SOUTH BANK COLLEGES

Part of LSBU | GROUP

Annual Report and Financial Statements

2021-22

SOUTH BANK COLLEGES

Report and Financial Statements for the year ended 31 July 2022

Company Number 11495376

CONTENTS **Page number**

KEY MANAGEMENT PERSONNEL, BOARD OF TRUSTEES AND PROFESSIONAL ADVISERS

Key management personnel

Seven individuals are declared as key management personnel in 2021/22 in the financial statements - these were:

Name	Position Held
Fiona Morey	Executive Principal
Monica Marongiu	Principal – London Gateway College
Wayne Wright	Principal – London South Bank Technical College
Rachel McCafferty	Chief Financial Officer (to 30/6/22)
Ian Rule	Interim Chief Financial Officer (from 1/7/22)
Philip Cunniffe	Assistant Principal - Student Success (up to 28/2/22)
Alistair Dunkwu	Director of MIS and Exams

The Accounting Officer is Professor David Phoenix, the Vice Chancellor of London South Bank University and Group CEO.

Board of Trustees

A full list of the Board of South Bank Colleges is given on page 12 of these financial statements.

Professional Advisors

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Internal Auditor

BDO LLP
Arcadia House
Maritime Walk – Ocean Village
Southampton
SO14 3TL

Bankers

Barclays
Level 12
One Churchill Place
London E14 5HP

TRUSTEES' REPORT

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

These financial statements are for South Bank Colleges (the College) and its wholly-owned subsidiaries, SW4 Catering Ltd and South Bank Skills Ltd. (together, the Group).

Legal status

South Bank Colleges (SBC) was incorporated on 1 August 2018 and acquired the assets and liabilities of Lambeth College Corporation on 31st January 2019. It is registered at Companies House under number 11495376 and its registered address is 103 Borough Road, London, SE1 OAA. SBC is a company limited by guarantee and has no share capital. SBC is a subsidiary of, and wholly controlled by, London South Bank University (LSBU). The Company is an exempt charity within the meaning of the Charities Act 2011 applying in England and Wales and its principal regulator is the Office for Students (OfS).

As an exempt charity, the governing body is the Board of Trustees which is responsible for the effective stewardship of the College and has control of the revenue and the property of the College. The company's corporate governance arrangements are described on pages 11-13 and the Trustees who served during the year ended 31 July 2022 and up to the date of this report are listed on page 12. The Trustees are also directors under the Companies Act 2006.

Mission

To transform lives, communities, businesses and society through applied education and insight.

Public Benefit

South Bank Colleges is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated as a charity by the OfS. The Board are the Trustees of the charity and are disclosed on page 12.

In setting and reviewing the company's strategic objectives, the Board 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 company provides the following identifiable public benefits through the advancement of education:

- Widening participation and tackling social exclusion
- Good progression record for students
- Strong student support systems
- Links with employers, industry and commerce.

College Plans

In 2019, Lambeth College merged with South Bank Colleges. South Bank Colleges has a mission closely aligned with the University and the rest of LSBU Group. It focuses on employability and has strong industry links. It offers excellent personal and learning support to ensure students of all ages fulfil their potential. Together, we provide students with accessible, high quality education across a range of levels and types, offering a genuine choice between technical, vocational and academic pathways. This enables us to focus on individual students, ensuring that each one can build the portfolio of skills, experience and qualifications required to meet their needs and achieve their ambitions. The group structure is born out of a recommitment to our original civic mission. It enables us to create strategies and pathways by which people of all characteristics and talents can be supported through the education system to achieve their full potential, and so contribute their skills, energies and commitment to society throughout their lives.

The College has developed a clear 5-year strategic plan as part of an integrated Group strategy of development and governance. The 5-year strategic plan supports a vision, having community, diversity, social inclusion and economic prosperity at its heart, and will focus on learner success, careers focus and financial sustainability.

Access to Opportunity: Through local and global partnerships, we will create opportunities for individuals, businesses and society and seek to remove barriers to opportunity and success.

Student Success*:* We will be recognised for our inclusive, high-quality teaching and learning and the support we provide to students that enables them to be successful.

Real World Impact: As an anchor organisation in South London we embrace our civic responsibilities to those that live, work and learn in the area and our duty to have a positive economic impact on individuals, communities and businesses in the region.

Fit for the Future: Establishing a sustainable, responsive model for further education, with high quality physical and digital learning environments and a highly skilled and inclusive workforce.

In particular, the College's ambition is to:

- Increase the number of young people accessing level 3 technical education
- Establish clear occupational progression pipelines that support young people and adults to undertake level 2-4 technical education
- Engage directly with employers in the design and delivery of our offer
- Increase the take-up of apprenticeships by local residents
- Increase the number of adults engaged in training and upskilling and reskilling
- Provide bespoke provision tailored to meet local demand, in particular addressing the needs of those at risk of becoming NEET (Not in Education, Employment or Training) and/or excluded from education and/or the workplace
- Increase the number of adults and young people achieving English, Maths and Digital Skills as Gateway qualifications.

Since Lambeth College joined LSBU Group in February 2019, we have continued to integrate the organisations wherever appropriate. This has involved initiatives to stimulate and facilitate general collaboration and joint working on specific areas of activity. LSBU has brought key corporate resources to bear to help facilitate integration with the College. Communication and governance structures have been adapted to support a Group approach, including Group wide fora, communications, strategies and management bodies.

Estates Strategy

SBC has committed to a major redevelopment of the Nine Elms (formerly Vauxhall) campus to include a Science, Technology, Engineering, Arts and Maths (STEAM) Centre at the heart of the campus. Target date for completion of this building is December 2022 and this project is part funded through the GLA.

This project will be the first that moves to deliver the College's estate strategy for its three sites. At each of its three centres, South Bank Colleges will provide learners and employers a clearly defined and branded offer aligned to local travel to learn patterns.

<u>Clapham Campus</u>
The Gateway Centre at the Clapham Campus will focus on Gateway provision, delivering English,

Maths and Digital skills and support for entry to employment. The centre will continue to be home to our SEND provision supporting students to develop their entry to employment skills and supporting more young people and adults to progress to level 3 and 4 qualifications.

Brixton Campus
The Brixton Campus is well established as a Centre of Excellence for ESOL, including provision of employment and digital skills, and will support progression to London South Bank Technical College.

Nine Elms Campus
The new London South Bank Technical College will be the heart of a ground-breaking technical further education offer. Our innovative delivery model featuring local employers will integrate education and skills, ensuring the education is current and delivered in the context of application in the workplace, giving leavers a clear route into their chosen careers.

London South Bank Technical College will be situated in the Vauxhall Nine Elms Battersea Opportunity Area (OA), which straddles the boroughs of Lambeth and Wandsworth.

Innovative space will enable more efficient educational delivery. The phased masterplan for Nine Elms will eventually provide 25,000m2 of floor space. With the revised facilities at Clapham and Brixton, this amounts to a reduction of 25% of the gross floor space of the College as it stood in 2015.

Resources

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

After taking account of deferred capital grants and pension liabilities the College finished the period to 31 July 2022 with net assets of £35.8m (2021 £12.9m). This includes net pension liabilities of £6.0m (2021: liability of £27.5m). Cash reserves were £0.2m (2021 £3.6m).

The College employed 308 staff in 2021/22 (full time equivalent) (2021: 318). It did not furlough any staff during the year.

Tangible resources at the 31 July 2022 included the two main College sites at Nine Elms and Clapham and the right to occupy part of the Brixton site on Brixton Hill. The Nine Elms site includes the construction of a £47m development for the new STEAM (Science, Technology, Engineering, Arts and Maths) centre, of which £37.3m is recognised as assets under construction. (2021: £10.8m).

Stakeholder Relationships

In line with other colleges and with universities, SBC has many stakeholders. These include:

- The Education and Skills Funding Agency (ESFA)
- Department for Education (DfE)
- Greater London Authority (GLA)
- Ofsted
- FE Commissioner
- Students
- Staff
- Local employers (with specific links)
- Local Authorities and the local community
- Other FE & HE institutions
- Trade unions and Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with these stakeholders through meetings and joint activities.

The College considers good communication with its staff to be very important and to this end publishes regular updates including a monthly staff briefing from the Executive Principal during term time for all staff and a weekly newsletter.

The College encourages staff and student involvement through the membership of formal committees, sub-committees and focus groups and regular staff surveys. The College also undertakes annual course reviews where the input of students is a requirement and encourages student and sponsor views of the College through regular student and employer perception surveys.

Current and future development and performance

Student numbers and achievements

In 2021/22 the College recorded success or failure against 2,749 qualifications undertaken by 16-18 year old funded students while 12,830 qualifications were delivered to 19+ students. Overall, the College delivered 15,579 qualifications.

Students continue to prosper at the College. The College's Ofsted grading from the 2022 inspection is 'Good'.

- Overall effectiveness Good
- The quality of education Good
- Behaviour and attitudes Good
- Personal development Good
- Leadership and management Good
- Education programmes for young people Good
- Adult learning programmes Good
- Apprenticeships Requires improvement
- Provision for learners with high needs Good

The report notes that

- 'Learners describe Lambeth College as a family of which they are privileged to be a part' and that leaners are ambitious to achieve well in their studies'
- Leaders have high expectations of their learners. Learners are well behaved and in the main they are ambitious to achieve well in their studies. As a result, learners in a very diverse area of London are respectful of the views of their peers and they work well together in lessons
- Leaders have selected a curriculum which meets well the needs of the community that they serve. They have a strong focus on providing an education which will enable learners to gain employment
- Teachers know their subject well and bring lessons to life and how they make skilful use of a range of strategies to teach learners.'

In the academic year 2021/22, the College self-assessed the quality of its provision as "Good", an improvement from the "Requires Improvement" grade in 2019. The College's self-assessment was validated by the Ofsted inspection in March which assessed the College as Good.

Financial Objectives and Results for the Year

South Bank Colleges' performance against its financial objectives is summarised in the table below:

Key performance Indicator	Actual to 31 July 2022
Surplus/(deficit) (after release of Transaction Unit Grant)	(£0.6m)
Surplus/(deficit) (before release of Transaction Unit Grant)	(£4.0m)
EBITDA (Education Specific)	(£0.9m)
Staff Cost / Income ratio (excluding restructuring, FRS102 and subcontracted activity)	74.7%
Cash at 31 July	£176k

Financial Results

Group turnover before donations was £28.1m in the year to the end of July 2022. (2021: £29.5m). This includes revenue released of £3.8m (2021 £4.1m) from £13.75m of grant funding received from the ESFA in 2019. This grant funding is now completely utilised.

The main changes in funding during the year to July 2022 are in relation to 16-18 funding, reflecting the lower recruitment for this age group in 2020/21, the cessation of Covid support funding and the lower release of Transaction Unit funding, which has now been exhausted.

Adult Education Funding is received directly from the ESFA and the GLA. Funding levels are slightly increased on those reported for year ending July 2021.

Staff costs are reported for the group as £15.8m (2021: £16.1m), excluding the costs of subcontracted teaching, partnerships and agency staff. During the year, the College achieved annual savings of £1.7m in payroll costs which will accrue from August 2022, at a cost of £0.6m. No compulsory redundancies were incurred in realising these savings. Other operating expenses before depreciation were £9.3m (2021: £10.7m). The figure for 2021 includes the cost of both procured and donated IT assets (£920k) that were distributed for students use.

Tangible fixed asset additions during the period amounted to £26.3m, representing work on the new STEAM centre at Nine Elms.

Total creditors due within one year have decreased as at 31 July 2022 by £2.1m compared to the 31 July 2021 comparative figure of £10.1m. Creditors due within one year includes accruals and deferred income of £6.3m (2021: £5.1m) and £nil ESFA deferred grant income (2021: £3.2m) as this grant is now fully utilised.

The College reports a deficit of £0.6m for the 12 months ending 31st July 2022 following the release of £3.8m (2021: £4.1m) being the final part of an ESFA grant of £13.75m received on the first day of the College trading within SBC. Without this the College would have delivered an equivalent £4.4m deficit. The reported financial health for the period to the end of July 2022 was "Inadequate".

SW4 Catering Ltd delivered a break-even result (2021 £-, breakeven). These figures are included in the group figures in these financial statements.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College operates under the Group treasury management policy. All borrowing is authorised by the Accounting Officer and the University as the College's parent organisation. All borrowing shall comply with the requirements of the funding agreement.

The College generated £1.5m in operating cash outflows in the year to 31 July 2022. The College spent £24.2m on investing activities in the year to 31 July 2022. The College ended the year with cash balances of £0.2m.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation. As at the balance sheet date the Income and Expenditure reserve stands at a positive figure of £35.8m (2021: £12.9m), with the significant movement largely the result of the marked reduction in the net pension liability

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998 requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During 2021/22 55% (2021:39%) of suppliers were paid within 30 days of the invoice date.

College Companies

The College has two subsidiary companies SW4 (Catering) Limited (09125790) and South Bank Skills Limited (13286529 - dormant during the year 2021/22).

Future prospects

The development of the new site at Nine Elms and the planned opening of the London South Bank Technical College in November 2022 brings with it the opportunity to increase the provision of Level 3 and 4 courses, with a planned roll out of HNC from September 2022. In July 2021 the College received approval from the DfE to deliver its first tranche of T levels from September 2023 and this will the first step in positioning the Technical College as a lead provider of T levels for South London. South Bank Colleges has ambitious plans for growth in classroom based and apprenticeship provision and is uniquely placed to benefit from being a member of the LSBU group, where progression pathways for educational development can be offered from Level 1 through to Level 8 within the Group. There is focus on rapidly expanding apprenticeship numbers to meet Group targets and student number targets as part of the conditions of the restructuring grant awarded by the Department for Education.

Financial Plan

The SBC Board approved a financial plan in July 2021 to support the immediate objectives of the College for the year ending 31st July 2021. Work is ongoing to re-develop the current 3-year financial plan alongside the design of the new curriculum for London South Bank Technical College (LSBTC) from September 2022. In addition to financial planning for delivering the new curriculum, a review of the current curriculum financial model has been undertaken to address the underlying financial challenges that the College has faced in recent years. This work is critical in delivering a financial model under which SBC can embed a sustainable financial model and ensure it meets its key strategic objective of 'Fit for the Future'.

Going Concern Assumption

The Group's activities, together with the factors likely to affect its future development, performance and position of the Group are set out in the Annual Report. The financial position of the Group, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. As reflected in these financial statements, the Group has recorded a deficit for the year ended 31 July 2022.

Trustees consider that the use of the Going Concern basis for the preparation of these financial statements is appropriate for the following reasons.

South Bank Colleges is a company limited by guarantee and a subsidiary by virtue of control by London South Bank University. The College has prepared cash flow forecasts for the period of at least 12 months from the date of approval of these financial statements, specifically to July 2024.

These forecasts are dependent on LSBU Group providing additional funding support during that period. LSBU Group has indicated its intention to make available such funds as are needed by the Group and the College for the period covered by the forecasts. As with any entity placing reliance on other group entities for funding support, the Trustees acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

After reviewing these forecasts in addition to current financing and taking into account the letter of support from the LSBU Group, the College is of the opinion that, taking account of severe but plausible downsides, the Group and the College will have sufficient funds to meet their liabilities as they fall due over the period of at least 12 months from the date of approval of the financial statements (the going concern assessment period) and therefore have prepared the financial statements on a going concern basis.

Principal Risks and Uncertainties

The College Board has arrangements for managing risk and uncertainty. The College's Senior Leadership Team also considers risks which are identified during the year. A risk register is maintained at the College level which is reviewed termly by the Audit Committee and by the SLT. The risk register identifies significant risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

Equality

SBC celebrates and values the diversity brought to its workforce and learner population by individuals and believes that the College will benefit from recruiting staff from a variety of backgrounds, thus allowing it to better meet the needs of its diverse student population. We are committed to demonstrating behaviours that support **FREDIE** values:

FAIRNESS – Fairness for all is a reality, regardless of background or circumstances.

RESPECT – Respect for all is the norm and we will not tolerate any form of discrimination against students or colleagues.

EQUALITY – Equality of opportunity is embedded in the decisions we take and everything that we do.

DIVERSITY – Diversity is celebrated and our colleagues and students feel that they belong

INCLUSION – Inclusion is widely understood, where all colleagues are committed to inclusive behaviours and policies and where students and colleagues feel valued and listened to.

ENGAGEMENT – Engagement where there is a positive emotional attachment between our colleagues and their work; where our students are consulted and play a key role in shaping our work.

ACTION - The College's Single Equality Scheme covers the rights and responsibilities of trustees, staff, students and any visitors or contractors to its sites. It includes an Action Plan to assist in the monitoring and reviewing of the progress made to address equality and diversity issues across protected characteristics: age, disability, gender, transgender, race, religion or belief, sexual orientation, marriage and civil partnerships and pregnancy and maternity.

Disability statement

SBC is committed to helping all learners with learning difficulties and/or disabilities achieve their personal goals by adopting a model of 'inclusivity'. It provides specialist advice, guidance, assessments and where needed resources and additional support to improve access for learners with learning difficulties and/or disabilities to curriculum areas and College services. Learners who have Education Health Care Plans (EHCPs) will have their specific needs met.

College facilities have lifts, ramps and hoists and specialist equipment to ensure that buildings are accessible to people with disabilities. Over 95% of the College's estate is fully accessible to people with disabilities. The College also has a qualified team of student support assistants to help those who need this level of assistance. The College's arrangements for people with disabilities are detailed in the Disability Statement which is updated annually in line with requirements

Trade union facility time

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

Numbers of employees who were Trade Union officials during the relevant period	FTE employee number
9	**8.66**

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

Total cost of facility time	**£26k**
Total pay bill	**£15,779k**
Percentage of total bill spent on facility time	**0.16%**

Time spent on paid trade union activities as a percentage of total paid facility time	**100%**

Disclosure of information to auditors

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

Approved by the Board of trustees of South Bank Colleges on 22 November 2022 and signed on its behalf by:

Ruth Farwell
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of South Bank Colleges to obtain a better understanding of its governance and legal structure.

This statement covers the period from 1 August 2021 to 31 July 2022 and up to the date of approval of the annual report and financial statements.

The SBC Board 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) and has adopted the Code of good Governance for English Colleges ("the Code"). In the opinion of the Trustees, the Board acts with due regard to the provisions of the Code, and has done so for the year ended 31 July 2022. The Board 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.

The Board carried out an annual assessment of its effectiveness during autumn 2022. It agreed an action plan to address the areas for development which is published on the website. The Board has plans to engage an external reviewer in 2022/23.

In February 2021, the Board agreed its annual development programme which focussed on trustees' responsibilities for risk and performance management in light of SBC's significant estates programme. Trustees also undertook training on safeguarding, Prevent and attended various AoC development events throughout the year.

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

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

The Board conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board.
These committees are:

- Quality & Improvement
- Audit
- Remuneration

Full minutes of all Board meetings except those minutes deemed to be confidential by the Board, are available on the College's website at southbankcolleges.ac.uk.

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

All Trustees are able to take independent professional advice in furtherance of their duties at SBC's expense and have access to the Clerk and Company Secretary, who are responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Company Secretary are matters for the Board as a whole. Formal agendas, papers and reports are supplied to Trustees in a timely manner, prior to Board meetings. Briefings are provided as required.

Under the articles the Board is composed of the Accountable Officer, four trustees appointed by London South Bank University, three independent trustees appointed by the Board, one student trustee and one staff trustee. The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board considers that each of its members, except the Accountable Officer, is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. During the year ending 31 July 2022 two trustees were also directors of SBC's parent company, London South Bank University (the Accounting Officer for the whole year and the Chair of the Board from 1 July 2022).

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

South Bank Colleges Board

Since 1 August 2021 the following have been members of the South Bank Colleges Board:

Name	Appointed	End of Office	Term	Role	Committees
David Phoenix	1 Aug 2018		Ex officio	Accounting Officer	
Sue Dare	1 Oct 2018		4 years	Independent Trustee	Quality & Improvement Committee(Chair)
Andrew Owen	1 Feb 2019		4 years	LSBU appointed trustee, Vice Chair of the Board	Audit Committee (Chair)
Stephen Balmont	1 Feb 2019		4 years	LSBU appointed trustee	Audit Committee Remuneration Committee
Shakira Martin	1 Feb 2019		4 years	Independent Trustee	Quality & Improvement Committee
Mee Ling Ng	1 Feb 2019		4 years	LSBU appointed trustee	Audit Committee
Nigel Duckers	12 Apr 2019		4 years	Staff Trustee	Quality & Improvement Committee
Ruth Farwell	7 May 2019		4 years	LSBU appointed trustee and Chair of the Board	Remuneration Committee
Moriam Folawiyo	10 June 2021		Ex officio	Student Trustee	Quality & Improvement Committee
Jacqui Dyer	6 May 2020		4 years	Independent Trustee	

Quality & Improvement Committee

The Quality & Improvement Committee comprises four members of the Board. The Committee operates in accordance with written terms of reference approved by the Board and available on the SBC website. The Quality & Improvement Committee has overall responsibility delegated to it by the Board for monitoring and reviewing the quality of education provided by the College. It meets four times a year. The Deputy Vice-Chancellor (Academic Framework) attends meetings of this Committee.

Audit Committee

The Audit Committee comprises three members of the Board and does not include the Accounting Officer or the Chair. The Committee operates in accordance with written terms of reference approved by the Board and available on the SBC website. The Audit Committee reviews the effectiveness of the systems of control in place across the College. It meets three times a year.

Remuneration Committee

The Remuneration Committee comprises two members of the Board. The Committee operates in accordance with written terms of reference approved by the Board and available on the SBC website. It meets once a year.

In accordance with section 172 of the Companies Act 2006 Trustees, both individually and collectively, act in the way that they consider, in good faith, would most likely promote the success of the College. Trustees have regard to the:

- likely consequences of any decisions in the interests of both students and colleagues;
- public benefit of the work we do and the need to ensure that funds, including public funds, are properly managed (as set out on page 2);
- impact of the College's operations on communities and the environment;
- need to foster the College's business relationships with suppliers, customers and other key stakeholders (as set out on page 4);
- curriculum and how the provision meets local needs; and
- desirability of the College in maintaining a reputation for high standards of conduct.

The Board of Trustees and its committees consider the potential consequences of its decisions on its key stakeholders, taking into account a wide range of factors, as set out below. The Board believes that the College will be successful by having regard to the views and needs of its stakeholders. Decisions made by the Board are informed by the College's mission, vision and values.

The Board meetings include strategic presentations and reports with regular updates on progress against corporate strategy and key performance indicators. The Group CEO is a trustee and provides a formal report at every meeting. The Board includes a student and a staff governor who are able to give the benefit of their experience as part of the Board's decision-making.

During the year, the Board considered, inter alia, the following key matters: annual self assessment report, annual quality improvement plan, EDI, and health & safety reports, corporate risk, KPIs, and approved the budget for 2022/23. Major investments also come to the Board for authority. In addition, there were two Board strategy days where trustees considered elements of the corporate strategy 2020-25 in greater detail.

In considering this wide range of strategic matters, the Board has been able to balance the needs of the College's many stakeholders.

Internal Control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in SBC for the period ended 31 July 2022 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

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

The College has engaged the delivery of an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are approved by the audit committee. At a minimum, annually, the Internal Audit Service provides the audit committee and the Board with a report on internal audit activity in the College. The report includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

The Chief Finance Officer has responsibility for reviewing the effectiveness of the system of internal control. Their review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors

- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements and regularity assurance auditors in their management letters and other reports.

The Chief Finance Officer has reported the result of the review of the effectiveness of the system of internal control to the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The College's Senior Leadership Team (SLT) 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 throughout the College. The SLT 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 SBC Board's business cycle includes a regular report for consideration of risk and control. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2022 meeting, the Board carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the SLT and internal audit, and taking account of events since 1 August 2022.

The Annual Internal Audit Report for 2021/22 produced by the internal auditors concluded that the College's risk management, control and governance processes and its arrangements for economy, efficiency and effectiveness are generally satisfactory with improvements required in some areas.

Approved by the Board on 22nd November 2022 and signed on its behalf by:

Ruth Farwell.	Dave Phoenix
Ruth Farwell	**Professor David Phoenix**
Chair	**Accounting Officer**

Statement of Regularity, Propriety and Compliance

As accounting officer, I confirm that the corporation has had due regard to 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 terms and conditions of funding.

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

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

Dave Phoenix

Professor David Phoenix
Accounting Officer

Statement of the chair of governors

On behalf of the Board, 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.

Ruth Farwell.

Ruth Farwell
Chair

STATEMENT OF THE TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' REPORT AND THE FINANCIAL STATEMENTS

The Trustees are responsible for preparing the Trustees' Report and the Statement of Governance and Internal Control and the financial statements in accordance with the College's Financial Memorandum with the Education and Skills Funding Agency (ESFA) and applicable law and regulations.

The Trustees are required to prepare the Group and parent College financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education. It is further required to prepare the financial statements in accordance with the Post-16 Audit Code of Practice 2021 to 2022 (revised) (September 2022), the College Accounts Direction 2021 to 2022 issued by the ESFA and the terms and conditions of funding.

The Trustees are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and parent College and of their income and expenditure, gains and losses and changes in reserves, and of its cash flows for that period. In preparing each of the Group and parent College financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards and the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Group or the parent College or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the parent College's transactions and disclose with reasonable accuracy at any time the financial position of the parent College. They are responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Trustees are also responsible for ensuring that:

- funds from whatever source administered by the Group or the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the College's resources and expenditure.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the College's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board and signed on its behalf by:

Ruth Farwell.

Ruth Farwell
Chair

Independent Auditor's Report to the Trustees of South Bank Colleges

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Bank Colleges ("the College") for the year ended 31 July 2022 which comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, the Consolidated and College Statement of Changes in Reserves, the Consolidated and College Balance Sheets, the Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2022, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows, for the year then ended;

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* and with the 2019 *Statement of Recommended Practice – Accounting for Further and Higher Education*; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the Trustees' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and College's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- we have not identified and concur with the Trustees' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the College's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the College will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management, the Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk of understatement of potential clawback of adult funding where funding targets have not been reached, or overstatement of funding where there is the potential to receive payment for over delivery against funding targets, the risk that the Group's management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Group's fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual postings to revenue and unusual postings to cash and borrowings.
- We performed tests of detail over funding body income, including agreeing funding to learner registration documentation to confirm revenue was recognised appropriately.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with management and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, taxation legislation, pensions legislation and specific disclosures required by post-16 education and skills legislation and regulation, charities legislation and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: compliance with the regulatory framework of the Education and Skills Funding Agency. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on the regularity of the expenditure disbursed and income received by the Group during the period in our report on regularity.

Context of the ability of the audit to detect fraud or breaches of law or regulation.
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustees are responsible for the other information, which comprises the Trustees' Report and the Statement of Governance and Internal Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in Trustees' Report and the Statement of Governance and Internal Control, which together constitute the strategic report and the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 and the Post-16 Audit Code of Practice 2021 to 2022 (revised) (September 2022) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Under the Companies Act 2006, we are also required to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 17, the Board of Trustees (the members of which are the Directors of the College company for the purposes of company law) are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the College in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the College those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College for our audit work, for this report, or for the opinions we have formed.

Fleur Nieboer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

1 December 2022

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

In accordance with the terms of our engagement letter dated 25 February 2022 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 South Bank Colleges and its subsidiary (hereinafter collectively referred to as "the College") during the period 1 August 2021 to 31 July 2022 as recorded in the annual financial statements of South Bank Colleges for the same period, have not been applied to the purposes identified by Parliament and the annual financial transactions do not conform to the authorities which govern them.

The framework that has been applied in conducting our work is set out in the Post-16 Audit Code of Practice 2021-2022 (revised) (September 2022) issued by the ESFA.

This report is made solely to the Trustees of South Bank Colleges and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Trustees of South Bank Colleges and the ESFA those matters we have been engaged 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 Trustees of South Bank Colleges and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the Trustees of South Bank Colleges and the reporting accountant

The Trustees of South Bank Colleges are 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 by the College are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice 2021-2022 (revised) (September 2022). 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 by the College during the period 1 August 2021 to 31 July 2022, as recorded in the annual financial statements of South Bank Colleges,have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

We comply with the ICAEW Code of Ethics issued by the Institute of Chartered Accountants in England and Wales and we apply International Standard on Quality Control (UK) 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) as well as applicable legal and regulatory requirements.

Approach

We conducted our engagement in accordance with the Post-16 Audit Code of Practice 2021-2022 (revised) (September 2022) 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 and propriety.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a positive opinion.

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

The work undertaken to draw our conclusion included:

- Inspecting the self-assessment questionnaire which supports the representations included in the Chair of Trustees and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Enquiring with College management as to their procurement policies, nature of any delegated authorities, and any instances of non-compliance;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities;
- Sample testing of redundancy payments to confirm they were authorised appropriately; and
- Assessing whether any evidence of impropriety resulting from our work was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice 2021-2022 (revised) (September 2022).

This engagement to report on regularity and propriety is separate from the audit of the annual financial statements of South Bank Colleges and the report here relates only to the matters specified and does not extend to South Bank Colleges' annual financial statements taken as a whole.

As set out in our audit report on those financial statements, that audit report is made solely to the Trustees of South Bank Colleges in accordance with Article 22 of the Articles of Government of South Bank Colleges. The audit work has been undertaken so that we might state to the Trustees of South Bank Colleges those matters we are required to state to the Trustees 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 South Bank Colleges and the Trustees of South Bank Colleges for that audit work, for the audit report, or for the opinions we have formed in respect of that audit.

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 by the College during the period 1 August 2021 to 31 July 2022, as recorded in the annual financial statements of South Bank Colleges, have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Fleur Nieboer
for and on behalf of KPMG LLP, Reporting Accountant
Chartered Accountants
15 Canada Square
London
E14 5GL

1 December 2022

This page is left intentionally blank

Consolidated and College Statement of Comprehensive Income and Expenditure Year ended 31 July 2022

		CONSOLIDATED		COLLEGE	
		2022	2021	2022	2021
	Note	£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	3,084	3,328	3,084	3,328
Funding body grants	2	24,389	25,422	24,389	25,422
Other income	3	591	762	591	762
Interest receivable	4	9	-	9	-
Donations	5	547	722	547	722
Total income		**28,620**	**30,234**	**28,620**	**30,234**
Expenditure					
Staff costs	6	18,440	17,760	17,860	17,185
Other operating expenses	8	9,290	10,719	9,870	11,294
Depreciation	11	985	1,275	985	1,275
Interest and other finance costs	10	501	480	501	480
Total expenditure		**29,216**	**30,234**	**29,216**	**30,234**
Deficit before other gains and losses		(596)	-	(596)	-
Deficit before tax		**(596)**	**-**	**(596)**	**-**
Taxation		-	-	-	-
Deficit for the year		**(596)**	**-**	**(596)**	**-**
Actuarial gain in respect of pension schemes and other movement	21	23,428	2,748	23,428	2,838
Total comprehensive income for the year		**22,832**	**2,748**	**22,832**	**2,838**
Represented by:					
Unrestricted comprehensive income for the year		**22,832**	**2,748**	**22,832**	**2,838**

All activities consist of continuing operations

Consolidated and College Statement of Changes in Reserves
Year ended 31 July 2022

	Income and Expenditure Reserve	Total Reserves
Consolidated	£'000	£'000
Balance at 1 August 2020	**10,179**	**10,179**
Surplus/(deficit) from the income and expenditure statement	-	-
Other comprehensive income	2,748	2,748
Total comprehensive income for the year	2,748	2,748
Balance at 1 August 2021	**12,927**	**12,927**
Deficit from the income and expenditure statement	(596)	(596)
Other comprehensive income	23,428	23,428
Total comprehensive income for the year	22,832	22,832
Balance at 31 July 2022	**35,759**	**35,759**
College		
Balance at 1 August 2020	**10,179**	**10,179**
Surplus/(deficit) from the income and expenditure statement	-	-
Other comprehensive income	2,748	2,748
Total comprehensive income for the year	2,748	2,748
Balance at 1 August 2021	**12,927**	**12,927**
Deficit from the income and expenditure statement	(596)	(596)
Other comprehensive income	23,428	23,428
Total comprehensive income for the year	22,832	22,832
Balance at 31 July 2022	**35,759**	**35,759**

Consolidated and College Balance Sheets
As at 31 July 2022

	Note	Consolidated 2022 £'000	Consolidated 2021 £'000	College 2022 £'000	College 2021 £'000
Non-current assets					
Tangible fixed assets	11	103,138	77,797	103,137	77,797
		103,138	77,797	103,137	77,797
Current assets					
Debtors	12	7,097	854	7,167	921
Cash and cash equivalents	16	176	3,584	176	3,584
		7,273	4,438	7,343	4,505
Creditors: amounts falling due within one year	13	(7,937)	(10,097)	(7,917)	(10,075)
Net current Liabilities		**(664)**	**(5,659)**	**(574)**	**(5,570)**
Total assets less current liabilities		**102,474**	**72,138**	**102,563**	**72,227**
Creditors: amounts falling due after more than one year	14	(60,731)	(31,663)	(60,731)	(31,663)
Provisions					
Pension provisions	15	(5,984)	(27,548)	(5,984)	(27,548)
Total net assets		35,759	12,927	35,848	13,016
Unrestricted Reserves					
Income and expenditure reserve		35,759	12,927	35,848	13,016
Total Reserves		35,759	12,927	35,848	13,016

The financial statements were approved by the Board of Trustees on 22nd November 2022 and were signed and authorised on their behalf by:

Ruth Farwell

Ruth Farwell (Chair)

Dave Phoenix

Professor David Phoenix (Accounting Officer)

Consolidated Statement of Cash Flows
Year ended 31 July 2022

	Note	2022 £'000	2021 £'000
Cash flow from operating activities			
Deficit for the year		(596)	-
Adjustment for non cash items			
Depreciation	11	985	1,275
Release of government grant (TU grant)		(3,805)	(4,175)
Release of government capital grant		(310)	(310)
Interest payable		501	480
(Increase) / decrease in debtors		271	663
Decrease in creditors		122	3,391
Pension costs less contributions payable		1,484	1,237
Decrease in provisions		(121)	(210)
Adjustment for investing or financing activities			
Investment income		(9)	-
Net cash inflow from operating activities		**(1,478)**	**2,351**
Cashflows from investing activities			
Payment to acquire tangible fixed assets		(24,253)	(5,074)
Capital grant receipts		8,614	1,809
Investment income		9	-
		(15,630)	**(3,265)**
Cashflows from financing activities			
Additional loan from parent undertaking		13,700	2,000
		13,700	**2,000**
Decrease/Increase in cash and cash equivalents during the year		**(3,408)**	**1,086**
Cash at bank and on deposit at the start of the year		3,584	2,497
Cash at bank and on deposit at the end of the year		176	3,584

Analysis of Changes in Net Debt	**at 1 August 2021 £'000**	**Cashflows £'000**	**Other non-cash changes £'000**	**at 31 July 2022 £'000**
Cash at bank and on deposit	**3,584**	**(3,408)**	**-**	**176**

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

Statement of Accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction 2021 to 2022 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Consolidation of accounts

The financial statements incorporate the financial statements of South Bank Colleges and its subsidiary undertakings SW4 Catering Limited and South Bank Skills Limited. South Bank Skills Limited was incorporated on the 23rd March 2021 and did not trade during the year to 31st July 2022. Consolidation of subsidiaries is based on the equity method. Intragroup loans or balances are recognised at fair value.

Going Concern

The Group's activities, together with the factors likely to affect its future development, performance and position of the Group are set out in the Annual Report. The financial position of the Group, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. As reflected in these financial statements, the Group has recorded a deficit for the year ended 31 July 2022.

Trustees consider that the use of the Going Concern basis for the preparation of these financial statements is appropriate for the following reasons.

South Bank Colleges is a company limited by guarantee and a subsidiary by virtue of control by London South Bank University. The College has prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements, specifically to July 2024.

These forecasts are dependent on LSBU Group providing additional funding support during that period. LSBU Group has indicated its intention to make available such funds as are needed by the College for the period covered by the forecasts. As with any entity placing reliance on other group entities for funding support, the Trustees acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that is will not do so.

After reviewing these forecasts in addition to current financing and taking into account the letter of support from the LSBU Group, the Trustees are of the opinion that, taking account of severe but plausible downsides, the Group and the College will have sufficient funds to meet their liabilities as they fall due over the period of at least 12 months from the date of approval of the financial statements (the going concern assessment period) and therefore have prepared the financial statements on a going concern basis.

Recognition of Income

The recurrent grants from the funding bodies represent the funding allocations attributable to the current financial year and are credited to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process and the results of any funding audit.16-18 learner responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors e.g. employers. Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Post-Retirement Benefits

Defined contribution retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) which is managed by the London Pensions Fund Authority (LPFA). These are defined benefit pension schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 21, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

For the LGPS, the College's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that return on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The College recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

The College has a defined contribution pension scheme for employees of the subsidiary company SW4 Catering Ltd and for professional services staff who joined the College after April 2021, since when new staff are enrolled into the LPFA pension scheme only in exceptional circumstances. The College pays contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Employment benefits

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

Enhanced Pensions

Under the TPS, the actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet in line with guidance issued by the funding bodies.

The same arrangements pertained to the LGPS until autumn 2005. Thereafter under the LGPS, a payment to cover the expected future cost of any enhancement to the ongoing pension of a former member of staff is made in full to the LPFA and is charged in full to the College's income and expenditure account in the year that the member of staff retires. No provision is therefore created.

Non-current assets - Tangible fixed assets

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

Land and Buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of 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 the assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis.

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 10 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 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 capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were valued in 1994, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Assets under Construction

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

Subsequent Expenditure on existing Fixed Assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

Market value of the fixed asset has subsequently moved;

- Asset capacity increases;
- Substantial improvement in the quality of output or reduction in operating costs;
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

Equipment

Equipment costing less than £5,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalized at cost.

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

Motor Vehicles	20%
General Equipment	20%
Computer Equipment	20%

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy. The related grant is credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment on a basis consistent with the depreciation policy. All fully depreciated equipment has been written out of the financial statements.

Leased Assets
Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. The capital element is shown as obligations under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding bodies' capital equipment grants, the associated assets are designated as grant- funded assets.

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

Taxation
The College is considered to pass the test set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax 2010 or Section 256 of the Taxation of Chargeable Gains Acts 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The College is partially exempt in respect of Value Added Tax, so they it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Liquid Resources
Liquid resources include sums on short-term deposits with recognised banks and building societies.

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

Agency Arrangements
The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 20, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty
In preparing these financial statements, management have made the following judgements:

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

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

  As of 1st February 2019, South Bank Colleges acquired the assets and liabilities of Lambeth College. In line with FRS102 and buildings were revalued to fair value using indices as used by professional valuers. These assets will be held at deemed costs and depreciated over their useful economic life in line with the accounting policy for fixed assets

- *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, salary pension and price increases. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the accounts
Year ended 31 July 2022

	Consolidated		College	
	2022	2021	2022	2021
1. **Tuition fees and education contracts**	£'000	£'000	£'000	£'000
Adult education fees	334	258	334	258
Adult Education Fees : loan supported courses	698	798	698	798
Education contracts	2,052	2,272	2,052	2,272
	3,084	**3,328**	**3,084**	**3,328**

2. **Funding Body Grant**	Consolidated		College	
	2022	2021	2022	2021
Recurrent grants	£'000	£'000	£'000	£'000
Education and Skills Funding Agency - adult	1,444	1,320	1,444	1,320
Greater London Authority - Adult funding	10,160	9,512	10,160	9,512
Education and Skills Funding Agency – 16 -18	6,558	7,124	6,558	7,124
Education and Skills Funding Agency - apprenticeships	194	248	194	248
Specific grants				
Education Skills and Funding Agency - Bursary	19	496	19	496
Teachers Pension Grant	396	348	396	348
Education Skills and Funding Agency - Other Grants	1,503	1,889	1,503	1,889
Releases of Restructuring Grant Facility	3,805	4,175	3,805	4,175
Releases of government capital grants	310	310	310	310
	24,389	**25,422**	**24,389**	**25,422**

	Consolidated		College	
	2022	2021	2022	2021
3. **Other income**	£'000	£'000	£'000	£'000
Residence and catering income	28	5	28	5
Other income	563	757	563	757
	591	**762**	**591**	**762**

	Consolidated		College	
	2022	2021	2022	2021
4. **Interest Receivable**	£'000	£'000	£'000	£'000
Interest receivable	9	-	9	-
	9	**-**	**9**	**-**

	Consolidated		College	
	2022	2021	2022	2021
5. **Donations**	£'000	£'000	£'000	£'000
Unrestricted donations	547	722	547	722

Donations include the estimated market value of SBC's rent free occupations of its premises in Brixton

6. **Staff**

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

	Consolidated	
	2022	**2021**
Teaching staff	122	127
Non teaching staff	215	230
	337	**357**

The above numbers exclude casual staff and visiting teachers amounting to 50 (2021: 48)

	Consolidated		College	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	11,368	11,820	10,857	11,300
Social security costs	1,151	1,147	1,110	1,109
Other pension costs	3,260	3,106	3,232	3,089
Payroll sub total	**15,779**	**16,073**	**15,199**	**15,498**
Contracted out staffing services	2,003	1,434	2,003	1,434
	17,782	17,507	17,202	16,932
Fundamental restructuring costs contractual	658	253	658	253
	18,440	**17,760**	**17,860**	**17,185**

7. Remuneration of Board of Tustees and higher paid employees

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Accounting Officer and Senior Leadership Team which comprises the Executive Principal, Chief Financial Officer, Principal - Lambeth Gateway College, Principal - London South Bank Technical College, Assistant Principal Curriculum and Student Success and Director of MIS.

Determining pay of senior staff

The pay of the Executive Principal is set by the London South Bank University Remuneration Committee which meets annually in November to determine the remuneration of the London South Bank University group Executive. As part of its decisions on pay and performance related pay award of the Executive Principal the committee considers a recommendation from the Group Chief Executive Officer who consults with the Chair of the South Bank Colleges Board and the South Bank Colleges lead Trustee for Remuneration. This process includes consideration of performance related areas and responsibilities at College and Group level which includes Chief Executive of South Bank Academies Multi Academy Trust. All other South Bank Colleges staff are engaged on main pay scale rates.

Severance payments for senior staff are determined by the Executive Principal and by the Group Chief Executive Officer in consultation with the South Bank Colleges Chair.

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

	2022	**2021**
The number of key management personnel including the Accounting Officer was:	7	7

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

	Senior Staff		Other staff	
	2022 No.	2021 No.	2022 No.	2021 No.
£35,000 to £40,000	-	1	-	-
£50,000 to £55,000	1	1	-	-
£60,000 to £65,000	2	1	-	2
£65,000 to £70,000	-	1	1	-
£70,000 to £75,000	-	2	-	-
£75,000 to £80,000	2	-	-	-
£85,000 to £90,000	1	-	-	-
£115,000 to £120,000	-	1	-	-
£120,000 to £125,000	1	-	-	-
	7	**7**	**1**	**2**

FTE for key management staff is 6 (2021 6).

Key management personnel compensation is made up as follows:

	2022 £'000	2021 £'000
Salaries	542	477
Pension contributions	113	104
	655	**581**

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 amount paid to the Executive Principal who is the highest paid member of staff of:

	2022 £'000	2021 £'000
Salary	120	120
Pension scheme contributions or payments in lieu of pension contributions	28	28
	148	**148**

Compensation above relates to their role as Executive Principal of South Bank Colleges. Remuneration of £6k was also received in their role of PVC Education at London South Bank University (2021: £6k).

The Accounting Officer draws no salary from the College.

Relationship of Executive Principal pay and remuneration expressed as a multiple:

	2022	2021
Executive Principal's basic salary as a multiple of the median of all staff	3.7	4.0
Executive Principal's total remuneration as a multiple of the median of all staff	3.9	4.2

The Trustees of the College, other than staff Trustees, did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Notes to the accounts
Year ended 31 July 2022

	Consolidated		College	
	2022	**2021**	**2022**	**2021**
8. Other operating expenses	**£'000**	**£'000**	**£'000**	**£'000**
Direct Teaching costs	4,955	5,442	4,955	5,442
Non teaching costs	3,003	3,502	3,001	3,499
Premises costs	1,332	1,775	1,914	2,353
	9,290	**10,719**	**9,870**	**11,294**

Direct teaching costs include the costs of services delivered to the College by Subcontractors and Partners of £3.4m (2021: £2.8m).

Other operating expenses are stated after charging:

		Consolidated		College	
		2022	**2021**	**2022**	**2021**
		£'000	**£'000**	**£'000**	**£'000**
Auditors' remuneration					
External audit	KPMG LLP	51	52	49	50
other services	KPMG LLP	29	9	19	9
Other services	BDO	34	9	34	9
Rentals under operating leases:	Plant and machinery	87	36	87	36
Notional rent charge matched by notional income for Brixton Campus		540	541	540	540

9. Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during either the current or prior year.
The College holds 100% of the issued £1 ordinary shares in SW4 Catering Ltd (incorporated on 10 July 2014, Company Number 09125790) whose principal business activities are catering, cleaning and security. The company has been trading since August 2014 and is consolidated within these financial statements. The subsidiary company was incorporated in England and Wales and the shares were purchased at par and are carried at cost. Total cost of shares held is £1.
Any profits made by the subsidiary are donated to the College and would attract no corporation tax.

	Consolidated		College	
	2022	**2021**	**2022**	**2021**
10 Interest and other finance costs	**£'000**	**£'000**	**£'000**	**£'000**
Net charge on pension scheme	501	480	501	480
	501	**480**	**501**	**480**

11 Tangible fixed asssets (Consolidated)

Cost or valuation	Freehold land £'000	Freehold buildings £'000	Long leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Assets in course of construction £'000	Fixed assets total £'000
At August 2021	24,600	41,125	2,458	1,196	11,967	**81,346**
Additions	-	-	-	-	26,326	**26,326**
At 31 July 2022	24,600	41,125	2,458	1,196	38,293	107,672
Depreciation						
At August 2021	-	(2,354)	(125)	(1,070)	**-**	(3,549)
Charge for the year	-	(831)	(50)	(104)	-	(985)
At 31 July 2022	-	(3,185)	(175)	(1,174)	-	(4,534)
Net book value						
At 31 July 2022	**24,600**	**37,940**	**2,283**	**22**	**38,293**	**103,138**
At 31 July 2021	24,600	38,771	2,333	126	11,967	77,797

Tangible fixed assets (College)

Cost or valuation	Freehold land £'000	Freehold buildings £'000	Long leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Assets in course of construction £'000	Fixed assets total £'000
At August 2021	24,600	41,125	2,458	1,196	11,967	**81,346**
Additions	-	-	-	-	26,326	**26,326**
At 31 July 2022	24,600	41,125	2,458	1,196	38,293	107,672
Depreciation						
At August 2021	-	(2,354)	(125)	(1,070)	**-**	(3,549)
Charge for the year	-	(831)	(50)	(104)	-	(985)
At 31 July 2022	-	(3,185)	(175)	(1,174)	-	(4,534)
Net book value						
At 31 July 2022	**24,600**	**37,940**	**2,283**	**22**	**38,293**	**103,138**
At 31 July 2021	24,600	38,771	2,333	126	11,967	77,797

Notes to the accounts
Year ended 31 July 2022

12 Debtors: amounts falling due within one year

	Consolidated		College	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Trade debtors	467	650	467	650
Amounts owed by group undertakings	-	-	70	67
Other debtors	14	49	14	49
Prepayments and accrued income	6,616	155	6,616	155
	7,097	**854**	**7,167**	**921**

13 Creditors: amounts falling due within one year

	Consolidated		College	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Trade creditors	443	448	443	448
Other creditors	324	448	323	448
Social security and other taxation payable	468	560	453	542
Accruals and deferred income	6,316	5,077	6,312	5,073
Deferred income - government capital grants	386	310	386	310
Deferred grant- transaction unit grant	-	3,254	-	3,254
	7,937	**10,097**	**7,917**	**10,075**

14 Creditors: amounts falling due after more than one year

	Consolidated		College	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Other creditors	-	-	-	-
Deferred income - government capital grants	28,934	14,194	28,934	14,194
Deferred grant	-	188	-	188
Amounts owed to group undertakings (LSBU Creditor)	31,797	17,281	31,797	17,281
	60,731	**31,663**	**60,731**	**31,663**

Included within deferred income are items of income which have been deferred until specific performance related conditions have been met

	Consolidated		College	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Government capital grants	29,320	14,504	29,320	14,504

15. Provisions for liabilities: Consolidated and College

	Defined benefit obligation	Enhanced pension	Total
	£'000	£'000	£'000
Balance at 1 August 2021	25,819	1,729	27,548
Charged to comprehensive income and expenditure	(21,284)	(280)	(21,564)
Balance at 31 July 2022	**4,535**	**1,449**	**5,984**

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

The enhanced pension provision related to the cost of staff who retired with enhanced pension provision between 1995/96 and 2006/07. the value of the provision is calculated in accordance with guidance issued by the Association of Colleges.

The principal assumptions for this calculation are:

	2022	2021
Price inflation	2.90%	2.20%
Discount rate	3.30%	1.60%

16. Cash and cash equivalents

	at 1 August 2021	Cashflows	at 31 July 2022
Consolidated	£'000	£'000	£'000
Cash at bank and on deposit	3,584	(3,408)	176

17. Capital commitments

Provision has not been made for the following capital commitments as at 31 July

	Consolidated and College	
	2022	2021
	£'000	£'000
Commitments contracted at 31 July	8,476	28,012

18. Contingent liabilities

Funds amounting to £4.1m received from the Education and Skills Funding Agency (ESFA) are subject to conditions linked to future estates development for SBC to deliver a viable, sustainable, high quality, relevant and diverse offer from Level 1 to Level 6 learners and employers across the local area with a college presence in Brixton and Clapham and/or Vauxhall without a requirement for government funding to support operating losses.

South Bank Colleges has received a pre-action claim for reimbursement of costs by a developer in respect of the Vauxhall development project undertaken by South Bank College’s predecessor Lambeth College Corporation. The Board believes that any claim is unlikely to succeed and cannot be financially quantified at the date of signing, and to the best of its knowledge and belief it is satisfied that no adjusted provision is necessary in respect of this claim.

19. Lease obligations

At 31 July 2022 the College was committed to making the following future minimum lease payments in respect of operating leases on IT equipment

	Consolidated and College	
	2022	2021
	£'000	£'000
Expiring within one year	40	40
Expiring within two and five years	18	58
Expiring in over five years	-	-
	58	98

20. Amounts disbursed as agents

	Consolidated		College	
	2022	2021	2022	2021
Learner support funds	£'000	£'000	£'000	£'000
Balance at 1 August	158	62	158	62
Adjustment to prior year balance	-	62	-	62
Busaries	1,026	705	1,026	705
Disbursed to students	(820)	(651)	(820)	(651)
Administration costs	(41)	(20)	(41)	(20)
Balance unspent as at 31 July, included in creditors	323	158	323	158

Notes to the accounts
Year ended 31 July 2022

21 Pension Arrangements

Different categories of staff were eligible to join one of three different schemes:

- Teachers' Pension Scheme (TPS)
- London Pension Fund Authority (LPFA) Pension Fund
- National Employment Savings Trust (NEST)
- Aviva

The TPS and LGPS are multi employer defined benefit plans and these pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was as at 31 March 2016 and of the LGPS 31 March 2019.

Total pension cost for the year	**2022 £'000**		**2021 £'000**	
Teachers Pension Scheme: contributions paid		1,082		1,146
Local Government Pension Scheme:				
Contributions paid	(638)		(703)	
FRS 102 (28) charge	3,234		3,099	
Charge to the Statement of Comprehensive Income		2,596		2,396
Enhanced pension charge to Statement of Comprehensive Income		280		101
Defined Contribution Scheme		10		8
Total Pension Cost		**3,968**		**3,651**

Teachers' Pension Scheme

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

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

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

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

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

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

As a result of the valuation, new employer contribution rates which since September 2019 have been were set at 23.68%. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2021-22 academic year.

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

The pension costs paid to TPS in the period amounted to £1,082,150 (2021: £1,146,345).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pensions Fund Authority. The total contribution made for the year ended 31 July 2022 was £885,000 (2021: £980,000), of which employer's contributions totalled £638,000 (2021: £703,000) and employees' contributions totalled £247,000 (2021: £277,000). At 31 July 2022 there were 121 staff in the scheme (2021: 145). Contribution rates during the year were 16.3% (2021: 16.3% until 31st March 2020 then 16.30% from 1st April 2020) for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2022 by a qualified independent actuary.
For UK DB pension schemes it is common to set long term RPI inflation based on long term gilt market-implied expectations (known as "break even RPI"), often less an inflation risk premium to allow for supply/demand factors, and for long term CPI inflation to be set with reference to RPI inflation less a "wedge" reflecting established differences in index construction, as there is no deep-market in CPI-linked instruments. On 4 September 2019, the UK Chancellor and the UK Statistics Authority jointly published correspondence confirming that: a public consultation to amend the flawed RPI index would start in January 2020 (subsequently postponed to March 2020 and ended on 21 August 2020), there would be no change to RPI until 2025 at the earliest, and The UK Statistics Authority could change RPI from 2030 without government consent, and their intention is to align RPI to CPIH (CPIH is CPI with allowance for housing costs; the two are assumed to be similar over the long term). Following these announcements the derivation of the CPI assumption has changed at 31 July 2020. Based on the sensitivity information provided by Fund Actuary, the impact of the changes on approach when setting the CPI assumption is expected to have a £2,777k increase in the DBO (made up on a reduction of £3,325k from the change in IRP and an increase of £6,102k from the change in RCP CPI wedge)

	Year ended 31 July 2022	Year ended 31 July 2021
Rate of increase in salaries	3.00%	3.00%
Future pensions increases	2.80%	2.80%
Discount rate for scheme liabilities	3.40%	1.60%

Life expectancy

The scheme actuaries have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables have been based on Club Vita analysis. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Notes to the accounts
Year ended 31 July 2022

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

		Year ended 31 July 2022	Year ended 31 July 2021
		Years	**Years**
Retiring today	Males	21.60	21.60
	Females	24.20	24.10
Retiring in 20 years	Males	22.90	22.80
	Females	25.50	25.40

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

	%	**Fair Value at 31 July 2022 £'000**	**%**	**Fair Value at 31 July 2021 £'000**
Equities	56%	30,247	56%	28,237
Target return portfolio	22%	11,571	22%	10,868
Infrastructure	11%	5,607	9%	4,410
Property	10%	5,234	8%	4,198
Cash	1%	641	5%	2,604
Total market value of assets	100%	**53,300**	100%	**50,317**

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

	31 July 2022 £'000	**31 July 2021 £'000**
Fair value of plan assets	53,300	50,317
Present value of plan liabilities	(57,463)	(75,702)
Present value of unfunded liabilities	(372)	(434)
Net pensions liability (Note 15)	**(4,535)**	**(25,819)**

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

	31 July 2022 £'000	**31 July 2021 £'000**
Amounts included in staff costs		
Current service cost	2,123	1,940
Past service cost	-	-
	2,123	1,940
Amounts included in investments income		
Net interest income on the defined liability	473	456

Notes to the accounts
Year ended 31 July 2022

Amounts recognised in other comprehensive income		
Return on pension plan assets	2,441	6,112
Experience losses arising on defined benefit obligations	(4,736)	1,439
Changes in assumptions underlying the present value of plan liabilities	25,536	(5,565)
Changes in demographic assumptions		847
	23,241	2,833

Movement in net defined benefit liability during the year

	31 July 2022 £'000	**31 July 2021 £'000**
Deficit in scheme at 1 August	(25,819)	(26,959)
Movement in year:		
Current service cost	(2,123)	(1,940)
Employer contributions	639	703
Unfunded pension payments	31	31
Net interest on the defined liability	(473)	(456)
Actuarial gain or loss	23,241	2,833
Settlement and curtailments	(31)	(31)
Net defined benefit liability at 31 July	(4,535)	(25,819)

Asset and Liability Reconciliation	**31 July 2022 £'000**	**31 July 2021 £'000**
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	76,136	70,914
Current Service cost	2,123	1,940
Interest cost	1,212	1,056
Contributions by Scheme participants	253	277
Changes in financial assumptions	(25,536)	5,565
Change in demographic assumptions	-	(847)
Experience loss/(gains) on defined benefit obligations	4,736	(1,439)
Estimated benefits paid	(1,058)	(1,299)
Unfunded pension payments	(31)	(31)
	57,835	**76,136**
Defined benefit obligations at end of period		

Reconciliation of Assets

Fair value of plan assets at start of period	50,317	43,955
Interest on plan assets	804	657
Return on plan assets	2,441	6,112
Employer contributions	639	703
Contributions by Scheme participants	253	277
Estimated benefits paid	(1,089)	(1,330)
Administration expenses	(65)	(57)
Assets at end of period	**53,300**	**50,317**

Notes to the accounts
Year ended 31 July 2022

Sensitivity analysis	**31 July 2022**	**31 July 2022**	**31 July 2022**
	£000s	**£000s**	**£000s**
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	56,727	57,835	58,966
Projected service cost	965	1,004	1,043
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	57,887	57,835	57,783
Projected service cost	1,004	1,004	1,003
Adjustment to pension increases and deferred	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	58,919	57,835	56,771
Projected service cost	1,044	1,004	966
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**- 1 Year**
Present value of total obligation	60,033	57,835	55,721
Projected service cost	1,043	1,004	966

AVIVA

London South Bank University Group Defined Contribution Scheme: The College provides a defined contribution pension scheme, through Aviva, for employees of SW4 Catering Ltd and, from 1st April 2021, for new professional services staff employed by South Bank Colleges. At 31 July 2022 the College Group had 34 members participating in the scheme. The College Group's contribution to the Aviva scheme for the year ending 31 July 2022 was £99,800 (2021: £23,952) and employer's contribution rates ranged from 8%-10%. Pension contributions payable at 31 July 2022 were £10,027 (2021: £6,918).

22 Related party transactions

The accounts of SW4 Catering Limited, a wholly owned subsidiary, are incorporated into these financial statements. During the year intercompany trading amounted to £582,000 (2021:£577,000).
South Bank Skills Ltd, a wholly owned subsidiary of SBC, was incorporated 23rd March 2021. During the year there were no transactions between the two companies other than the purchase of share capital £1.

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

During the year, two Trustees were also Trustees of London South Bank University, of which South Bank Colleges is a subsidiary. Purchase transactions in commercial terms for the period amounted to £123k (2021: £2,056k) and there was £31,797k (2021: £17,281k) outstanding at period end as shown as amount owed to group undertakings in note 14. During the period the College borrowed £13.7m (2021: £2m) from LSBU. A Governor is a Cabinet Member for Lambeth Council. During the year the College invoiced the Council £1.724m of income in relation to higher needs funding and other support.

-- END OF NOTES --