the year. In-year growth funding for 16-19 enrolments contributed significantly to the improvement in operating performance. The improved performance in 2023/24 has meant that the EBITDA target set within the budget for 2024/25 is only 1% less than the Finance Policy target.

Quality improvement

The progress seen in student achievement rates during 2018-19, 2019-20 and now 2022-23 and 2023-24 are commendable. There remain a few curriculum areas within the Group where performance is not yet at an acceptable level, but the Group has

been judged 'good' at inspection and finds significant reason to reduce the rating of this risk as it clearly has deployed an effective set of quality improvement measures to raise standards. Data for 2023-24 shows that Apprenticeships remained largely static and the risk of a critical opinion of this key area of work was realised at inspection in May 2024.

Provision for High Needs Students has improved rapidly and benefits from considerable investment in new middle and senior leadership resources. Achievement rates for young people have risen again in 2023-24 and student satisfaction levels across the Group remain very high from numerous sets of survey data.

The Group received its best-ever set of inspection grades from Ofsted in 2024 and it is evidently making sound progress in the quality of its provision, although Apprenticeships remain a cause for concern.

KEY PERFORMANCE INDICATORS

Financial performance indicators

	2023/24		2022/23
	Actual	Target	Actual
Sector EBITDA as % of income	5.3%	3.0%	3.9%
Staff costs (excluding restructuring & sub-contracted income) as % of income	68.8%	69.6%	69.6%
Cash balance	£17.5M	£12M	£20.5M
Cash days in hand	93.0	69	121
Adjusted current ratio	2.5	1.9	2.17
Borrowing as % of income	6.1%	6.5%	7.48%
Reliance on Funding Body income	88%	87%	85%
Financial Health Score	240	210	220
Financial Health Grade	Outstanding	Good	Good

Performance against bank covenants

	Bank target	Actual
Operational leverage covenant Ratio of borrowings to EBITDA less than	3.0:1	1.15:1
Debt Service covenant Cash flow : debt servicing cost*	>100%	88%
Security cover covenant Property value: loan	>140%	>140%
Minimum Cash balance covenant	£5M	£17.5M

- Please see page 8 for comments on compliance with the debt service covenant

OTHER INFORMATION

Equality

South Thames Colleges Group is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, belief, gender, sexual orientation, disability, class and age.

At South Thames Colleges Group, we will continue our work to ensure wherever we can that:

- equality of opportunity is embedded in all policies, practices, decision making and evaluation processes;
- we actively promote access to learning programmes and services for all our learners and potential clients to enable them to improve their skills, to make progress and be successful in realising their ambitions;
- we create a visibly diverse environment which values and celebrates difference and raises the aspiration of existing and potential learners;
- we develop a staff profile, management team and governing body which are commensurate with the above;
- we provide services which are effective in recognising and assessing the specific needs of individuals and ensuring that the right kinds of support and interventions are provided to meet these needs;
- we tackle discrimination, whether direct or indirect, and ensure that we have well understood and well used procedures for challenging all forms of discrimination, harassment, bullying and other unacceptable behaviour;
- we promote an ethos within the Group whereby all learners and members of staff respect the views, values, culture and beliefs of others - regardless of ethnicity, national origin, gender, sexual orientation, marital status, religious beliefs, political affiliation, age, social class, disability, trade union membership or non-membership, employment status, role as a parent, guardian or carer, or whether someone has a criminal record;
- all governors and staff are clear about the Group's standards and strategies to meet diverse learner needs and are equipped to respond effectively;
- we undertake rigorous and open monitoring of learner and staff performance and experience to identify and act on equality gaps;
- oversight of equalities performance has been enhanced through the appointment of a Governor with responsibility for Equalities and through the redesignation of one of the Governing Body's sub-committees as the Safeguarding, Wellbeing and Equalities Committee
- we develop comprehensive feedback systems to capture the views and perceptions of learners, staff, governors and stakeholders about how well we do things and what we could improve. We will remain alert to patterns of inequality and related concerns which are not identified through statistical monitoring tools;
- we develop a systematic approach to assessing the impact of new and existing policies, procedures and processes to ensure that negative impacts on the equality of opportunity are identified and addressed.

The Group has adopted the IHRA definition of Anti-Semitism and is proud to make public its absolute resistance to any form of anti-semitism in the words below:

Antisemitism is a certain perception of Jews, which may be expressed as hatred toward Jews. Rhetorical and physical manifestations of antisemitism are directed toward Jewish or non-Jewish individuals and/or their property, toward Jewish community institutions and religious facilities.

The Group's senior leaders have also agreed to sign the Black FE Leadership Group's open letter committing to an active anti-racist campaign in the sector and redoubling the organisation's efforts to combat all forms of racism.

The Group actively encourages applications from people with disabilities. Where an existing employee becomes disabled every effort is made to ensure that employment with the Group continues.

The Group endeavours to provide an environment that is free of discrimination to staff with disabilities and its policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

In 2022, a new and comprehensive action plan was adopted and specific, quantifiable equality and diversity targets were published, with actions under implementation for better outcomes in a number of equalities strands. A link Governor for equality and diversity was appointed and this became a specific responsibility for one of the Group's Governance committees. New actions were implemented during 2023-24 to improve recruitment practice and establish talent and retention programmes. Most indicators for equality have improved to within their target range during the life of the current action plan, although the gender gap has not yet reduced as far as expected and the proportion of black colleagues employed as senior leaders has not improved.

DISABILITY STATEMENT

The Group seeks to achieve the objectives set down in the Disability Discrimination Act 2000 (and the subsequent Special Education Needs and Disability Acts 2001 and 2005) and the Equalities Act 2010 and in particular makes the following commitments:

- a) As part of the continuing redevelopment of the buildings all facilities will continue to ensure that there is ready access to people with a disability;
- b) The admissions procedure aims to ensure that no applicant will be denied the opportunity to apply for a course at the group on the grounds of having a disability and/or learning difficulty;
- c) Specialist equipment and accommodation adaptations will be provided, or made, whenever possible or practical;
- d) The admissions policy for all students is described in the Group policies. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- e) The Group has made a significant investment in the appointment of staff to support students with learning difficulties and/or disabilities who can provide a variety of types of support for learning. The Group arrangements ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- f) Specialist programmes are described in programme information guides and achievements are recorded and published in the standard Group format;
- g) Counselling and welfare services, which are available to all learners, are described on the Colleges' websites;
- h) The Group has produced a Disability Equality Scheme and an associated action plan which seeks to eliminate discrimination and harassment, promote equality of opportunity, promote positive attitudes towards disability, take account of people's disabilities - even if this means treating someone more favourably, and encourage participation by disabled people in public life.

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. The trade union facility time for 1 April 2023 to 31 March 2024 is set out below.

Number of employees who were relevant trade union officials during the relevant period	FTE of trade union officials during the relevant period
16	14.1

Percentage of time	Number of employees
0%	0
1-50%	15
51-99%	1
100%	0

Total cost of facility time	£84,765
Total pay bill	£39,808,887
Percentage of total bill spent on facility time	0.21%

Time spent on paid trade union activities as a percentage of total paid facility time	12.5%
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Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2023 to 31 July 2024, the College paid 98 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

EVENTS AFTER THE REPORTING PERIOD

There are no significant post balance sheet events to report.

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Corporation on 5th December 2024 and signed on its behalf by:



M J Stone
Chair

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2023 to 31 July 2024 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the Association of Colleges new Further Education Code of Good Governance (“the Code”)

In the opinion of the Governors, the Group complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2024. This opinion is based on an internal review of compliance with the Code undertaken for the Corporation by the Head of Governance (last review May 2024) and an external Board Review carried out in January to March 2024. 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 Further Education Code of Good Governance issued by the Association of Colleges in September 2023, which it formally adopted on 6 November 2023.

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.

The Corporation

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

Name	Date Appointed/ Re-Appointed	End date for Term of office	Date resigned	Committees served	Corporation & Committee Meeting attendance from 1/8/23 to 31/7/24
Chair to 31.07.24					
Mr R. Foulston	01.08.2019	31.07.2027		Finance Planning & Resources, Remuneration, Estates Sub- Committee, Search & Governance (until 31.07.24)	16 of 19 : 84%
Chair from 01.08.24					
Mr M. J. Stone	14.05.2019	31.05 2027		Quality Learning & Standards, HE Committee, Remuneration (from 1.8.24), Search and Governance (from 1.8.24)	
Two Vice-Chairs					
Ms K. Driver	10.07.2017	31.07.2025		Audit, Search and Governance, Special	11 of 12 92%
Mr M. J. Stone	14.05.2019	31.05 2027		Quality Learning & Standards, HE Committee, Audit Corporation Vice-Chair until 31.07.24	19 of 19 100%
Ms M. Savage	01.04.2021	31.07.2025		Quality Learning & Standards, Audit, Corporation Vice-Chair from 01.08.24	15 of 15 100%
Other general members					
Cllr K. Akinola	7.11.2022	31.07.2026		Audit	4 of 9 44%

Name	Date Appointed/ Re-Appointed	End date for Term of office	Date resigned	Committees served	Corporation & Committee Meeting attendance from 1/8/23 to 31/7/24
Ms L. Austin	01.08.2023	31.07.2027		Finance, Estates Sub-Committee, Remuneration	16 of 16 100%
Ms S. Axbey	01.08.2023	31.07.2027		Safeguarding	8 of 9 89%
Mr J. Azah	10.07.2017	31.07.2025		Safeguarding	5 of 9 : 56%
Cllr S. Gordon	10.07.2017	31.07.2025		Search & Governance, Safeguarding	9 of 12 75%
Ms H. Harper	01.01.2023	31.07.2026		Quality Learning & Standards, HE Committee, Search & Governance	16 of 18 89%
Cllr A. Holt	30.09.2020	31.07.2024		Finance, Planning and Resources, Estates Sub-Committee	10 of 12 83%
Mr K. Hutton	01.01.24	31.07.2027		Finance, Planning and Resources, Estates Sub-Committee	6 of 7 86%
Prof H .Laville	25.05.2021	31.07.2025		HE Committee, Quality Learning & Standards	13 of 16 81%
Ms D. Malka	01.01.24	31.07.2027		Finance, Planning and Resources (until 31.07.24) , Audit (from 1.8.24)	5 of 7 71%
Mr J. Marshall	01.08.2021	31.07.2025		Finance Planning & Resources, Estates Sub-Committee, Remuneration	16 of 16 100%
Mr K. Mohamed	01.01.2023	31.07.2026		Safeguarding, Search & Governance (from 1.8.24)	4 of 9 44%
Mr K. Shipman	08.07.2020	31.07.2024		Safeguarding	6 of 9 67%
Staff members					
Ms W. Miles	28.09.2021	27.09.2025	19.01.24	Safeguarding	3 of 4 75%
Ms C. Streliaev- Pivetta	28.09.2021	27.09.2025		Quality Learning & Standards	11 of 12 92%
Student members					
Ms J. Agyei	01.08.2023	31.07.2024			2 of 5 40%
Mr T.Plarre	01.08.2023	31.07.2024			1 of 6 17%
Ms G. Carpenter	01.08.2024	31.07.2025			
Ms S.Khan	01.08.2024	31.07.2025			
Group Principal / CEO					
Mr P Mayhew- Smith	01.04.2010			Finance Planning & Resources, Search, Quality Learning & Standards, Safeguarding, HE Committee,	29 of 29 100%

Head of Governance	
Mrs H Meredith	(appointed 1 September 2017)

The governance framework

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

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets each term – usually twice a term.

The Corporation conducts its business through a number of committees. Each committee has Terms of Reference, which have been approved by the Corporation. These committees are Finance Planning & Resources, Quality Learning & Standards, Remuneration, Search and Governance, Safeguarding, Wellbeing and Equalities, Audit and a Higher Education Committee. Full minutes of the main Committee Meetings, except those deemed to be confidential by the Corporation, are available on the Group's website at stcg.ac.uk or from the Head of Governance at:

Kingston College
Kingston Hall Road
Kingston upon Thames
KT1 2AQ

The Head 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 College's expense and have access to the Head of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Head of Governance are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are also provided regularly.

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

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole apart from the elected positions for staff and student Governors. The Corporation has a Search and Governance committee, consisting of five members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years and may serve up to two terms of office, a maximum of eight years. This may be extended in exceptional circumstances for example where a governor is undertaking a new and more senior role, such as chair or vice-chair of the Corporation or chair of a Corporation Committee.

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2024 and graded itself as "Outstanding" on the Ofsted scale.

The extract from the July 2024 Ofsted Report which relates to governance is as follows:

"Governance arrangements across the group are highly effective. Governors, who are passionate about their communities and learners, bring rich and wide-ranging experience to the board. Governors meet with senior leaders frequently, visit the college campuses often, attend learner events and meet with learners to look at the effectiveness of teaching. Consequently, governors have an accurate and thorough understanding of their strengths and the areas for development. They support and challenge senior leaders effectively to drive improvements."

The Corporation commissioned an External Board Review from the Association of Colleges January – March 2024. The reviewer, Marina Gaze, reported (April 2024) that

“Governance at South Thames College Group (STCG) is strong, sets strategy and drives improvements. The board is well managed and well led. The board provide strong scrutiny, challenge and accountability. The relationship between the board and SLT is excellent, as is the relationship between the triumvirate. Current board members have an impressive range of skills and experience in a range of leadership roles which they use to benefit students and the group. Governors are passionate about the college and apply their role of critical friends well.”

“STCG has a high performing, ambitious board that puts the success and well-being of students at the heart of its work. All governors see students as central to their decision making and work hard to ensure all students’ education and experiences of the college are good or better. The board provides strong strategic leadership to the group and has taken a robust and successful approach to ensuring financial soundness including through growth in student numbers and reviewing the estates strategy. The board provide strong scrutiny, challenge and accountability.”

The small number of areas identified for improvement were incorporated into a Governance improvement action plan for implementation.

The Corporation is committed to personal development to continue to improve the effectiveness of governance. Governors and the Head of Governance attended many training and development activities during 2023-24 including:

- A full day Governors’ Awayday on 6 November 2023 organised by the College.
- Webinars organised by the Association of Colleges, the Education and Training Foundation and the National Governors’ Association including events during the AoC Learning week
- New Governors attended governor induction training organised by the Association of Colleges and the College
- All Governors and the Head of Governance complete annual online refresher training on Safeguarding and complete Prevent Duty training every two years
- Two governor training sessions organised by the college; one in person updating Governors on KCSIE updates on Filtering and Monitoring and a Briefing on the London LSIP by an external speaker from Business LDN and one online session on Ofsted inspection
- 2 Governors attended the residential Annual Association of Colleges Conference
- Several governors completed online modules from the ETF Governance Development Programme
- Governors attended AoC / ETF Regional Governors’ Conferences
- the Head of Governance attended the FEC Just one Thing Thematic Conference on EDI – Race Inequality
- 2 Governors undertook Safer Recruitment Training
- The Head of Governance attended training sessions for Governance Professionals organised by the Education and Training Foundation and the Association of Colleges, webinars run by Ofsted , Advance HE as well as webinars run by the ESFA and DfE, firms of Accountants. and Regional Governance Conferences run by the ETF/ AoC.

Remuneration Committee

Throughout the year ending 31 July 2024 the College's Remuneration Committee comprised four members of the Corporation and an external member. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post holders (some of who are also the College's key management personnel). In carrying out its responsibilities, it takes full account of The Colleges Senior Staff Remuneration Code issued by the Association of Colleges in December 2018, which it formally adopted on 25 February 2020.

Details of remuneration for the year ended 31 July 2024 are set out in note 7 to the financial statements.

Audit Committee

The Audit Committee has a minimum of three and maximum of eight members. In addition, the Committee can appoint up to two co-opted members including a finance/audit specialist. The Corporation Chair, the Head of Governance, the Accounting Officer, Members of Finance Planning and Resources Committee and senior management staff may not be members of the Audit Committee. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of management. The Committee also receives and considers reports from the main FE Funding Bodies as they affect the College's business.

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

College Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation. The audit committee met three times in the year to 31 July 2024. The members of the committee and their attendance records are shown below:

Name	Audit Committee Meeting attendance from 1/8/23 to 31/7/24
Ms K. Akinola	2 of 3: 67%
Ms K. Driver	3 of 3: 100%
Ms M. Savage	3 of 3: 100%
Mr J. Stone	3 of 3: 100%
Mr L. Linton (Co-opted Member)	2 of 3: 67%
Mr N. Ratnavel (Co-opted Member)	3 of 3: 100%

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate

the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Group Principal / CEO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Accountability agreement between South Thames Colleges Group and the Funding Bodies. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Thames Colleges Group for the year ended 31 July 2024 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2024 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

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

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

South Thames Colleges Group has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Risks faced by the Corporation

The Corporation has overall responsibility for risk management.

The Group has well developed strategies for managing risk and strives to embed risk management in all that it does. A risk register is maintained at the Group level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. Not all the factors which constitute or contribute to a risk may be within the Group's control. Given the significant changes to funding systems, governance arrangements and public sector finances, other factors besides those listed within the risk register may also emerge which adversely affect the Group and these are identified and incorporated in the Risk Register as they arise. The Corporation committees each 'own' a number of the Group's risks and report on these and their levels of assurance at the end of each meeting to the Audit Committee. If further assurance is required, each Committee or the Audit Committee can request that additional assurance is provided internally or commissioned externally.

The main risk factors affecting the Group are set out below along with the action taken to minimise them. Other factors besides those listed below may also adversely affect the Group.

Risk	
Funding and income levels	<p>The Group has considerable reliance on funding for 16-18 year olds, and just under 50% of total income in 2023-24 was derived from this student cohort, with another 15% received for the associated support needs of High Needs Students. The Group recognises the risk that recruitment will potentially be affected by competition from other providers including schools, and insufficient internal progression and retention. The risk is mitigated through curriculum planning, internal delivery targets set above funding targets, internal marketing targeted at improving progression and the development of curriculum clusters aimed at maintaining quality and reputation. The Group saw gentle but constant decline in 16-18 recruitment over the years 2017-18 to 2021-22. This had given the Group a considerable challenge in consolidating to a level of activity that is affordable and based on reliable and stable student numbers and cost reduction had become a constant habit in the Group. However, recruitment to the Group's Study programmes stabilised in 2022-23. New initiatives such as curriculum development and a new schools liaison team have been undertaken to address this issue and, in Autumn 2023, this trend was markedly reversed, with strong indication that this is being repeated in 2024. On this basis, the Group seems better set to grow its numbers by a substantial margin, with efforts now turning to actions to make this a sustained and successful pattern, spread across all the colleges.</p> <p>Significant opportunities exist for the Group to grow its adult provision further and there are major investment funds have been drawn down by the Group from Government as it promotes engagement and supports employment across the economy. The Group has got better in realising these opportunities over recent years and successfully delivered provision more in line with its funding allocations in 2023-24, relying less on subcontracted provision to achieve this.</p> <p>HE recruitment continues to be a significant concern and the withdrawal of some key collaborative programmes from Autumn 2018 has created further pressure on the Group to reduce costs and find growth elsewhere. Apprenticeship recruitment has fallen and remains a cause for concern. The recruitment of High Needs Students is generating growth, but contribution rates for this provision to central costs is limited. Additionally, the complexity of claiming funding from a large number of Local Authorities has proved challenging and these bodies regularly engage with the Group to challenge costs and pricing for this provision.</p> <p>The Group resolved to identify the decline in 16-18 recruitment as a principal strategic risk to its future over the medium-term and actions to address this rightly formed the core of its new strategic plan from 2021 onwards.</p>

Staff recruitment	<p>In common with many employers, the Group has experienced significant challenges in the recruitment and retention of staff after the Covid-19 pandemic. A number of measures have been implemented or proposed to address the issue, including the comprehensive implementation of a new pay and grading structure. These measures have significant cost implications that the Group has estimated and current forecasts indicate that the additional costs will not impact the Group's financial viability. New income secured as well as other savings will compensate the additional expenditure and the Government implemented funding changes in Summer 2023 to address exactly these challenges.</p>
Cost efficiency	<p>Where income targets are not achieved, if fixed costs are not controlled, there is a risk that expenditure will exceed affordable levels and undermine efficiency. In order to mitigate the risk, the Group sets an annual EBITDA target and a minimum contribution target for each delivery area. Annual budgets also contain an allowance for contingency. Monthly financial performance monitoring meetings are held to review the forecast outturn and lead to detailed monthly reports to the Group Leadership Team and Governors. The impact of these measures has been decisive in returning the Group's financial performance to a positive level after the first year of merger.</p> <p>The financial targets set within the budget for 2023/24 recognised the extraordinary nature of the increase in energy prices during 2022/23, and the EBITDA target for the year was set at a realistically low level. Through a combination of Government intervention in energy costs, fixing prices a year in advance and reduced consumption, the Group was able to reduce the impact of the price rises. The actual EBITDA for the year was an improvement of 86% on the budget for the year. The Group budget for 2024/25 is based on an EBITDA target of 5% and does not include any allowance for in-year growth funding, even though 16-19 enrolment numbers are expected to continue to remain above the funding target.</p> <p>The College Financial Forecasting Return (CFFR) submitted to the Funding Body in July 2024 indicates that the Group will remain in 'Good' to 'outstanding' financial health throughout the plan period. The Group has sought to reduce its total indebtedness and has achieved a 70% reduction on total borrowings since the merged Group was formed in August 2017. By making Significant voluntary repayments between December 2020 and July 2022, the Group has improved its borrowings ratio and is also less constrained by loan covenants in its operational decisions and financial target setting.</p>
Quality improvement	<p>The progress seen in student achievement rates during 2018-19, 2019-20 and now 2022-23 and 2023-24 are commendable. There remain a few curriculum areas within the Group where performance is not yet at an acceptable level, but the Group has been judged 'good' at inspection and finds significant reason to reduce the rating of this risk as it clearly has deployed an effective set of quality improvement measures to raise standards. Data for 2023-24 shows that Apprenticeships remained largely static and the risk of a critical opinion of this key area of work was realised at inspection in May 2024.</p> <p>Provision for High Needs Students has improved rapidly and benefits from considerable investment in new middle and senior leadership resources. Achievement rates for young people have risen again in 2023-24 and student satisfaction levels across the Group remain very high from numerous sets of survey data.</p> <p>The Group received its best-ever set of inspection grades from Ofsted in 2024 and it is evidently making sound progress in the quality of its provision, although Apprenticeships remain a cause for concern.</p>

Control weaknesses identified

No significant control weaknesses were identified by internal audit.

Responsibilities under Accountability agreement

The Corporation ensures that the College's funds are used only in accordance with the corporation's powers as set out in the Further and Higher Education Act 1992 and the College's own statutory duties and other obligations. The Corporation also ensures that the College's funds are used only in accordance with the College's powers as set out in the Further and Higher Education Act 1992 and the College's Instrument and Articles of Government.

Action taken by the Corporation to ensure this includes the scrutiny undertaken by the Corporation and its committees of the work undertaken by the College including oversight of quality and financial performance, health and safety and fraud and irregularity. Examples of this include:

The Finance, Planning and Resources Committee reviews monthly management accounts which include an assessment of financial health. The Committee meets twice a term to monitor financial performance closely.

The Audit Committee and senior management review the Risk Register which includes assessment of risks to financial health. Under the College Board Assurance Framework each Committee reviews the assurance levels on the risks allocated to it and reports to the Audit Committee on its judgments.

The Audit Committee reviews the risk of failing to comply with the procedures and regulations connected to learner funding (as set out by each funding body including the utilisation of expected compliance processes such as PDSAT) at its termly meetings.

The Audit Committee receives an annual presentation on data management and compliance strategies by MIS.

Any instances of fraud are reported to the Chair of the Audit Committee and reviewed by the Audit Committee at each meeting.

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

Statement from the Audit Committee

The Audit Committee has advised the Corporation that there is 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 review undertaken by the Audit Committee in 2023/24 and up to the date of the approval of the financial statements were as follows:

- STCG MIS controls – the committee received a presentation on the controls
- Internal Audit Reports in relation to the following areas:
 - Safeguarding – Substantial Assurance
 - Governance – Substantial Assurance
 - Risk Management - Substantial Assurance
 - Cyber Security - Partial Assurance
 - Mental Health & Wellbeing – Reasonable Assurance
 - Key Financial Controls - Substantial Assurance
 - Learner Number Systems - No opinion / Advisory

Where auditors have made recommendations, management action to implement the recommendations has been followed up by a Tracker Report reviewed by the Audit Committee at following meetings and the Audit Committee is satisfied that the action taken is sufficient to address each recommendation.

Review of effectiveness

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

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

The Accounting Officer has been advised on the implications of the result of 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 sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management 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 Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2024 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2024 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2024.

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

Approved by order of the members of the Corporation on 5 December 2024 and signed on its behalf by:



M J Stone
Chair
5 December 2024



Peter Mayhew-Smith
Accounting Officer
5 December 2024

Statement of regularity, propriety and compliance

As accounting officer, I confirm that the corporation has had due regard to the framework of authorities governing regularity, priority and compliance, and the requirements of the college's accountability agreement, funding agreements and contracts with ESFA and DfE, and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with those authorities and terms and conditions of funding.

I confirm on behalf of the corporation that after due enquiry, and to the best of my knowledge, I am able to identify any material irregular or improper use of funds by the corporation, or material non-compliance with the framework of authorities and the terms and conditions of funding under the college's accountability agreement, funding agreements and contracts with ESFA and DfE, or any other public funder. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

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



Peter Mayhew-Smith
Accounting officer

5 December 2024

Statement of the chair of Governors

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



M J Stone
Chair

5 December 2024

Statement of responsibilities of the members of the Corporation

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

Within the terms and conditions of the college's accountability agreement, funding agreements and contracts with ESFA and DfE and any other relevant funding bodies, the corporation is required to prepare financial statements which give a true and fair view of the financial performance and position of the corporation for the relevant period. Corporations must also prepare a strategic report which includes an operating and financial review for the year. The bases for the preparation of the financial statements and strategic report are the Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's College Accounts Direction and the UK's Generally Accepted Accounting Practice. In preparing the financial statements, the corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess whether the corporation is a going concern, noting the key supporting assumptions, qualifications or mitigating actions, as appropriate (which must be consistent with other disclosures in the accounts and auditor's report), and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the corporation will continue in operation.

The corporation is also required to prepare a strategic report, in accordance with paragraphs 3.23 to 3.27 of the FE and HE SORP, that describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the corporation.

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

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

Members of the corporation are responsible for ensuring that expenditure and income are applied for the purposes intended and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from ESFA, DfE, and any other public funds, are used only in accordance with the accountability agreement, funding

agreements and contracts and any other conditions, that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the corporation are within the delegated authorities set out in the “Dear accounting officer” letter of 29 November 2022 and ESFA’s bite size guides. Members of the corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the corporation are responsible for securing economic, efficient and effective management of the corporation’s resources and expenditure so that the benefits that should be derived from the application of public funds from ESFA, DfE and other public bodies are not put at risk.

Approved by order of the members of the Corporation on 5 December 2024 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'M J Stone', with a horizontal line drawn underneath it.

M J Stone
Chair

Independent auditor's report to the Members of the Corporation of South Thames Colleges Group

Opinion

We have audited the financial statements of South Thames Colleges Group ('the College') and its subsidiaries (together 'the group') for the year ended 31 July 2024 which comprise the Group and parent college statement of comprehensive income, the group and parent college statement of changes in reserves and balance sheets, the group statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the College's affairs as at 31 July 2024 and of the Group's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- In all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of the members of the Corporation

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the group and the College through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group and the College, including the Further and Higher Education Act 1992, Accountability agreement with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

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

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

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

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

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

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

Use of our report

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



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 18 December 2024

Reporting accountant's assurance report on regularity

To: The Corporation of South Thames Colleges Group and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)

In accordance with the terms of our engagement letter dated 20 June 2024 and further to the requirements and conditions of funding in the ESFA's grant Accountability agreement, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by South Thames Colleges Group during the period 1 August 2023 to 31 July 2024 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 and in any relevant conditions of funding concerning adult education notified by a relevant funder.

This report is made solely to the corporation of South Thames Colleges 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 corporation of South Thames Colleges 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 corporation of South Thames Colleges Group and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of South Thames Colleges Group and the reporting accountant

The corporation of South Thames Colleges Group is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them. Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2023 to 31 July 2024 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by 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 corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2023 to 31 July 2024 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Date: 18 December 2024

South Thames Colleges Group
Consolidated and College Statements of Comprehensive Income

	Notes	Year ended 31 July 2024		Year ended 31 July 2023	
		Group £'000	College £'000	Group £'000	College £'000
INCOME					
Funding body grants	2	62,843	62,843	57,364	57,364
Tuition fees and education contracts	3	5,405	5,405	6,282	6,282
Other income	4	2,129	1,989	2,567	2,410
Investment income	5	2,256	2,276	626	646
Donations	6	-	102	-	102
Total income		72,633	72,615	66,839	66,804
EXPENDITURE					
Staff costs	7	47,979	47,967	46,147	46,147
Other operating expenses	8	18,088	18,082	17,545	17,528
Depreciation	10	6,603	6,545	6,215	6,158
Interest and other finance costs	9	457	457	639	639
Total expenditure		73,127	73,051	70,546	70,472
Deficit before other gains and losses		(494)	(436)	(3,707)	(3,668)
Profit on disposal of fixed assets		16	16	-	-
Deficit for the year		(478)	(420)	(3,707)	(3,668)
Actuarial (loss)/gain in respect of pension schemes	16	(483)	(483)	5,382	5,382
Total Comprehensive (expenditure)/ income for the year		(961)	(903)	1,675	1,714
Represented by:					
Unrestricted Comprehensive (expenditure)/ income		(961)	(903)	1,675	1,714

South Thames Colleges Group
Statements of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Group			
Balance at 1st August 2022	65,860	6,891	72,751
Deficit from the income and expenditure account	(3,707)	-	(3,707)
Other comprehensive income	5,382	-	5,382
Transfers between revaluation and income and expenditure reserves	699	(699)	-
Total comprehensive income for the year	2,374	(699)	1,675
Balance at 31st July 2023	68,234	6,192	74,426
Deficit from the income and expenditure account	(478)	-	(478)
Other comprehensive expenditure	(483)	-	(483)
Transfers between revaluation and income and expenditure reserves	699	(699)	-
Total comprehensive expenditure for the year	(262)	(699)	(961)
Balance at 31st July 2024	67,972	5,493	73,465
College			
Balance at 1st August 2022	65,638	6,891	72,529
Deficit from the income and expenditure account	(3,668)	-	(3,668)
Other comprehensive income	5,382	-	5,382
Transfers between revaluation and income and expenditure reserves	699	(699)	-
Total comprehensive income for the year	2,413	(699)	1,714
Balance at 31st July 2023	68,051	6,192	74,243
Deficit from the income and expenditure account	(420)	-	(420)
Other comprehensive expenditure	(483)	-	(483)
Transfers between revaluation and income and expenditure reserves	699	(699)	-
Total comprehensive expenditure for the year	(204)	(699)	(903)
Balance at 31st July 2024	67,847	5,493	73,340

South Thames Colleges Group
Balance sheets as at 31 July

	Notes	Group	College	Group	College
		2024	2024	2023	2023
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	10	102,200	102,071	104,869	104,682
		102,200	102,071	104,869	104,682
Current assets					
Stocks		10	10	10	10
Trade and other receivables	12	2,275	2,770	2,153	2,541
Cash and cash equivalents	17	17,527	16,876	20,538	19,925
		19,812	19,656	22,701	22,476
Less: Creditors – amounts falling due within one year	13	(10,589)	(10,429)	(12,959)	(12,730)
Net current assets		9,223	9,227	9,742	9,746
Total assets less current liabilities		111,423	111,298	114,611	114,428
Less: Creditors – amounts falling due after more than one year	14	(35,791)	(35,791)	(37,894)	(37,894)
Provisions					
Defined benefit obligations	20	-	-	-	-
Other provisions	16	(2,167)	(2,167)	(2,291)	(2,291)
Total net assets		73,465	73,340	74,426	74,243
Unrestricted reserves					
Income and expenditure account		67,972	67,847	68,234	68,051
Revaluation reserve		5,493	5,493	6,192	6,192
Total unrestricted reserves		73,465	73,340	74,426	74,243

The financial statements on pages 49 to 75 were approved and authorised for issue by the Corporation on 05 December 2024 and were signed on its behalf on that date by:



M J Stone
Chair



Accounting Officer

South Thames Colleges Group
Consolidated Statement of Cash Flows

	Notes	2024 £'000	2023 £'000
Cash flows from operating activities			
Deficit for the year		(478)	(3,707)
Adjustment for non cash items			
Depreciation		6,603	6,215
Increase in debtors		(122)	(881)
Increase/ (decrease) in creditors due within one year		(2,404)	2,635
Decrease in creditors due after one year		(1,615)	(1,915)
Decrease in provisions		(288)	(263)
Pension costs less contributions payable		930	1,992
Adjustment for investing or financing activities			
Investment income		(2,256)	(626)
Interest payable		457	639
Profit on sale of fixed assets		(16)	-
Net cash flow from operating activities		<u>811</u>	<u>4,089</u>
Cash flows from investing activities			
Investment income		897	626
Receipt of deferred capital grants		123	3,330
Proceeds from sale of fixed assets		16	-
Payments made to acquire fixed assets		(3,934)	(4,980)
		<u>(2,898)</u>	<u>(1,024)</u>
Cash flows from financing activities			
Interest paid		(347)	(412)
Repayments of amounts borrowed		(577)	(545)
		<u>(924)</u>	<u>(957)</u>
(Decrease)/increase in cash and cash equivalents in the year		(3,011)	2,108
Cash and cash equivalents at beginning of the year		20,538	18,430
Cash and cash equivalents at end of the year	17	<u>17,527</u>	<u>20,538</u>

South Thames Colleges Group

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 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2023 to 2024* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the College and its subsidiaries, KCTC Limited and Kingston and Sutton Educational Partnership Ltd. In accordance with FRS 102, the activities of the student union have not been consolidated because the College does not control those activities. All financial statements are made up to 31 July 2024.

Going concern

The activities of the Group, together with the factors likely to affect its future development and performance are set out in the Report of the Governing Body. The financial position of the Group, its cash flow and liquidity are presented in the financial statements and accompanying notes.

The financial targets set within the budget for 2023/24 recognised the extraordinary nature of the increase in energy prices during 2022/23, and the EBITDA target for the year was set at a realistically low level. Through a combination of Government intervention in energy costs, fixing prices a year in advance and reduced consumption, the Group was able to reduce the impact of the price rises. The actual EBITDA for the year was an improvement of 86% on the budget for the year. The Group budget for 2024/25 is based on an EBITDA target of 5% and does not include any allowance for in-year growth funding, even though 16-19 enrolment numbers are expected to continue to remain above the funding target.

The College Financial Forecasting Return (CFFR) submitted to the Funding Body in July 2024 indicates that the Group will remain in 'Good' to 'outstanding' financial health throughout the plan period. The Group has sought to reduce its total indebtedness and has achieved a 70% reduction on total borrowings since the merged Group was formed in August 2017. By making Significant voluntary repayments between December 2020 and July 2022, the Group has improved its borrowings ratio and is also less constrained by loan covenants in its operational decisions and financial target setting.

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Total loans outstanding as at 31 July 2024 amounted to £4.235 million. The borrowings are secured on a part of the Group's estate and repayable over 13 years commencing 1 August 2017. At the end of 2023/24, compliance with the debt service covenant was impacted by changes in the way that the ESFA recovered AEB funding from 2021/22 to 2022/23. The change meant that the underperformance in 2022/23 was not recovered till 2023/24 and contributed to a significant increase in creditors payable within one year at the end of 2022/23. The recovery of funds in 2023/24, coupled with a reduced AEB allocation from the ESFA lead to a significant reduction in the creditor balance at the end of 2023/24. The operating cashflow therefore didn't meet 100% of the debt service costs for the year. The lender recognises that this is a timing difference and not a reflection of the Group's operational performance and has confirmed that a waiver will be provided for the non-compliance. Loan covenants over the previous five years were met with a comfortable margin and in 2023/24, compliance was once again achieved with the exception of the debt service covenant referred to above. The Group's forecasts and financial projections indicate that it will be able to operate within the existing facility and covenants for the foreseeable future. The CFFR submitted in July 2024 includes monthly cash flow forecasts up to 31 July 2026 and indicates that the cash balance will remain above the Group's minimum cash balance target of £7.5 million throughout the two-year period.

The Group has net current assets at 31 July 2024 and creditors payable within one year include a holiday pay accrual and deferred capital grants (total of £2.6 million) for which payments are not required. Additional 16-19 funding allocated by the Funding Body after the 2024/25 budgets were set has enabled the Group to improve its staff recruitment and retention through an improved pay offer. The Group has significantly exceeded its 16-19 enrolment targets for 2024/25 and early forecasts contained within the management accounts to date for 2024/25 indicate a significant improvement in the budgeted financial performance for the year and 'outstanding' financial health.

Accordingly, the Group has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

Recognition of income

Revenue Grant funding

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

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

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

Capital Grant Funding

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. The College does not have any capital grants from non-government sources. Income received in

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

Fee Income

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

Investment Income

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

Agency arrangements

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

Accounting for post-employment benefits

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

Teachers' Pension Scheme (TPS)

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

London Pension Fund Authority Local Government Pension Scheme (LGPS)

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

Actuarial gains and losses are recognised immediately in the statement of comprehensive income. The actuarial valuation as at 31 July 2024 indicates net pension assets of £26.4 million. In line with the approach standard approach taken by its financial statements auditor, the Group has only recognised actuarial gains up to a value that reduces the liability at this date to zero.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any

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unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the adoption of FRS102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life as follows

- freehold land – not depreciated as it is considered to have an infinite useful life.
- freehold buildings – between 20 and 50 years
- leasehold buildings – over lower of 50 years and life of lease
- leasehold improvements – over lower of 50 years and life of lease
- building improvements – 10 years on a straight-line basis

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.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, 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.

Subsequent expenditure on existing fixed assets

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

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Equipment

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

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

Motor vehicles – 4 years on a straight-line basis

Computer equipment – 4 years on a straight-line basis

Other equipment – 6 years on a straight-line basis

Furniture, fixtures and fittings – 6 years on a straight-line basis

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 and Expenditure. The College has no finance leases or hire purchase agreements

Investments in subsidiaries

Investment in subsidiaries is accounted for at cost less impairment in the individual financial statements.

Inventories

Inventories are stated at the lower of their cost using the first in first out method 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 and deposits repayable on demand. 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.

Taxation

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

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions and contingent liabilities

Provisions are recognised when

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

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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, 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 2023 has been used by the actuary in valuing the pensions liability at 31 July 2024. 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.

South Thames Colleges Group
Notes to the Accounts (continued)

2 Funding Body grants

	Year ended 31 July		Year ended 31 July	
	2024	2024	2023	2023
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Education and Skills Funding Agency - adult	525	525	840	840
Education and Skills Funding Agency - 16 - 18	43,758	43,758	37,930	37,930
Education and Skills Funding Agency - apprenticeships	1,863	1,863	1,931	1,931
Greater London Authority - Adult	12,056	12,056	11,999	11,999
Office for Students	148	148	191	191
Specific Grants				
Releases of government capital grants	1,555	1,555	1,864	1,864
16-19 Tuition Fund	441	441	424	424
Further Education Professional Development grant	-	-	(7)	(7)
Local Skills Improvement Fund	390	390	-	-
Strategic Development Fund	-	-	385	385
Multiply Grant (Greater London Authority)	464	464	394	394
Teachers Pension Scheme contribution grant	1,643	1,643	1,413	1,413
Total	62,843	62,843	57,364	57,364

3 Tuition fees and education contracts

	Year ended 31 July		Year ended 31 July	
	2024	2024	2023	2023
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Adult education fees (including full cost)	1,226	1,226	1,529	1,529
Apprenticeship fees and contracts	62	62	80	80
Fees for FE loan supported courses	312	312	720	720
Fees for HE loan supported courses	1,278	1,278	1,611	1,611
International students fees	185	185	229	229
Total tuition fees	3,063	3,063	4,169	4,169
Education contracts	2,342	2,342	2,113	2,113
Total	5,405	5,405	6,282	6,282

South Thames Colleges Group
Notes to the Accounts (continued)

4 Other income

	Year ended 31 July 2024		Year ended 31 July 2023	
	Group £'000	College £'000	Group £'000	College £'000
Catering and residences	25	25	33	33
Other income generating activities	2,020	1,880	2,170	2,013
Other Grant income	78	78	359	359
Other income	6	6	5	5
	2,129	1,989	2,567	2,410

5 Investment income

	Year ended 31 July 2024		Year ended 31 July 2023	
	Group £'000	College £'000	Group £'000	College £'000
Interest receivable	897	917	626	646
Net interest on pension assets (note 16)	1,359	1,359	-	-
	2,256	2,276	626	646

6 Donations - College only

	Year ended 31 July	
	2024 £'000	2023 £'000
Unrestricted donations (Gift Aid from subsidiary company KCTC Ltd)	102	102
Total	102	102

South Thames Colleges Group
Notes to the Accounts (continued)

7 Staff costs - Group and College

The average head count of persons (including key management personnel) employed by the College during the year was:

	2024	2023
	No.	No.
Teaching staff	564	555
Non teaching staff	363	363
	<u>927</u>	<u>918</u>

South Thames Colleges Group pays a number of sessional staff throughout the year based on actual hours delivered. The sessional staff have no contracted hours of teaching or other duties and are not included above.

Staff costs for the above persons

	2024	2023
	£'000	£'000
Wages and salaries	32,713	30,002
Social security costs	3,230	3,012
Other pension costs	6,305	7,313
	<u>42,248</u>	<u>40,327</u>
Payroll sub total		
Contracted out staffing services	5,640	5,545
	47,888	45,872
Fundamental restructuring costs	91	275
	<u>47,979</u>	<u>46,147</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College.

The College defines key management personnel as the CEO and Group Principal, Deputy CEO and two College Principals but the sickness absence of a College Principal was covered by an interim College Principal during the year. The Group's management structure has been subject to continuous review since merger in August 2017 and the Group has sought to clearly define responsibility for key decisions. The key management personnel have adopted a matrix approach to distinguishing between accountability and responsibility for key functions within the Group and accountable staff have been defined as key management personnel.

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

	2024	2023
	No.	No.
The number of key management personnel including the Accounting Officer was:	<u>5</u>	<u>6</u>

South Thames Colleges Group
Notes to the Accounts (continued)

7 Staff costs - Group and College (continued)

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

	Key management personnel		Other staff	
	2024 No.	2023 No.	2024 No.	2023 No.
£10,001 to £15,000 p.a	-	1	-	-
£60,000 to £65,000 p.a	-	-	4	5
£65,001 to £70,000 p.a	-	-	10	14
£70,001 to £75,000 p.a	-	-	2	1
£75,001 to £80,000 p.a	-	-	-	2
£80,001 to £85,000 p.a	-	-	2	2
£85,001 to £90,000 p.a	-	-	4	3
£90,001 to £95,000 p.a	-	-	2	2
£95,001 to £100,000 p.a	-	-	5	1
£100,001 to £105,000 p.a	-	1	-	-
£105,001 to £110,000 p.a	-	-	1	1
£115,001 to £120,000 p.a	1	-	-	-
£125,001 to £130,000 p.a.	-	1	-	-
£130,001 to £135,000 p.a	-	1	-	-
£140,001 to £145,000 p.a	2	-	-	-
£160,001 to £165,000 p.a.	-	1	-	-
£175,001 to £180,000 p.a	1	-	-	-
£220,001 to £225,000 p.a	-	1	-	-
£235,001 to £240,000 p.a	1	-	-	-
	5	6	30	31

Including part time workers grossed up to full time equivalent, two further members of other staff received emoluments of £60,000 or more in 2024. They were paid in the £65,001 to £70,000 (one) and £90,001 to £95,000 (one) bandings (2023: one in £65,001 to £70,000, one in £90,001 to £95,000). These staff received actual emoluments below £60,000 and are not included above (2023: two). A further part time member of other staff included in the £80,001 to £85,000 banding (2023: £75,001 to £80,000) above would be in the £90,001 to £95,000 banding if grossed up. A member of other staff who left during the year and included in the £90,001 to £95,000 band above would be in the £100,001 to £105,000 banding if grossed up (2023: n/a). The emoluments of other staff who started or left during the year have not been disclosed if this is below £60,000.

Based on basic pay only, the numbers disclosed above will change for a number of pay bands as follows :

	2024 No.	2023 No.	2024 No.	2023 No.
£65,001 to £70,000 p.a	-	-	11	14
£80,001 to £85,000 p.a	-	-	1	3
£90,001 to £95,000 p.a	-	-	3	3
£100,001 to £105,000 p.a	-	-	1	-
£150,001 to £155,000 p.a.	-	1	-	-
£160,001 to £165,000 p.a.	1	-	-	-
£175,001 to £180,000 p.a	-	-	-	-

Key management personnel compensation is made up as follows:

	2024 £'000	2023 £'000
Salaries	808	749
Employers National Insurance	105	99
Benefits in kind	15	15
	928	863
Pension contributions	78	80
Total key management personnel compensation	1,006	943

South Thames Colleges Group
Notes to the Accounts (continued)

7 Staff costs - Group and College (continued)

The pension contributions in respect of key management personnel are employer's contributions to the Teachers' Pension Scheme and are paid at the same rate as that for other employees. No pension contributions were made in respect of the Accounting Officer in 2024 or 2023.

There were no salary sacrifice arrangements in place for key management personnel. The above compensation includes amounts payable to Group Principal and CEO who is also the Accounting Officer (highest paid officer) of:

	2024	2023
	£'000	£'000
Salaries	235	224
Benefits in kind	-	-
	<u>235</u>	<u>224</u>
Pension contributions	<u>-</u>	<u>-</u>

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

The remuneration package of key management personnel, including the Group Principal and CEO, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Group Principal and CEO reports to the Chair of the Corporation, who undertakes an annual review of his performance against the College's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Group Principal and CEO pay and remuneration expressed as a multiple

	2024	2023
Group Principal and CEO's basic salary as a multiple of the median of all staff	6.6	6.6
Group Principal and CEO's total remuneration as a multiple of the median of all staff	5.8	5.9

Compensation for loss of office paid to former key management personnel

	2024	2023
	£	£
Compensation paid to the former post-holder	10,000	-
Other benefits including provision for pension benefits	-	-

The compensation payment was awarded under the threshold within the meaning of sections 402A(1) and 403 of ITEPA and as a special severance payment under the MPM Framework. The payment was approved by the Governing Body.

The members of the Governing Body other than the Group Principal and CEO and the staff members did not receive any payment from the College other than any reimbursement of travel and subsistence expenses incurred in the course of their duties.

The Group made the following severance payments during the financial year:

Severance payment

	No. of staff
0 - £25,000	4
£25,001 - £50,000	1

Special severance payments

The severance payments above include a member of staff who was included in the £25,000 to £50,000 bracket last year. The pension capital costs advised by the LPFA in 2023/24 are higher than the previous estimate and the additional costs are included in £25,000 to £50,000 in 2023/24.

South Thames Colleges Group
Notes to the Accounts (continued)

8 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2024	2024	2023	2023
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	4,773	4,773	4,407	4,407
Non teaching costs	5,152	5,146	5,229	5,212
Premises costs	8,163	8,163	7,909	7,909
Total	18,088	18,082	17,545	17,528

Other operating expenses include:

	2024	2023
	£'000	£'000
Auditors' remuneration:		
Financial statements audit*	60	58
Internal audit**	69	62
Other services provided by the financial statements auditors***	12	6
Other services provided by the internal auditors****	63	55
Hire of asset under operating leases	122	135

* includes £60,000 in respect of the College (2023 £58,000)

** includes £69,000 in respect of the College (2023 £62,000)

*** expenditure refers to taxation and compliance and includes £9,000 in respect of the College (2023 £3,000)

**** includes £62,560 in respect of the College (2023 £54,861)

9 Interest payable

	Year ended 31 July		Year ended 31 July	
	2024	2024	2023	2023
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	347	347	412	412
	347	347	412	412
Enhanced pension provision finance costs (note 16)	110	110	93	93
Net interest on defined pension liability (note 16)	-	-	134	134
Total	457	457	639	639

South Thames Colleges Group
Notes to the Accounts (continued)

10 Tangible fixed assets (Group)

	Land and buildings		Assets under Construction	Equipment	Total
	Freehold	Long leasehold			
	£'000	£'000			
Cost or valuation					
At 1 August 2023	230,562	2,852	-	32,213	265,627
Additions	2,534		256	1,144	3,934
Disposals				(54)	(54)
At 31 July 2024	233,096	2,852	256	33,303	269,507
Depreciation					
At 1 August 2023	131,057	358	-	29,343	160,758
Charge for the year	5,274	46	-	1,283	6,603
Eliminated on disposal				(54)	(54)
At 31 July 2024	136,331	404	-	30,572	167,307
Net book value at 31 July 2024	96,765	2,448	256	2,731	102,200
Net book value at 31 July 2023	99,505	2,494	-	2,870	104,869

Tangible fixed assets (College)

	Land and buildings		Assets under Construction	Equipment	Total
	Freehold	Long leasehold			
	£'000	£'000			
Cost or valuation					
At 1 August 2023	230,562	2,852	-	31,868	265,282
Additions	2,534		256	1,144	3,934
Disposals				(54)	(54)
At 31 July 2024	233,096	2,852	256	32,958	269,162
Depreciation					
At 1 August 2023	131,057	358	-	29,185	160,600
Charge for the year	5,274	46		1,225	6,545
Eliminated on disposal				(54)	(54)
At 31 July 2024	136,331	404	-	30,356	167,091
Net book value at 31 July 2024	96,765	2,448	256	2,602	102,071
Net book value at 31 July 2023	99,505	2,494	-	2,683	104,682

South Thames Colleges Group
Notes to the Accounts (continued)

11 Non current Investments

	College 2024 £	College 2023 £
Investments in subsidiary companies	200	200
	<u>200</u>	<u>200</u>
Total	<u>200</u>	<u>200</u>

The College owns 100 per cent of the issued ordinary £1 shares of KCTC Limited, a company incorporated in England and Wales. The principal business activity of KCTC Limited is the rental of college facilities.

The College also owns 100 per cent of the issued ordinary £1 shares of Kingston and Sutton Educational Partnership Limited (KSEP Ltd), a company incorporated in England and Wales. KSEP Ltd was a cost sharing vehicle that was jointly owned by Kingston and Carshalton Colleges prior to the merger on 1 August 2017. The company became a wholly owned subsidiary of South Thames Colleges Group on merger and ceased trading on the same day.

KCTC Ltd
Statement of Comprehensive Income

	2024 £'000	2023 £'000
Turnover	140	157
Cost of Sales	-	-
Gross profit	<u>140</u>	<u>157</u>
Administration expenses	(18)	(17)
Depreciation	<u>(57)</u>	<u>(57)</u>
Operating profit	65	83
Interest payable	<u>(20)</u>	<u>(20)</u>
Profit for the year before taxation	<u>45</u>	<u>63</u>
Profit for the year	<u>45</u>	<u>63</u>

South Thames Colleges Group
Notes to the Accounts (continued)

12 Trade and other receivables

	Group 2024 £'000	College 2024 £'000	Group 2023 £'000	College 2023 £'000
Amounts falling due within one year:				
Trade receivables	248	246	418	414
Amounts owed by Subsidiary undertakings	-	646	-	610
Prepayments and accrued income	1,587	1,438	1,304	1,086
Amounts owed by HMRC	275	275	275	275
Amounts owed by the ESFA	165	165	156	156
Total	<u>2,275</u>	<u>2,770</u>	<u>2,153</u>	<u>2,541</u>

13 Creditors: amounts falling due within one year

	Group 2024 £'000	College 2024 £'000	Group 2023 £'000	College 2023 £'000
Bank loans and overdrafts (note 15)	611	611	577	577
Trade payables	2,919	2,919	3,701	3,701
Other taxation and social security	854	850	54	50
Accruals and deferred income	3,063	2,907	3,398	3,173
Holiday pay accrual	1,052	1,052	1,060	1,060
Deferred income - government capital grants	1,510	1,510	1,450	1,450
Amounts owed to the ESFA	580	580	2,719	2,719
Total	<u>10,589</u>	<u>10,429</u>	<u>12,959</u>	<u>12,730</u>

14 Creditors: amounts falling due after one year

	Group 2024 £'000	College 2024 £'000	Group 2023 £'000	College 2023 £'000
Bank loans (note 15)	3,624	3,624	4,235	4,235
Deferred income - government capital grants	32,167	32,167	33,659	33,659
Total	<u>35,791</u>	<u>35,791</u>	<u>37,894</u>	<u>37,894</u>

South Thames Colleges Group
Notes to the Accounts (continued)

15 Maturity of debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2024 £'000	College 2024 £'000	Group 2023 £'000	College 2023 £'000
In one year or less	611	611	577	577
Between one and two years	646	646	611	611
Between two and five years	2,170	2,170	2,052	2,052
In five years or more	808	808	1,572	1,572
Total	<u>4,235</u>	<u>4,235</u>	<u>4,812</u>	<u>4,812</u>

The Group has a secured term loan from Barclays Bank. The fixed rate loan of £7.7m (Facility A) is repayable in instalments falling due monthly over a 13 year period commencing August 2017. The loan is secured on a portion of the Group's freehold land and buildings.

16 Provisions

	Defined benefit obligations £'000	Restructuring £'000	Enhanced pensions £'000	Total £'000
At 1 August 2023 (Group and College)	-	86	2,205	2,291
Payments in the period	(1,638)	-	(288)	(1,926)
Charge to expenditure:				
Current service cost	2,568	-	-	2,568
Past service costs	-	-	-	-
Net interest on pension liability	(1,359)	-	110	(1,249)
Actuarial losses / (gains)	429	-	54	483
At 31 July 2024 (Group and College)	<u>-</u>	<u>86</u>	<u>2,081</u>	<u>2,167</u>

Defined benefit obligations relate to the liabilities under the Group's membership of the Local Government pension Scheme. Further details are given in Note 20.

The enhanced pension provision relates to the cost of staff who have already left the Group's employment 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:

	2024	2023
Price inflation	2.85%	2.85%
Discount rate	5.05%	5.15%

**South Thames Colleges Group
Notes to the Accounts (continued)**

17 Cash and cash equivalents (Group)

	At 1 August 2023 £'000	Cash flows £'000	At 31 July 2024 £'000
Cash and cash equivalents	20,538	(3,011)	17,527
Total	<u>20,538</u>	<u>(3,011)</u>	<u>17,527</u>

18 Capital commitments

	Group and College	
	2024 £'000	2023 £'000
Commitments contracted for at 31 July	1,178	1,516
	<u>1,178</u>	<u>1,516</u>

19 Lease Obligations

At 31 July 2024 the group had total minimum lease payments under non-cancellable operating leases as follows:

	Group and College	
	2024 £'000	2023 £'000
Total future minimum lease charges payable:		
Equipment		
Not later than one year	122	135
	<u>122</u>	<u>135</u>

South Thames Colleges Group Notes to the Accounts (continued)

20 Defined benefit obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was as at 31 March 2020 and of the LGPS 31 March 2022.

Total pension cost for the year

	2024		2023
	£'000		£'000
Teachers Pension Scheme: contributions paid	3,737		3,287
Local Government Pension Scheme:			
Contributions paid	1,638	2,034	
FRS 102 (28) charge	<u>930</u>	<u>1,992</u>	
Charge to the Statement of Comprehensive Income	2,568		4,026
Total Pension Cost for Year	<u>6,305</u>		<u>7,313</u>

Teachers' Pension Scheme

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

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

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

South Thames Colleges Group Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

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

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education (the Department) in October 2023. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service at the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222 billion giving a notional past service deficit of £40 billion (compared to £22 billion in the 2016 valuation)

The actuarial TPS valuation results as at 31 March 2020 were released in October 2023. The valuation result was implemented from 1 April 2024, from this date employer contribution rates increased to 28.68% (including a 0.08% administration levy). DfE agreed to pay a Teachers' Pension Employer Contribution grant to cover the additional costs in the 2023-24 financial year.

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

The pension costs paid to TPS in the year amounted to £3,737,000 (2023: £3,287,000).

South Thames Colleges Group Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by the London Pensions Fund Authority (LPFA). The total contribution made for the year ended 31 July 2024 was £2,563,000 of which employer's contributions totalled £1,638,000 (The Group was not required to make deficit reduction payments) and employees' contributions totalled £925,000. The agreed contribution rate for future years is 11.9% for employers. Employee contribution rates will vary from 5.5% to 7.5% depending on salary. The employer contribution is calculated as a percentage of salary, and the College did not make any separate, lump-sum contributions into the pension scheme during the year. No deficit reduction payments will be made in the year ending 31 July 2025.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2022 updated to 31 July 2024 by Barnett Waddingham LLP.

	At 31 July 2024	At 31 July 2023
Rate of increase in salaries	2.85%	2.85%
Rate of increase for pensions (CPI)*	2.85%	2.85%
Discount rate for scheme liabilities	5.05%	5.15%

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

	At 31 July 2024 years	At 31 July 2023 years
<i>Retiring today</i>		
Males	20.90	20.90
Females	23.90	23.90
<i>Retiring in 20 years</i>		
Males	21.30	21.30
Females	25.00	25.00

Sensitivity analysis

	At 31 July 2024 £'000	At 31 July 2023 £'000
Discount rate +0.1%	(1,718)	(1,638)
Discount rate -0.1%	1,782	1,680
Mortality assumption - 1 year increase	4,033	3,886
Mortality assumption - 1 year decrease	(3,855)	(3,731)
Long term salary increase rate +0.1%	98	90
Long term salary increase rate -0.1%	(77)	(88)

The above sensitivities refer to the present value of total obligations and show the increase/(decrease) in the total obligations if rates change.

South Thames Colleges Group
Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

The College's share of the assets in the plan at the balance sheet date was:

	Fair Value at 31 July 2024 £'000	Fair Value at 31 July 2023 £'000
Equities	84,463	78,319
Target return Portfolio	22,913	23,760
Infrastructure	15,045	16,652
Property	12,534	12,613
Cash	4,513	2,009
Total market value of assets	<u>139,468</u>	<u>133,353</u>
Actual return on plan assets	<u>8,583</u>	<u>3,718</u>

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

	2024 £'000	2023 £'000
Fair value of plan assets	139,468	133,353
Present value of plan liabilities	<u>(139,468)</u>	<u>(133,353)</u>
Present value of defined benefit assets	-	-
Present value of unfunded liabilities (note 16)	<u>(2,081)</u>	<u>(2,205)</u>
Net pension asset/(liability)	<u>(2,081)</u>	<u>(2,205)</u>

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

	2024 £'000	2023 £'000
Amounts included in staff costs		
Current service cost	(2,568)	(3,987)
Past service cost	-	(39)
Total	<u>(2,568)</u>	<u>(4,026)</u>
Amounts included in interest payable		
Net interest receivable/ (payable)	<u>1,359</u>	<u>(134)</u>
Amounts recognised in Other Comprehensive expenditure		
Return on pension plan assets	1,825	(549)
Experience gains arising on defined benefit obligations	543	(12,020)
Changes in assumptions underlying the present value of plan liabilities	(2,797)	17,494
Amount recognised in Other Comprehensive expenditure	<u>(429)</u>	<u>4,925</u>

South Thames Colleges Group
Notes to the Accounts (continued)

20 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

Movement in net defined benefit liability during the year

	2024	2023
	£'000	£'000
Deficit in scheme at 1 August	-	(2,799)
Movement in year:		
Current service cost	(2,568)	(3,987)
Past Service costs	-	(39)
Employer contributions	1,638	2,034
Net interest on the defined liability	1,359	(134)
Actuarial (loss)/gain	(429)	4,925
Net defined benefit liability at 31 July	<u>-</u>	<u>-</u>

Asset and Liability Reconciliation

	2024	2023
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	133,353	130,342
Current Service cost	2,568	3,987
Past Service costs	-	39
Interest cost	5,406	4,400
Contributions by Scheme participants	925	825
Experience gains and losses on defined benefit obligations	(543)	12,020
Changes in financial assumptions	3,032	(8,805)
Changes in demographic assumptions	(242)	(6,252)
Estimated benefits paid	(5,031)	(3,203)
Defined benefit obligations at end of period	<u>139,468</u>	<u>133,353</u>

Reconciliation of Assets

Fair value of plan assets at start of period	133,353	127,543
Interest on plan assets	6,765	4,266
Return on plan assets	1,825	(549)
Other actuarial gains/(losses)	(7)	2,437
Employer contributions	1,638	2,034
Contributions by Scheme participants	925	825
Estimated benefits paid	(5,031)	(3,203)
Assets at end of period	<u>139,468</u>	<u>133,353</u>

The estimated value of employer contributions for the year ending 31 July 2025 is £1,650,000
The movements in the unfunded pension provision has been disclosed separately under note 16.
The fund was valued using the EPP calculator provided by the Association of Colleges.

Deficit Contributions

The Group has not been required to make additional contributions for deficit reduction since merger in 2017. The situation will be reviewed again at the next full valuation of the fund.

South Thames Colleges Group
Notes to the Accounts (continued)

21 Related party transactions

The total expenses paid to or on behalf of the Governors during the year was £766 in respect of five Governors (2023: £846; two Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and conferences in their official capacity.

No Governor has received any remuneration or waived payments from the College during the year (2023: None).

KCTC Ltd - wholly owned subsidiary of South Thames Colleges Group:

The company gift aids its surpluses to the College and made a payment of £101,614 in March 2024. During 2024 (amount due for 2023/24 is £102,757), all administration services for the company were provided by College staff and the company was charged £12,000 for services and interest of £20,300 on the amounts owed to the College. Professional fees paid by the College on behalf of the company and the College's lettings income paid into the KCTC account for a further increase of £2,788 in the debt. As at 31 July 2024, the amount owed by KCTC to the College was £646,253 (2023:£610,022).

22 Amounts disbursed as agent

Learner support funds

	2024	2023
	£'000	£'000
Funding bodies grants - 16-19 Bursary	654	815
Advanced Learning Loan Bursary	491	520
Other Funding body grants	178	115
	<u>1,323</u>	<u>1,450</u>
Disbursed to students	(789)	(989)
Administration costs	(36)	(37)
Balance unspent as at 31 July, included in creditors	<u><u>498</u></u>	<u><u>424</u></u>

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

23 Access and participation expenditure

	Restated	
	2024	2023
	£'000	£'000
Access investment	10	10
Financial Support	3	13
Support for Disabled Students	25	25
	<u><u>38</u></u>	<u><u>48</u></u>