EKC GROUP

Report and Financial Statements for the year ended 31 July 2023

Contents

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

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

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

Board of Governors

A full list of Governors is given on pages 18 to 20 of these financial statements.

Sharon Hollingsworth served as Group Director of Governance and Clerk to the Corporation throughout this period.

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

Professional advisers

Financial statements auditors and reporting accountants:
Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal auditors:
Azets
35 Station Road
Ashford
Kent
TN23 1PP

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

Solicitors:

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

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

Eversheds
1 Wood St
London EC2V 7WS

Introduction – Financial Statements

I am pleased to introduce the financial statements for East Kent Colleges Group for the academic year 2022 – 2023. These statements include the statutory reports that set out the financial performance of the organisation whilst simultaneously allowing all of us across the Group to reflect on the achievements during the period.

Following our continued emergence from the pandemic, I am pleased that we have remained in a strong position to seize new opportunities, while ensuring we support the communities we continue to proudly serve with a range of positive developments. Whilst we, and the wider sector, continue to feel the shockwaves of the pandemic reverberate through more challenging student behaviours, we have continued to deliver with an unrelenting sense of positivity and community and a renewed energy.

We are proud, this year, to be able to celebrate our Ofsted Inspection result, which saw our Group achieve an Outstanding grading when inspected in March 2023. It is with particular pride that we not only received Outstanding for our overall grade, but also within each of the different judgements. This achievement, coupled with a 'strong' for the Skills section, is unparalleled within the sector under the new Ofsted framework, and serves as testament to the continued impact of staff and leaders from across the Group. The judgement praised the inclusive nature of the provision and also underlined the work we do to deeply align our curriculum to the needs of employers and other key stakeholders across East Kent.

Over the past year we have remained focused on delivering a curriculum that is highly responsive to local skills needs and gaps. During the year we convened the inaugural East Kent Skills Summit, inviting CEOs of local businesses, Borough and District Council leaders and Chief Executives, other education providers, and a whole host of additional stakeholders, to gather and discuss the most pressing skills needs in the area. From the meeting, stakeholders agreed that there was a need for a fully coordinated approach to skills development across the area, with greater collaboration between the councils and other public sector partners now on the agenda. We are driving this forward to ensure that we are able to deliver the skills required to empower East Kent to continue to grow and flourish long into the future. Alongside this we gained agreement to work in collaboration with borough and district councils on Local Skills Improvement Fund bids, with a clear structure put in place to ensure an aligned approach that allows optimised outcomes for the East Kent community.

Through the year we are also hugely proud to have opened our brand new £9million Folkestone College Welcome Building, which now offers an impressive new learning environment for students from a range of curriculum areas. The building offers a wealth of industry standard equipment for learners, giving them the most realistic environment in which to develop their skills. An impressive building, it also offers markedly more impact to those passing by the College site, further embedding the organisation within the community it serves. This year has also seen other new developments brought on-stream for the Group, with a new Motor Vehicle block unveiled at our Dover Technical College by the local MP, Natalie Elphicke. The £590,000 investment offers an inspirational learning environment for students to grow their skills, with future facing technology such as electrical vehicle training equipment embedded within the fit out. Alongside this we have launched our first Strategic Development Fund environments, which bring together cutting-edge engineering and mechatronic equipment that employers are able to leverage to enhance their own business's green processes, whilst offering engagement with the college's curriculum team.

Our longer-term Estates Strategy will also see the expansion of our Ashford College site, with its 'Phase 2' development being started in the autumn of 2022 with its expected completion for the 2023 – 2024 Academic Year. This will allow the College to continue to grow alongside the rising needs of the expanding borough. We also took the decision to invest in our Spring Lane site following the acquisition of it following Hadlow College's administration process. The site had been neglected, and the new build brings it up to modern day standards, with a range of sustainability measures embedded in its design. The project is set to be developed for the start of the 2023 – 2024 Academic Year.

Alongside the various capital developments, we have delivered through the past year, we have also been working hard to deliver inspirational learning experiences for our students. Chief amongst these are our systems working collaborations with other sector leaders. We recently signed a Memorandum of Understanding with a local theatre that will empower students to access the expertise available within the theatre as part of a co-delivered curriculum. We have launched a similar sports coaching program with shared curriculum delivery in partnership with our

County Cricket Club. These partnerships enable the organisations to develop their talent pipeline, whilst ensuring our students receive a rich, engaging and impactful educational experience whilst studying with us.

In presenting the financial results for the 2022 – 2023 year, I want to again thank all members of EKC Group's community which includes staff, students, governors, alumni, partners and stakeholders, for how we have all worked together to achieve the continued impact that will underpin the delivery of Strategic Plan and our overall Mission to play a leading role for East Kent in developing the economic and social prosperity of the diverse communities we serve.

Charles Buchanan

Chair of Governors

Strategic Report of the Governing Body

Objectives and Strategy

The Governors present their report and the audited financial statements for the year ended 31 July 2023.

Legal status

The Corporation was established under The Further and Higher Education Act 1992 for the purpose of conducting EKC Group. The Group is an exempt charity for the purposes of the Charities Act 2011. The Group has two wholly owned subsidiary companies, The Folkestone College Restaurant Ltd (dormant) incorporated 3 May 2021 and the Yarrow Hotel Ltd incorporated 8 July 2021.

Mission

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

Office for National Statistics (ONS) reclassification of Colleges

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

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

Colleges' existing debt commitments do not need to change, and the Group's one remaining commercial loan will be repaid through to maturity on 31 August 2028.

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

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

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

Resources

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

Tangible

Tangible resources include the main College sites, currently stated at a net book value of £159,307,000; equipment, plant and machinery with a net book value of £8,649,000; and assets under construction with a net book value of £20,013,000.

Financial

The Group has £118,952,000 of net assets after recognising long-term debt of £11,955,000.

People

The Group employs 1,489 people, of whom 982 are teaching staff.

Stakeholders

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

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

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

Public Benefit

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

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

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

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

Implementation of strategic plan

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

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

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

As part of its work to deliver its mission and strategic priorities, the Group works closely with key stakeholders on a range of national and local priorities, including Levelling Up, Local Skills Improvement Plans and UK Shared Prosperity Fund.

Curriculum developments

In 2022/23, the Group had 6,205 students on 16-19 study programmes across fifteen subject areas, 2,957 students on funded Adult Education provision, 618 High Needs students, 318 T-level students and 76 students on 14-16 programmes across our Junior Colleges at Broadstairs, Spring Lane and Folkestone.

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

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

- Introduction of further T Levels, taking the Group from 5 initial routes to 7 with 10 pathways and 14 occupational specialisms;

- Developing the next wave of T Levels for September 2023/24 that will take the Group to 7 Routes with 10 Pathways and 18 OS occupational specialisms;
- Emergent T Level pathways are charted against a wider 4-year roadmap with apprenticeships;
- The Group has produced a Level 4+ strategy and roadmap that anticipates the opportunities made available by the Lifelong Learning Loan Entitlement that comes online in 2025;
- Significant investment in capital and revenue through the T Level 'Specialist Equipment Allocation', a successful 'Skills Accelerator Development Fund' and a 'Higher Technical Education Growth Fund'. Those projects and funds that have been audited to-date have all passed and been signed off;
- Launched the successful new EKC Sixth Form in Canterbury;
- Implementation of a new curriculum 'flow' which incorporated a new 2-year level 2 model; and,
- The EKC Group curriculum approach became positive DfE and Edge case studies for the sector.

Overall, there has been an unprecedented drive toward occupational standards at all levels. As the main thrust of this shift, EKC Group has been at the forefront of major national curriculum developments, enabling us to shape how they progress.

FINANCIAL POSITION

Financial Objectives

The Group financial objectives are:

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

These objectives have been monitored throughout the year by the Governors and the Group's Leadership Team. The Group over-performed against its budgeted EBITDA outcome of £4,981,000 for the year, with an EBITDA of £5,212,000, over-performed against the current ratio objective for the year ended 31 July 2023 with an adjusted current ratio of 1.03:1 and came in above the 65% target level of staff costs as a percentage of income at 69.7%.

The Group has had a strong year financially, primarily due to strong control over pay costs in response to under-performance across most of the key adult and employer markets, resulting in income targets being missed across adult programmes by £2.29million and apprenticeships by £965,000. Expenditure savings and improvements in other income-generation have off-set these shortfalls in income, resulting in the EBITDA being above budget by £487,000.

Financial Results

The Group reports an operating deficit of £1,342,000 after pensions adjustments (£2,583,000) have been taken into the Statement of Comprehensive Income. At 31 July 2023, the Group had accumulated income and expenditure reserves before pension reserve of £116,202,000 and a cash at bank balance of £4,515,000. The impact of the pension surplus on the Local Government Pension Scheme has been incorporated into the balance sheet at a nil asset value, which is an improvement on the previous year-end deficit position of £9,162,000.

Tangible fixed asset additions during the year amounted to £15,700,000. This expenditure was across a number of projects, with the more significant capital projects during the year being the completion of the Folkestone College new build (£3,125,000), the continuation of the extension of Ashford College (£6,721,000), the commencement of the new Spring Lane new build development (£1,989,000) and further investment in new equipment to support the delivery of T-Levels and other new curricula (£977,000).

Cash flow and liquidity

The net cash outflow for the year is £340,000 (2021/22: £6,270,000). This is predominantly made up of an operating cash inflow of £14,596,000 (2021/22: £4,596,000), capital expenditure of £15,700,000 (2021/22: £9,502,000), new loan financing of £2,000,000 and loan capital repayments of £659,000 (2021/22: £1,034,000).

The Group is at an advanced stage with completing the new debt structure with the Department for Education. The “reclassification Loan” is now in place, having transferred balances from Santander into this new facility of £9,954,000 to clear those loans at the point of maturity. An 18-month repayment holiday has been agreed, so this entire loan is showing as a creditor due after more than one year.

The capital loan to support the completion of the Ashford College extension has also now been agreed and being drawn down against the project expenditure over the latter half of the 2023 calendar year, amounting to a maximum of £3,683,625.

Developments

Works are on-going to develop the new buildings at Ashford College, with costs incurred during the year of £6,721,000. The main contractor work was expected to be completed prior to the beginning of the 2023/24 academic year, but delays in the final stages of the construction phase have led to a minor delay in the building being open and ready for student occupation from the beginning of the 2023/24 academic year.

The Group also received grant funding in-year to provide new equipment to support the delivery of the new T-Level courses and higher technical qualifications totalling £977,000. Works to the Ashford College and Canterbury Spring Lane sites are on-going and both sites are scheduled to be completed during the 2023/24 academic year.

Reserves

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

At 31 July 2023, the Group had substantial positive unrestricted reserves of £118,946,000 which is predominantly fixed asset holdings.

The financial strategy still focuses on improving the Group’s underlying cash holdings to deliver a current ratio of between 1.2:1 and 1.4:1, whilst continuing to invest in improvements to the Group estate and technology. The current cash balance of £4,515,000 is forecast to improve during the 2023/24 academic year, with a forecasted cash balance of £8,109,000 by 31 July 2024, through a mixture of cash inflow from operating activities of £3,706,000, new capital expenditure of £20,267,000 (of which, £16,680,000 will be grant-financed) and loan repayments of £142,000 offset by the drawdown of the new DfE £3.7million loan facility to retrospectively finance the capital development at Ashford College.

Sources of income

The Group has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2022/23, there was an increase in the reliance on ESFA income to 81.4% (2021/22: 79.6%), mainly as a result of under-performance in fee-paying courses.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The current risks include:

1. Government funding and policy

The Group has a dependency on government funding of 81.4%. This is higher than the benchmarked average for general further education colleges (an increase from 79.6% in 2021/22). The Group has been following the strategy below to diversify its income:

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

The decision by the Office for National Statistics on 29 November 2022 to reclassify further education colleges into the public sector has also created risks for the Group, including being unable to access commercial loans. The Group has mitigated this by securing a government loan to support the Ashford College Phase 2 extension.

2. Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme on the Group's balance sheet in line with the requirements of FRS102. The risk is that the Group will need to pay higher contributions to the Local Government Pension Scheme to help fund any deficit that is forecasted by the scheme actuaries in the future, which is unlikely to be covered by any increases in funding income.

The employers' contribution rate payable against Teachers Pension Scheme members is scheduled to increase in April 2024, although the previous increase was funded by a corresponding increase to Colleges' funding settlements and indications are that this will likely be repeated, so the financial risk is minimal.

3. Student experience

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

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

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

The pandemic has had a lasting impact on students, staff and our communities, which remain a significant risk that the Group is focused on managing. This has been compounded by the rising cost of living. We will continue to use our 16-19 Tuition Fund to ensure students are supported to recover their lost learning and have the confidence to develop and achieve their ambitions. We will also focus our bursary and other support funds to ensure that we remove barriers to learning for our students.

5. Cybersecurity

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

6. Capital investment in the Group's estate

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

KEY PERFORMANCE INDICATORS

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

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

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

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

Student numbers

In 2022/23, the Group has delivered activity that produced £52,014,000 in funding body main allocation funding (2021/22 - £49,507,000). The Group had approximately 11,604 funded and 2,852 non-funded students.

Student achievements

Post COVID repercussions continued into 2022/23 and the position was further compounded by the significant increase in the cost of living, which have both impacted on student retention. This was the second year since COVID where students sat all exams again. GCSE pass rates have returned to pre COVID rates. GCSE results indicate that the Group has performed 8.2% above national average for mathematics (3.6% above last year) and 23% above for English (0.5% above last year).

Apprenticeships similarly showed improved achievement rates compared to the national average.

Ofsted Result

The Group was last inspected by Ofsted in March 2023 against the Education Inspection Framework and the grades awarded were:

Aspect	Grade
Overall effectiveness	Outstanding
Quality of Education	Outstanding
Behaviour & Attitudes	Outstanding
Personal Development	Outstanding
Leadership & Management	Outstanding
Education programmes for Young People	Outstanding
Adult learning programmes	Outstanding
Apprenticeships	Outstanding
Provision for learners with high needs	Outstanding
Overall effectiveness at last Inspection	*Good*

Key findings by Ofsted included:

''Leaders and governors are passionate about tackling social inequality through education and training. They rightly pride themselves in offering a range of inclusive, accessible and challenging learning opportunities to the communities in East Kent.''

''Governors, leaders and staff are highly ambitious for all learners and apprentices irrespective of their starting points, particularly for those with high needs or from disadvantaged groups. They place a high priority on learning and progression to ensure that learners and apprentices complete their studies and move on to their desired next steps, which most do."

''Leaders, managers and staff use their extensive links with employers effectively to plan and teach curriculums that contribute to plugging local and regional skills gaps.''

''Managers and staff carefully consider the needs of their learners when planning courses. Staff have planned and teach curriculums in the specialist supported learning programmes which are highly ambitious for learners."

"Leaders and managers work extremely well with employers to plan and teach a range of apprenticeships that respond to local needs. Employers highly value that their employees develop the exact knowledge, skills and behaviours that they need for their current and future job roles."

''Leaders and managers have designed ambitious and adaptable adult learning courses in a variety of pathways. Learners with a wide range of starting points gain the skills and knowledge they need to access university courses, return to the workplace or settle in the UK.''

''Leaders, managers and teachers have developed an extensive and high-quality range of social, voluntary and community activities at all colleges that enhance learners' curriculums.''

''Leaders and managers carry out frequent observations of teaching and learning sessions to assure themselves of the quality of teaching that learners and apprentices experience. They have a secure understanding of the many strengths and the areas they want to improve further. Leaders and managers continuously review their offer to ensure that it comprehensively meets the needs of learners and the communities the colleges serve. They redesigned the curriculum for school leavers and introduced a level 2 pathway across two years. This has resulted in a significant increase in the number of learners who are able to study at this level, almost all of whom are continuing with their studies.''

''Governance is highly effective. Governors on the local boards at each college and the group board have the breadth of skills and expertise necessary to challenge leaders effectively. They share senior leaders' strategic goals, such as the successful integration of Ashford College and the Spring Lane campus into the Group and support them to implement them. Governors scrutinise the work of leaders closely and challenge them robustly to ensure that they continue to lead quality improvement at all the colleges in the group.''

''Senior leaders and governors have exceptional links with a wide range of stakeholders. They work with them very well to understand local and regional skills needs.''

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. The Group does not have the ability to accurately monitor this KPI, but it does estimate that it pays the vast majority of its invoices within 30 days. The Group incurred no interest charges in respect of late payment for this period.

Employer Engagement

Employer engagement has always been a significant activity for the Group to ensure there is strong involvement from business in the development and delivery of our curriculum provision. The Group was recognised by Ofsted as being 'Strong' at meeting skills needs. As an anchor institution within the communities we serve, the Group is committed to delivering the skills which will power the local economy. In line with this commitment, the Group's Colleges and EKC Training arm have continued to develop partnerships with employers across East Kent. Our EKC Training business unit continues to develop and deliver community-based employability provision that is able to deliver dynamically to help meet employer needs and has worked with a range of key employers to help retrain and upskill the unemployed to meet skills gaps. Employer engagement has also been crucial as the Group continues its ambitious rollout of T Levels.

The Group has worked closely with the two other Kent FE Colleges and Kent Invicta Chamber of Commerce to successfully deliver two Strategic Development Fund (SDF) projects to address the decarbonisation and digitalisation priorities identified in the Local Skills Improvement Plan. This innovative work has enabled cutting edge facilities to be created, including robotics and immersive classrooms, which will support employers, and new curriculum and delivery models.

Taxation

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

EQUALITY AND DIVERSITY

Equal Opportunities

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

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

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

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

Disability Statement

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

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

Trade union facility time

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

Numbers of employees who were relevant union officials during the period	FTE employee number
10	7.87

Percentage of time spent on facility time	Number of employees
0%	-
1-50%	10
51-99%	-
100%	-
Total cost of facility time	£57,768
Total pay bill	£47,957,000
Percentage of total bill spent on facility time	0.125%

Time spent on paid trade union activities as a percentage of total paid facility time	5.8

Gender pay gap reporting

	Year ending 31 March 2023
Mean gender pay gap	9.84%
Median gender pay gap	18.26%
Mean bonus gender pay gap	N/A
Median gender bonus gap	N/A
Proportion of males/females receiving a bonus	N/A

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

	Males	Females
1 - Lower quartile	26.46%	76.54%
2	30.18%	69.82%
3	42.18%	57.82%
4 – Upper quartile	43.3%	56.70%

The Group publishes its annual gender pay gap report.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The Group continues to deliver a strong level of EBITDA and exceeded budget in this regard in 2022/23. The Group still maintains a significant underlying operating cash inflow and finished the 2022/23 year with an adjusted current ratio above 1:1.

The Group's new debt structure, which now involves both Santander and DfE facilities, ensured having adequate financing in place to support the capital programme.

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

The ONS reclassification of Colleges into the central government sector in November 2022 had an immediate impact on the Group. The new debt structure has been agreed and the additional £3.7million to support the new buildings at Ashford College were finalised in August 2023.

FUTURE DEVELOPMENT AND PERFORMANCE

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

Building on the two successful SDF projects, the Group is working closely with the Kent FE Colleges, the Chamber of Commerce and employers to develop Local Skills Improvement Fund projects, focused on Construction, Health and Social Care, and teacher shortages in Engineering and Manufacturing. These areas have all been identified as priorities in the Local Skills Improvement Plan.

We are also focused on supporting our staff to deal with the rising cost of living and have worked closely with the Unions on a pay award for 2023-24.

We will continue to work with local stakeholders, including local authorities and businesses, to deliver a range of ambitious Levelling Up Fund projects and to develop UK Shared Prosperity Fund initiatives to meet the needs of our communities. We will also further develop our collaborative partnerships with key organisations across East Kent, building on the Memoranda of Understanding we have already agreed with partners such as Otterpool Park, Jenner, East Kent Health and Care Partnership, Port of Dover, Kent Cricket, The Marlowe Theatre, Discovery Park, Ashford Designer Outlet, and Peel Ports.

STAFF AND STUDENT INVOLVEMENT

Students

During 2022/23, EKC Group had Student Union Presidents for each College. Students were able to provide feedback on College progress through regular student question times with Senior Managers, three student experience reviews a year and the student class representative structure.

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

Now out of COVID restrictions, the group-wide community weeks were able to resume, and all colleges embraced the opportunity to get out into the community again with a wide range of activities taking place not only within the community weeks but also across the year, these activities played a large part in gaining the outstanding Personal Development grade in our Ofsted report. Canterbury College was also able to host the KFE Skills Competition, which gave the Group a fantastic opportunity to show off the impressive skills the students have developed.

All vulnerable students were supported by Student Progression Mentors and a counselling service was offered across all the colleges.

Staff

2022/23 saw a restructure of People Services, with resourcing split into two teams one focused on teacher recruitment and one on support staff recruitment. The HR Business Partner model was also re-focused and had led to a significant improvement in the services offered to Business Units. Post COVID there has also been a focus on staff absence and support for staff adjusting to working full time on site. As a result, staff sickness has reduced as has staff turnover.

Staff survey results continued to hold a very strong position and improved on the previous year. The Principals and Managing Director of EKC Training use a range of methods to communicate with staff and get their feedback. The CEO held staff forums for all Business Units and Group staff as well as an external consultant commissioned to hold ‘cafés’ for staff which has informed the development of the Group’s People Charter.

DISCLOSURE OF INFORMATION TO AUDITORS

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

Approved by order of the members of the Governing Body on 12 December 2023 and signed on their behalf by:

Charles Buchanan

Chair of Governors

Governance Statement

The following statement is provided to enable readers of the annual report and financial statements of EKC Group to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2022 to 31 July 2023 and up to the date of approval of the annual report and financial statements.

Governance Code

EKC Group endeavours to conduct its business:

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

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

In the opinion of the Governors, the Group complies with all the provisions of the Code in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2023. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015 including the Senior Post Holder Remuneration Code adopted by the Board in February 2019. The Board will review the updated September 2021 Code in line with the expectation that the Group will report against it in 2023/24. An External Board Review is scheduled to take place during 2023/24.

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

In September 2022 and in January 2023 the Charity Commission for England and Wales authorised the remuneration of a trustee for work undertaken for the Group under the power given in section 105 of the Charities Act 2011. The orders are for the Chair of Governors and have been approved up until September 2024.

The Governing Body

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

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

Name	***Date of appointment / re-appointment***	***Term of office***	***Date of resignation***	***Status of appointment***	***Committees served***	***Corporation Attendance***	***Meeting Attendance***
Charles Buchanan *(Chair of Governors)*	Re-appointed 01.09.2021	4 years 31.08.2025		Independent member	Business, Search and Governance, Remuneration	100%	100%
Tim Kent	Re-appointed 01.09.2022	1 year 31.08.2023		Independent member	Education	75%	67%

Name	*Date of appointment / re-appointment*	*Term of office*	*Date of resignation*	*Status of appointment*	*Committees served*	*Corporation Attendance*	*Meeting Attendance*
Gail Clarke	Re-appointed 01.09.2020	3 years 31.08.2023		Independent member	Business *(Chair)* Search and Governance	100%	100%
Miranda Chapman	Re-appointed 01.09.2021	4 years 31.08.2025		Independent member	Business, Search & Governance, *(Chair)* Remuneration (Chair)	100%	86%
Peter Troke	Re-appointed 01.09.2020	3 years 31.08.2023		Independent member	Education	100%	100%
John Korzeniewski	Re-appointed 01.09.2020	3 years 31.08.2023		Independent member	Education *(Chair)*	100%	100%
Peter Cheney	Re-appointed 01.09.2020	3 years 31.08.2023		Independent member	Audit *(Chair)*, Remuneration, Search and Governance	100%	86%
Joanna Worby	Re-appointed 01.09.2022	4 years 31.08.2026		Independent member	Business, Remuneration	75%	100%
Allan Baillie	Re-appointed 01.09.2021	2 years 31.08.2023		Independent member	Audit	100%	100%
Ella Brocklebank	Re-appointed 01.09.2021	4 years 31.08.2025		Independent member	Education	50%	100%
Jason Howard	Re-appointed 01.09.2021	4 years 31.08.2025		Independent member	Education	100%	100%
Natalie Garner	Re-appointed 01.09.22	4 years 31.08.2026		Independent member	Education	100%	67%
Carmel Togher	01.08.2022	1 year 31.07.2023		Independent member	Audit	50%	100%
Helen Hammond	01.08.2022	1 year 31.07.2023		Independent member	Education	75%	67%
Paula Gillespie	01.08.2022	1 year 31.07.2023		Independent member	Business	75%	67%
Sam Lain-Rose	01.08.2022	1 year 31.07.2023		Independent member	Audit	75%	100%
Graham Razey	01.02.2018	N/A		Chief Executive Officer	Business, Education, Search and Governance	100%	87.5%
Tammy Mitchell	01.04.2023	4 years 31.03.2027		Independent member	None	100%	N/A
Joseph Rowlstone	08.08.2022	Up to 1 year 31.07.2024		Student Governor	Education	75%	100%

Name	*Date of appointment / re-appointment*	*Term of office*	*Date of resignation*	*Status of appointment*	*Committees served*	*Corporation Attendance*	*Meeting Attendance*
Karen Wilks	29.03.2022	2 years 29.03.2024		Staff Governor	Business	75%	67%

Board Diversity

Male	50%	Female	50%

Senior Officers Attending

Name	*Date of appointment / re-appointment*	*Term of office*	*Date of resignation*	*Status of appointment*	*Committees served*	*Attendance*
Chris Legg	01.02.2018 14.11.2022	N/A		Chief Financial Officer (Asst CEO) Chief Financial Officer	Audit, Business, Corporation	100%
Paul Sayers	01.02.2018 14.11.2022	N/A		Chief Strategy Officer (Asst CEO) Chief Information & Strategy Officer	Audit, Corporation	86%
Lucy McLeod	01.11.2020 14.11.2022	N/A		Chief Education Officer (Asst CEO) Deputy Chief Executive Officer	Corporation, Education	100%
Dan Shelley	01.01.2022 14.11.2022	N/A		Chief Transformation Officer Chief Infrastructure & Transformation Officer	Business	100%
Sharon Hollingsworth	Group Director of Governance					100%

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

During the 2022/23 academic year the Governing Body conducted its business through a traditional committee governance structure. These committees are Audit, Remuneration, Search and Governance, Education, and Business. Each committee has clearly defined devolved responsibilities from the Governing Body, and each has terms of reference, which have been approved by the Governing Body. Full minutes of all meetings, except those deemed to be confidential by the Governing Body, are available from the Clerk by writing to 'The Group Director of Governance, EKC Group, Ramsgate Road, Broadstairs, Kent, CT10 1PN or from the Group's website at https://www.ekcgroup.ac.uk/group/about-us/governance

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

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

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

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

The Board receives monthly Group updates and sector briefings throughout the academic year. Training is provided to cover areas identified as requiring development, there is an induction programme for new governors and a Governor and Executive Engagement programme, also. Training has included in 2022/23, the AoC Governance Finance Masterclass Series, Constructive & Challenging Questions Workshop for Governors, AoC Committee Chairs Networks, KFE Teaching, Learning & Assessment Conference, latest news and insights in the insurance industry for commercial and public sector, Audit Committee members development session, AoC Regional Governance Conference, and the ETF online Governor Development Programme (FutureLearn). In addition, AoC/ETF webinars on Leading a Team, Meeting Local Needs, and Culture, People & Organisational Development and a Company Law Refresher for Educational Institutions delivered by Eversheds Sutherland, The Chair has attended additional training events, these include the AoC Annual Leadership Conference and NLG/NLFE away day event. The Chair attends National Chairs Network meetings is a National Leader of Governance and has completed the Chair's Leadership Programme run by the Institute of Directors in conjunction with ETF.

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

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

APPOINTMENTS TO THE GOVERNING BODY

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

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

CORPORATION PERFORMANCE

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

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

REMUNERATION COMMITTEE

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

Details of remuneration for the year ended 31 July 2023 are set out in note 7 to the financial statements.

AUDIT COMMITTEE

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

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

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

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

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

The Audit Committee met three times in the year to 31 July 2023. The members of the Committee and their attendance records are shown below:

Committee member	**Meetings attended**
Peter Cheney	3 of 3
Carmel Togher	3 of 3
Allan Baillie	3 of 3
Sam Lain-Rose	3 of 3

INTERNAL CONTROL

Scope of responsibility

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

The Governing Body has delegated the day-to-day responsibility to the Chief Executive Officer as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of EKC Group policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the Group and the funding bodies. He is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of EKC Group policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The Financial regulations were updated following the ONS reclassification to meet the guidance initially distributed by the DfE in meeting the Managing Public Money requirements. The system of internal control has been in place within EKC Group for the year ended 31 July 2023 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Governing Body has reviewed the key risks to which EKC Group is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing EKC Group's significant risks that has been in place for the period ended 31 July 2023 and up to the date of approval of the annual report and financial statements. This process is reviewed regularly by the Governing Body.

The risk and control framework

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

- a comprehensive budgeting and forecasting system, which is reviewed and agreed by the Governing Body;
- regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance by use of Group Performance Indicators;
- clearly defined capital investment control guidelines; and
- the adoption of formal project management disciplines, where appropriate.

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

Review of effectiveness

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

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

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

The Group Leadership Board 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 Group Leadership Board and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

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

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

Risks faced by the EKC Group

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

Control weaknesses identified

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

Responsibilities under funding agreements

The funding agreements with the funding body set out very clear guidelines to adhere to. The Group directly employs a team to deal with meeting these guidelines and has developed a suite of internal reporting to ensure compliance to operate alongside the existing suite of reports provided by the funding body to undertake a comprehensive set of data checks.

Statement from the Audit Committee

The Audit Committee has advised the Governing Body that the Group has an effective framework for governance and risk management in place. The Audit Committee believes the Corporation has effective internal controls in place. The specific areas of work agreed and undertaken by the Audit Committee in 2022/23 and up to the date of the approval of the financial statements are:

- Financial systems and controls – no areas of significant weaknesses in the internal controls in the operation of the Group were identified.
- Follow-up Exam Registration Assurance Audit – no areas of significant weakness were identified.
- Review of the Groups resilience regarding the prevention of fraud – no areas of significant weakness were identified.

Approved by order of the members of the Governing Body on 12 December 2023 and signed on their behalf by:

Charles Buchanan
Chair of Governors

Graham Razey
Chief Executive Officer

Statement on the Group's Regularity, Propriety and Compliance

Statement of the Chief Executive Officer

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

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

G. Razey.

Graham Razey
Chief Executive Officer
12 December 2023

Statement of the Chair of Governors

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

Charles Buchanan
Chair of Governors
12 December 2023

Statement of Responsibilities of the Members of the Governing Body

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

Within the terms and conditions of the Group's grant funding agreements and contracts with ESFA, the Group is required to prepare financial statements which give a true and fair view of the financial performance and position of the Group for the relevant period. The Group 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 Group 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)
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the Group will continue in operation.

The Governing Body is also required to prepare a strategic report, 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 Group.

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

Approved by order of the Governing Body on 12 December 2023 and signed on their behalf by:

Charles Buchanan
Chair of Governors

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

Opinion

We have audited the financial statements of EKC Group ('the College') and its subsidiaries (together 'the group') for the year ended 31 July 2023 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 2023 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- in all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- in all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the requirements of OfS's accounts direction have been met.

Basis for opinion

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

Material uncertainty related to going concern

In auditing the financial statements, we have concluded that the Governing Body'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 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 Governing Body with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of the members of the Governing Body

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the group and the College through discussions with management, and from our knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group and the College, including the Further and Higher Education Act 1992, funding agreements with the ESFA and associated funding rules, ESFA regulations, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

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

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

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

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

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

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

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

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

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

Use of our report

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

Buzzacott LLP

18 December 2023

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

Reporting Accountant's Assurance Report on Regularity

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

In accordance with the terms of our engagement letter dated 7 June 2023 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by EKC Group during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of EKC Group and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament of that the financial transactions do not conform to the authorities that govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the Group's activities;

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2022 to 31 July 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

18 December 2023

Statement of Comprehensive Income

	Notes	Year ended 31 July 2023 Group	Year ended 31 July 2023 College	Year ended 31 July 2022 Group	Year ended 31 July 2022 College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	58,190	58,190	55,453	55,453
Tuition fees and education contracts	3	6,012	6,012	6,106	6,106
Other grants and contracts	4	2,113	2,113	2,506	2,506
Other income	5	4,647	2,747	4,886	2,690
Endowment and investment income	6	96	93	17	17
Total income		**71,058**	**69,155**	**68,968**	**66,772**
EXPENDITURE					
Staff costs	7	48,463	47,265	52,849	51,292
Fundamental restructuring costs	7	110	110	74	74
Other operating expenses	8	16,955	16,310	16,886	16,015
Depreciation	10	5,923	5,923	5,567	5,567
Interest and other finance costs	9	936	936	1,386	1,386
Total expenditure		**72,387**	**70,544**	**76,762**	**74,334**
Deficit before other gains and losses		**(1,335)**	**(1,395)**	**(7,794)**	**(7,562)**
Loss on disposal of assets		(7)	(7)	-	-
Deficit for the year		**(1,336)**	**(1,396)**	**(7,794)**	**(7,562)**
Actuarial gain in respect of pension schemes	19	11,745	11,745	65,534	65,534
Total Comprehensive Income for the year		**10,409**	**10,349**	**57,740**	**57,972**
Represented by:					
Unrestricted Comprehensive Income		**10,409**	**10,349**	**57,740**	**57,972**

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

Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
College			
Balance at 1 August 2021	**47,742**	**3,061**	**50,803**
Deficit from the income and expenditure account	(7,562)	-	(7,562)
Actuarial gain in respect of pension schemes (note 19)	65,534	-	65,534
Transfers between revaluation and income and expenditure reserves	161	(161)	-
Total comprehensive expenditure for the year	58,133	(161)	57,972
Balance at 31 July 2022	**105,875**	**2,900**	**108,775**
Deficit from the income and expenditure statement	(1,402)	-	(1,402)
Actuarial gain in respect of pension scheme	11,745	-	11,745
Transfers between revaluation and income and expenditure reserves	150	(150)	-
Total comprehensive expenditure for the year	10,493	(150)	10,343
Balance at 31 July 2023	**116,368**	**2,750**	**119,118**
Group			
Balance at 1 August 2021	**47,742**	**3,061**	**50,803**
Deficit from the income and expenditure account	(7,794)	-	(7,794)
Actuarial gain in respect of pension schemes (note 19)	65,534	-	65,534
Transfers between revaluation and income and expenditure reserves	161	(161)	-
Total comprehensive expenditure for the year	57,901	(161)	57,740
Balance at 31 July 2022	**105,643**	**2,900**	**108,543**
Deficit from the income and expenditure statement	(1,336)	-	(1,336)
Actuarial gain in respect of pension scheme	11,745	-	11,745
Transfers between revaluation and income and expenditure reserves	150	(150)	-
Total comprehensive expenditure for the year	**10,559**	**(150)**	**10,409**
Balance at 31 July 2023	**116,202**	**2,750**	**118,952**

Balance sheet as at 31 July

	Note	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
Non-current assets					
Tangible fixed assets	10	187,969	187,969	178,199	178,199
		187,969	**187,969**	**178,199**	**178,199**
Current assets					
Stocks		49	3	76	21
Trade and other receivables	11	3,742	2,500	4,223	3,449
Cash and cash equivalents	16	4,515	4,288	4,855	4,572
		8,306	**6,791**	**9,154**	**8,042**
Creditors – amounts falling due within one year	12	(9,992)	(8,305)	(11,616)	(10,272)
Net current (liabilities) / assets		**(1,686)**	**(1,514)**	**(2,462)**	**(2,230)**
Total assets less current liabilities		**186,283**	**186,455**	**175,737**	**175,969**
Creditors – amounts falling due after more than one year	13	(66,961)	(66,961)	(57,570)	(57,570)
Provisions					
Defined benefit obligations	19	-	-	(9,162)	(9,162)
Other provisions	15	(370)	(370)	(462)	(462)
Total net assets		**118,952**	**119,124**	**108,543**	**108,775**
Unrestricted Reserves					
Income and expenditure account		116,202	116,374	105,643	105,875
Revaluation reserve		2,750	2,750	2,900	2,900
Total unrestricted reserves		**118,952**	**119,124**	**108,543**	**108,775**

The financial statements on pages 32 to 52 were approved and authorised for issue by the Governing Body on 12 December 2023 and were signed on its behalf on that date by:

Charles Buchanan

Chair of Governors

Graham Razey

Chief Executive Officer

Consolidated Statement of Cash Flows

	Notes	2023 £'000	2022 £'000
Cash flow from operating activities			
Deficit for the year		(1,336)	(7,794)
Adjustment for non-cash items			
Depreciation	10	5,923	5,567
Decrease/(increase) in stocks		27	(36)
Decrease/(increase) in debtors	11	481	(2,444)
(Decrease) in creditors due within one year	12	(1,119)	(142)
Increase in creditors due after one year	13	7,545	912
(Decrease) in provisions	15	(92)	(99)
Pensions costs less contributions payable	19	2,583	8,302
Adjustment for investing or financing activities			
Investment income	6	(96)	(17)
Interest payable	9	673	347
Loss on sale of fixed assets		7	-
Net cash flow from operating activities		**14,596**	**4,596**
Cash flows from investing activities			
Investment income	6	96	17
Payments made to acquire fixed assets	10	(15,700)	(9,502)
		(15,604)	(9,485)
Cash flows from financing activities			
Interest paid	9	(673)	(347)
New loans	14	2,000	-
Repayments of amounts borrowed	14	(659)	(1,034)
		668	(1,381)
Decrease in cash and cash equivalents in the year		**(340)**	**(6,270)**
Cash and cash equivalents at 1 August 2022	16	4,855	11,125
Cash and cash equivalents at 31 July 2023	16	4,515	4,855

Notes to the Accounts

1. Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further & Higher Education 2019 (the 2019 FE HE SORP), the ESFA's College Accounts Direction for 2022 to 2023 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom & Republic of Ireland" (FRS 102). The Group is a public benefit entity and has therefore applied the relevant FRS 102 public benefit requirements.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost on 1 August 2014, 1 February 2018 and 1 April 2020 for certain non-current assets, due to the transfer in of assets from other colleges on these dates.

Basis of consolidation

The consolidated financial statements include the college and its subsidiaries, Yarrow Hotel Limited and Folkestone College Restaurant Limited, controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under the purchase method of accounting, the results of subsidiary and associated undertakings acquired or disposed of during the year are included in the consolidated income and expenditure account from or up to the date on which control of the undertaking passes. Intra-group sales and profits are eliminated fully on consolidation.

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

Going concern

The financial statements have been prepared on a going concern basis. The Group continues to deliver a strong level of EBITDA and exceeded budget in this regard in 2022/23. The Group still maintains a significant underlying operating cash inflow and finished the 2022/23 year with an adjusted current ratio above 1:1.

The Group's new debt structure, which now involves both Santander and DfE facilities, ensured having adequate financing in place to support the capital programme.

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

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-19 funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

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

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

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

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

Accounting for post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated to spread the cost of pensions over employees' working lives with the Group in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries based on valuations using a prospective benefit method. The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

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

Short term employment benefits

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

Enhanced Pensions

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

Non-current Assets - Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Land and buildings

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

Building improvements made since 1994 are included in the balance sheet at cost. Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated over their expected useful economic life to the Group of between 40 and 60 years.

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

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

On adoption of FRS 102, the Group followed the transitional provision to retain the book value of land and buildings, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

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

Equipment

Equipment costing less than £2,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

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

Borrowing costs

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

Leased assets

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

Inventories

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

Cash and cash equivalents

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

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

Financial liabilities and equity

Financial liabilities and equity are classified per the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short-term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Taxation

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

The Group is partially exempt in respect of Value Added Tax (VAT), so that it can only recover a minor element of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets, where the inputs themselves are tangible fixed assets.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation because of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

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

Other key sources of estimation uncertainty

Tangible fixed assets

Tangible fixed assets are depreciated over their useful economic lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Valuation estimates used in the financial statements, particularly with respect to the fair value of tangible fixed assets are subject to a greater degree of uncertainty.

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 has been used by the actuary in valuing the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2023		2022	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Recurrent grants				
Education and Skills Funding Agency - adult	9,932	9,932	10,438	10,438
Education and Skills Funding Agency – 16 -18	39,425	39,425	36,718	36,718
Office for Students	128	128	129	129
Specific grants				
Education and Skills Funding Agency	6,429	6,429	6,139	6,139
Releases of government capital grants	2,276	2,276	2,029	2,029
Total	**58,190**	**58,190**	**55,453**	**55,453**

3 Tuition fees and education contracts

	2023		2022	
	Group	**College**	**Group**	**College**
	£'000	**£'000**	**£'000**	**£'000**
Adult education fees	674	674	684	684
Apprenticeship fees and contracts	36	36	65	65
Fees for HE loan supported courses	377	377	517	517
Fees for FE loan supported courses	757	757	878	878
Total tuition fees	**1,844**	**1,844**	**2,144**	**2,144**
Education contracts	4,168	4,168	3,962	3,962
Total	**6,012**	**6,012**	**6,106**	**6,106**

4 Other grants and contracts

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Local Authority Project Grants	-	-	1,727	1,727
Other grants and contracts	2,113	2,113	779	779
Total	**2,113**	**2,113**	**2,506**	**2,506**

5 Other income

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	3,165	1,413	3,419	1,374
Other income generating activities	1,482	1,334	1,467	1,316
Total	**4,647**	**2,747**	**4,886**	**2,690**

6 Investment income

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	96	93	17	17
Total	**96**	**93**	**17**	**17**

7 Staff costs – Group and College

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

	2023		2022	
	Group	College	Group	College
	No.	No.	No.	No.
Teaching staff	982	982	1,025	1,025
Non-teaching staff	507	478	546	515
	1,489	**1,460**	**1,571**	**1,540**

Staff costs for the above persons

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and salaries	35,762	34,591	35,518	33,999
Social security costs	3,181	3,163	3,157	3,129
Other pension costs (note 19)	9,014	9,005	13,814	13,804
Payroll sub total	**47,957**	**46,759**	**52,489**	**50,932**
Contracted out staffing services	506	506	360	360
Fundamental restructuring costs - contractual	110	110	74	74
Total Staff costs	**48,573**	**47,375**	**52,923**	**51,366**

Severance payments for all staff

The Group paid 18 severance payments in the year, disclosed in the following bands:

0 - £25,000	**18**

Key management personnel

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

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

	2023		**2022**	
	Group No.	**College No.**	**Group No.**	**College No.**
The number of key management personnel including the CEO was:	**7**	**7**	**7**	**7**

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

	Key management personnel		**Other Staff**	
	2023 No.	**2022 No.**	**2023 No.**	**2022 No.**
£55,001 to £60,000 p.a.	1	1	n/a	n/a
£60,001 to £65,000 p.a.	n/a	n/a	6	8
£65,001 to £70,000 p.a.	n/a	n/a	3	3
£70,001 to £75,000 p.a.	n/a	n/a	3	4
£75,001 to £80,000 p.a.	n/a	n/a	3	n/a
£80,001 to £85,000 p.a.	n/a	1	n/a	1
£85,001 to £90,000 p.a.	n/a	1	n/a	n/a
£90,001 to £95,000 p.a.	1	n/a	n/a	n/a
£95,001 to £100,000 p.a.	n/a	n/a	1	1
£100,001 to £105,000 p.a.	1	n/a	n/a	n/a
£110,001 to £115,000 p.a.	1	1	n/a	n/a
£120,001 to £125,000 p.a.	1	2	n/a	n/a
£130,001 to £135,000 p.a.	1	n/a	n/a	n/a
£200,001 to £205,000 p.a.	1	1	n/a	n/a
	7	**7**	**16**	**17**

The Group employs 5 additional part-time members of staff, who received less than £60,000 in the year, but would have earned at least £60,000 on a full-time basis.

Key management personnel compensation is made up as follows:

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Salaries	810	810	769	769
Employers National Insurance	89	89	102	102
Benefits in kind	5	5	3	3
	904	**904**	**874**	**874**
Pension contributions	165	165	158	158
Total key management personnel emoluments	**1,069**	**1,069**	**1,032**	**1,032**

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

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

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Salaries	200	200	190	190
Benefits in kind	1	1	1	1
	201	201	191	191
Pension contributions	45	45	45	45
	246	246	236	236

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

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

The members of the Governing Body, other than the Chair of the Governing Body, who received a salary of £25.000 for the year, the Chief Executive Officer and the Staff Governors did not receive any payment from the Group other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Benefits in kind relate to the provision of health insurance.

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

	2023	2022
CEO's basic salary as a multiple of the median of all staff	6.6	6.7
CEO's total remuneration as a multiple of the median of all staff	6.8	6.7

8 Other operating expenses

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	2,592	2,595	3,302	3,307
Non-teaching costs	10,197	9,528	9,547	8,674
Premises costs	4,166	4,187	4,037	4,034
Total	**16,955**	**16,310**	**16,886**	**16,015**

Other operating expenses include:	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Auditors' remuneration:				
Financial statements audit	46	38	37	38
Other services provided by the external auditors	15	15	23	16
Internal audit	11	11	11	11
Hire of assets under operating leases	233	232	243	241

9 Interest and other finance costs – Group & College

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
On bank loans, overdrafts and other loans:	673	673	347	347
Net interest on defined pension liability (note 19)	263	263	1,039	1,039
Total	**936**	**936**	**1,386**	**1,386**

10 Tangible fixed assets (Group and College)

	Land and buildings	Equipment	Assets in the course of construction	Total
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**
At 1 August 2022	188,138	23,159	7,967	216,264
Transfers	292	607	(905)	(6)
Disposals	-	(2,081)	-	(2,801)
Additions	493	2,262	12,951	15,706
At 31 July 2023	**188,923**	**23,227**	**20,013**	**232,163**
At 1 August 2022	25,966	15,099	-	41,065
Charge for the year	3,650	2,273	-	5,923
At 31 July 2023	**29,616**	**14,578**	**-**	**44,194**
Net book value at 31 July 2023	**159,307**	**8,649**	**20,013**	**187,969**
Net book value at 31 July 2022	162,172	8,060	7,967	178,199

Land and buildings were valued in 1996 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the Group on a depreciated replacement cost basis with the assistance of independent professional advice.

Fixed assets transferred from K College on 1 August 2014, fixed assets transferred from Canterbury College on 1 February 2018 and fixed assets transferred from Hadlow Group on 1 April 2020 were valued by a firm of independent chartered surveyors on a depreciated replacement cost basis in order to assess the fair value at the point of transferring the assets into the Group. These assets have been transferred in at fair value and then used as deemed cost.

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

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

11 Trade and other receivables

	2023		2022	
	Group £'000	College £'000	Group £'000	College £'000
Amounts falling due within one year:				
Trade receivables	601	603	776	1,017
Prepayments and accrued income	2,867	1,201	3,096	1,618
Amounts owed by subsidiaries	-	422	-	463
Amounts owed by the ESFA	274	274	351	351
Total	**3,742**	**2,500**	**4,223**	**3,449**

12 Creditors: amounts falling due within one year

	2023		2022	
	Group £'000	College £'000	Group £'000	College £'000
Bank loans and overdrafts (note 14)	142	142	647	647
Trade payables	1,709	1,683	2,388	2,348
Other taxation and social security	720	715	761	752
Accruals and deferred income	4,435	2,779	4,658	3,363
Employee holiday pay	257	257	261	261
Deferred income - government capital grants	1,698	1,698	1,698	1,698
Amounts owed to the ESFA	1,031	1,031	1,203	1,203
Total	**9,992**	**8,305**	**11,616**	**10,272**

13 Creditors: amounts falling due after one year

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Loans (note 14)	11,813	11,813	9,967	9,967
Deferred income – government capital grants	55,148	55,148	47,603	47,603
Total	**66,961**	**66,961**	**57,570**	**57,570**

14 Maturity of debt

Loans and overdrafts

Loans and overdrafts are repayable as follows:	2023	2022
	£'000	£'000
In one year or less	142	647
Between one and two years	557	707
Between two and five years	2,915	2,132
In five years or more	8,341	7,128
Total	**11,955**	**10,614**

Bank loan at fixed interest rate of 4.73% repayable by instalments falling due between 1 August 2017 and 31 August 2028 and is secured over the Canterbury College estate.

DfE loan at fixed interest rate of 4.97% repayable by instalments commencing in January 2025 until January 2037.

15 Provisions

(Group & College)	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2022	9,162	462	9,624
Net expenditure in the period	(9,162)	(92)	(9,254)
At 31 July 2023	**-**	**370**	**370**

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

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

The principal assumptions for this calculation are:	2023	2022
Price inflation	2.60%	2.60%
Discount rate	1.60%	1.60%

16 Movement in net debt

	At 1 August 2022	Cash flows	At 31 July 2023
	£'000	£'000	£'000
Cash and cash equivalents	4,855	(340)	4,515
Bank loans	(10,614)	(1,341)	(11,955)
Total Net Debt	**(5,759)**	**(1,681)**	**(7,440)**

17 Capital and other commitments

	2023	2022
	£'000	£'000
Commitments contracted for at 31 July	16,763	17,021

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

18 Lease obligations

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

Future minimum lease payments due	2023 £'000	2022 £'000
Land and buildings		
Not later than one year	142	117
Later than one year and not later than five years	197	224
	339	341
Other		
Not later than one year	54	75
Later than one year and not later than five years	210	7
	264	82
Total lease payments due	**603**	**423**

19 Defined benefit obligations (Group & College)

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

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

Total pension cost for the year		**2023**		**2022**
		£000		**£'000**
Teachers' Pension Scheme: contributions paid		3,730		3,722
Local Government Pension Scheme:				
Contributions paid	3,017		2,878	
FRS 102 (28) charge	2,258		7,204	
Charge to the Statement of Comprehensive Income		5,275		10,082
Total Pension Cost for Year within staff costs		**9,005**		**13,804**

Contributions amounting to £330,000 (2022: £414,000) were payable to the scheme at 31 July 2023 and are included within creditors.

Teachers' Pension Scheme

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education (the Department) in April 2020. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222.2 billion giving a notional past service deficit of £39.8 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during each academic year since the increase was applied. It was recently announced that the employer rate will further increase to 28.6% in April 2024 and will again be covered by an additional grant paid to the Group.

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 £3,730,000 (2021/22: £3,721,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Kent County Council Local Authority. The total contribution made for the year ended 31 July 2023 was £4,046,501, of which employer's contributions totalled £3,017,332 and employees' contributions totalled £1,029,168. The agreed contribution rates for future years are 18.4% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	2.80%	2.80%
Future pensions increases	2.80%	2.80%
Discount rate for scheme liabilities	5.15%	3.40%
Inflation assumption (CPI)	2.80%	2.80%

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

	At 31 July 2023	At 31 July 2022
	years	years
Retiring today		
Males	20.70	21.00
Females	23.20	23.50
Retiring in 20 years		
Males	22.00	22.30
Females	24.60	24.90

The Group's share of the assets in the plan at the balance sheet date were:	Fair Value at 31 July 2023	Fair Value at 31 July 2022
	£'000	£'000
Equity instruments	66,968	66,242
Gilts	583	585
Bonds	14,374	13,570
Property	10,538	12,281
Cash	1,204	1,901
Target Ratio Portfolio	7,521	7,443
Infrastructure	3,875	-
Total fair value of plan assets	**105,063**	**102,022**
Actual return on plan assets	**1,066**	**(728)**

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

	2023	2022
	£'000	£'000
Fair value of plan assets	105,063	102,022
Present value of plan liabilities	(85,860)	(111,161)
Present value of unfunded liabilities	(19)	(23)
Net pensions asset/(liability) (Note 15)	**19,184**	**(9,162)**

For reporting purposes on the Balance Sheet, no asset value is shown for the Group's share of the LGPS pension asset.

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

	2023	2022
	£'000	£'000
Amounts included in staff costs		
Current service cost	5,235	10,067
Past service cost	190	23
Total	**5,425**	**10,090**

Amount recognised in Other Comprehensive Income

	2023	2022
	£'000	£'000
Return on pension plan assets	(2,428)	(2,363)
Experience gains arising on defined benefit obligations	(10,026)	(379)
Changes in assumptions underlying the present value of plan liabilities	43,383	68,276
Amount recognised in Other Comprehensive Income	**30,929**	**65,534**

Movement in net defined liability during year

	2023	2022
	£'000	£'000
Net defined benefit liability in scheme at 1 August	(9,162)	(66,394)
Movement in year:		
Current service cost	(5,235)	(10,067)
Employer contributions	3,163	2,883
Administration expenses	(62)	(59)
Past service cost	(190)	(23)
Unfunded pension payments	4	3
Net interest on the defined liability	(263)	(1,039)
Actuarial gain	30,929	65,534
Net defined benefit asset/(liability) at 31 July	**19,184**	**(9,162)**

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations	**2023**	**2022**
	£'000	**£'000**
Defined benefit obligations at 1 August	111,184	167,997
Current Service cost	5,235	10,067
Interest cost	3,757	2,674
Contributions by Scheme participants	1,032	1,013
Experience gains and losses on defined benefit obligations	10,026	379
Changes in financial assumptions	(42,824)	(68,276)
Past Service Costs	190	23
Estimated benefits paid	(2,717)	(2,690)
Unfunded pension payments	(4)	(3)
Defined benefit obligations at 31 July	**85,879**	**111,184**

Changes in fair value of plan assets	**2023**	**2022**
	£'000	**£'000**
Fair value of plan assets at 1 August	102,022	101,603
Interest on plan assets	3,494	1,635
Return on plan assets	(2,428)	(2,363)
Actuarial Gain	559	-
Employer contributions	3,167	2,886
Administration expenses	(62)	(59)
Contributions by Scheme participants	1,032	1,013
Estimated benefits paid	(2,721)	(2,693)
Fair value of plan assets at 31 July	**105,063**	**102,022**

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

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

20 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £1,608.93; 6 Governors (2022: 0). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor, other than the Chair of the Governing Body has received any remuneration or waived payments from the College during the year (2022 None). The annual remuneration of the Chair of the Governing Body is £25,000.

Balances due from the subsidiary companies at 31 July 2023 are shown in note 11.

21 Amounts disbursed as agent

Learner support funds

	2023 £'000	2022 £'000
Funding body grants – 16-19 Bursary Support and Vulnerable Bursary	1,467	1,387
Funding body grants – Advanced Learner Loans Bursary	61	121
	1,528	1,508
Disbursed to students - 16-19	(1,220)	(966)
Disbursed to students - Vulnerable	(144)	(178)
Disbursed to students - Advanced Learner Loan	(85)	(72)
Administration costs	(61)	(52)
Balance unspent as at 31 July	18	240

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