

## **SOUTH BANK COLLEGES**

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

Company Number 11495376

#### **CONTENTS**

	<b>Page number</b>
Key Management Personnel, Governors and professional advisors	
Trustees' Report	2
Statement of Corporate Governance and Internal Control	9
Statement of Regularity, Propriety and Compliance	13
Statement of Responsibilities of the Members of the Board	14
Independent Auditor's Report to the Corporation of South Bank Colleges	15
Reporting Accountant's Assurance Report on Regularity	17
Principal Accounting Policies	19
Consolidated Statement of Comprehensive Income and Expenditure	23
Consolidated and College Statement of Changes in Reserves	24
Balance Sheets	25
Consolidated Statement of Cash Flows	26
Notes to the Accounts	27

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

### **Key management personnel**

Six individuals are declared as key management personnel in 2019/20 in the financial statements - these were:

Name	Position Held
Fiona Morey	Executive Principal
Hassan Rizvi	Deputy Principal
Michael Webb	Chief Financial Officer
Philip Cunniffe	Assistant Principal - Student Success
Monica Marongiu	Assistant Principal - Curriculum and Quality
Alistair Dunkwu	Head of MIS

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

### **Board of Governors**

A full list of the Board of South Bank Colleges is given on page 10 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**

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

### **NATURE OBJECTIVES AND STRATEGIES:**

The members present their report and the audited financial statements for the year ended 31 July 2020.

These are the first set of accounts for South Bank Colleges (SBC) showing a full 12 months operating activity. The Company was incorporated on 1 August 2018 as an exempt charitable company limited by guarantee. It is a subsidiary wholly controlled by London South Bank University (LSBU). The company was incorporated with the intention of acquiring the assets and liabilities of Lambeth College Corporation which completed on 31 January 2019.

The college reports a breakeven position for the 12 months ending 31<sup>st</sup> July following the release of £4.8m (£1.3m to end Jul 19) 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 £4.8m loss.

The financial health category reported to the ESFA for the period to the end of July 2020 was "Good".

## **Legal status**

South Bank Colleges (SBC) was incorporated on 1 August 2018 and acquired the assets and liabilities of Lambeth College Corporation on 31<sup>st</sup> 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 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 charity 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 9-10 and the Trustees who served during the year ended 31 July 2020 are listed on page 10. The Trustees are also directors under the Companies Act 2006.

## **Mission**

To improve the lives, work and economic prospects of the current and future generations in Lambeth and beyond.

## **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 10.

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**

South Bank Colleges currently operates as Lambeth College. The College has developed a clear 5-year strategic plan with a vision, having community, diversity, social inclusion and economic prosperity at its heart, and will focus on learner success, careers focus and financial sustainability. 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 Lambeth 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 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.

## **Estates Strategy**

SBC has committed, in collaboration with LSBU, to a major redevelopment of the Vauxhall campus to include a Science, Technology, Arts, Engineering and Maths Centre at the heart of the campus. Target date for completion of this building is now September 2022 and this project will be part funded by LEAP funding 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.

#### Clapham Campus

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 Vauxhall Technical College.

#### Vauxhall Campus

The new Vauxhall 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.

Vauxhall Technical College is 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 Vauxhall will eventually provide 25,000m<sup>2</sup> of floor space. With the 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.

### **Financial Objectives and Results for The Year**

This is the first full year of operation of South Bank Colleges and performance against its financial objectives is summarised in the table below

<b>Key performance Indicator</b>	<b>Actual to 31 July 2020</b>	<b>Actual to 31 July 2019 (6months only)</b>
Surplus	£-k	£47k
Staff Cost / Income ratio	76%	76%
Cash at 31 July	£2,497k	£1,381k

Staff cost measure relates to internally delivered income only. These set of results relate to twelve months of activity in the College. Prior year results relate to six months only so need combining with the previous six months results of Lambeth College Corporation to understand the full year comparative performance.

### **Financial results**

Covid-19 – context and financial implications for South Bank Colleges

Following the UK Government's decision in March 2020 to implement lock-down across the UK and the ongoing impact of preventative measures for public health, educational activities were largely delivered remotely to students until September 2020 when the College opened again. The College's financial out turn has not been materially impacted in the course of the year reported, due to the confirmed suspension of claw back on Adult

budget funding for the year and continued government funding throughout this period. The main financial impact has been on tuition fees and commercial lettings income, however direct costs and costs in other areas have been well managed.

Group turnover before donations was £28.4m in the year to the end of July 2020. The main changes in funding in the 2019/20 year compared to 2018/19 are in 16-18 grant income. The full year grant is in line with that for 2018/19. This is mainly attributable to an increased number of funded places for High Needs Students offsetting a 4.7% reduction in 16-18 funded student numbers. The Adult grant funding remains at a similar level to that reported in the 2018/19.

Staff costs were £16.2m (£6.9m for 6 months to 31/07/19), excluding the costs of subcontracted teaching and agency staff. Other operating expenses £9.5m (2019: £7.1m for six months).

Tangible fixed asset additions during the period amounted to £2.1m, principally including work on the new Vauxhall campus building.

Total creditors due within one year have increased at the 31 July 2020 to £12.7m compared to the 31 July 2019 comparative figure of £8m. Within these creditors are accruals and deferred income of £6.2m (prior year comparative £2.2m).

The College reports a breakeven position for the 12 months ending 31<sup>st</sup> July 2020 following the release of £4.8m (£1.3m to end Jul 19), 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 £4.8m loss. The reported financial health for the period to the end of July 2020 was "Good".

SW4 Catering Ltd delivered a break-even result (2018/19 £-, 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 has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Chief Accounting Officer. All other borrowing requires the authorisation of the Board and shall comply with the requirements of the Financial Memorandum.

The College generated £3.1m in operating cash inflows in the year to 31 July 2020. The College spent £2.1m on investing activities in the year to 31 July 2020. The college ended the year with cash balances of £2.5m.

### **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 £10.2m (2019: 16.3m). It is the College's intention to secure this position following best practice of LSBU as parent.

### **Current and future development and performance**

Student numbers and achievements

In 2019/20, the College recorded success or failure against 2,749 qualifications undertaken by 16-18 year old funded students while 8,454 qualifications were delivered to 19+ students. Overall, the college delivered 11,203 qualifications.

The College has seen improved outcomes for students in the year 2019/20 across all age groups and amongst High Needs students with a three-year improvement trend, as in the table below.

Age group/Provision	2016/17	2017-18	2018-19	2019-20	National Rates
All ages	71.8%	84.2%	88.3%	88.6%	86.0%
16-18 (Study Programmes)	61.3%	72.8%	82.2%	83.6%	82.6%
19+ (Adults)	75.2%	87.3%	89.9%	90.2%	89.1%
High Needs	76.8%	76.0%	88.3%	88.7%	n/a
Apprenticeships (Overall)	9.0%	44.8%	50.2%	73.0%	67.3%

The outcomes stated above are provisional and based on the claims made at the time of reporting, including apprenticeship outcomes.

The national lockdown in March 20 due to the Covid-19 pandemic resulted delivering education on line. The outcomes were assessed based on estimation, adaptation and delivering qualifications in a delayed time frame, in line with Ofqual guidance for individual qualifications. The college placed necessary health & safety, teaching, learning and assessment strategies and student support arrangements to deal with the challenge. This was to ensure that no student was disadvantaged due to the circumstances beyond their control. The college also made special arrangement in August and September to support students complete their qualifications successfully which were categorised as 'Delayed'. The measures put in place by the college resulted in the year on year improvement trend in the outcomes and in the process allowing students to progress further in their studies/employment.

The College's Ofsted grading remains 'Requires Improvement' (Ofsted inspection May 2019) and, as part of the process, a monitoring visit took place in March 2020. The focus of this monitoring visit was to evaluate the progress that leaders and managers have made in addressing the main areas for improvement identified at the previous inspection and was overall very positive. Out of the four themes that were chosen by Ofsted, the outcomes were as under:

1. What progress have tutors made in using assessment to identify and close gaps in learners' knowledge and to support learners to develop skills and achieve their qualifications?  
**Outcome - Significant Progress**
2. What progress have leaders made in providing tutors with continuous professional development so that they improve their teaching skills?  
**Outcome - Significant Progress**
3. What progress have leaders made in ensuring apprentices build their knowledge and skills in a timely way and complete their apprenticeship?  
**Outcome – Reasonable Progress**
4. How successful have staff been in improving learners' attendance at lessons?  
**Outcome – Reasonable Progress**

### Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During 2019/20 most suppliers were paid within a month of their invoices being authorised.

### Future prospects

The current Covid-19 situation brings with it a period of significant uncertainty with possible implications for enrolment. The larger macroeconomic effect and impact of recession on career led educational activities and engagement will need to be monitored carefully to ensure any opportunities to deliver for changing demands can be responded to.

The College will continue to work on delivering a financial plan which will meet the conditions of the restructuring grant awarded by the Department for Education.

### **Going Concern Assumption**

Trustees consider that the use of the going concern basis for the preparation of these financial statements is appropriate.

The activities of the College are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. As reflected in these financial statements, the College has recorded a break even position for the year ended 31 July 2020.

The merger with London South Bank University took place 31 January 2019 and all College's business, staff, assets and liabilities were transferred to South Bank Colleges. South Bank Colleges is a company limited by guarantee and subsidiary by virtue of control by London South Bank University. The College has prepared cash flow forecasts for a period of at least 1 year from the date of approval of these financial statements. After reviewing these forecasts in addition to current financing and restructuring grant arrangements and including the letter of support from the LSBU Group, the College is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of Covid-19, the College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

### **College Companies**

The College has a subsidiary company SW4 (Catering) Limited. Further details are provided in Note 11.

### **Resources**

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

Tangible resources at the 31 July 2020 included the two main College sites at Vauxhall and Clapham and the right to occupy part of the Brixton site on Brixton Hill.

After taking account of deferred capital grants and pension liabilities the College finished the period to 31 July 2020 with net assets of £10.2m.

The College employed 317 staff in 2019/20 (2019: 316).

### **Principal Risks and Uncertainties**

The College Board has arrangements for managing risk and uncertainty. The College Leadership Group 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 College Leadership Group. 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.

During 2019/20 and following the outbreak of Covid-19 an additional Covid-19 related risk register was developed for review.

### **Stakeholder Relationships**

In line with other colleges and with universities, Lambeth College has many stakeholders. These include: Students, Education sector funding bodies, Ofsted, FE Commissioner, Staff, Local employers (with specific links), Local authorities, 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 them through the College website and by meetings.

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 Principal during term time for all staff. 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.

### **Equality**

Lambeth College 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:

**EQUALITY** - Working towards the elimination of discrimination in all forms;

**RESPECT** - Treating all employees and students with respect and dignity;

**SAFETY** - Providing a positive working and learning environment free from discrimination and harassment in relation to race, disability, gender, transgender, age, religion or belief and sexual orientation;

**INCLUSIVENESS** - Building a College that is truly inclusive and one that understands, appreciates and values the diversity of each individual;

**ACTION** - Incorporating actions that make people feel valued and able to fully participate in all aspects of College life.

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

### **Disability statement**

Lambeth College 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.

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

### **Disclosure of information to auditors**

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

**Approved by order of the Board of trustees of South Bank Colleges and signed on its behalf by:**



**Ruth Farwell Chair**

30<sup>th</sup> November 2020

## 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 2019 to 31 July 2020 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 2020. 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.

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

Full minutes of all Board meetings except those minutes deemed to be confidential by the Board, are available on the College’s website at [lambethcollege.ac.uk](http://lambethcollege.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 Clerk and 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 on an *ad hoc* basis

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. From 1 August 2019 to 31 July 2020 two trustees were also directors of SBC’s parent company, London South Bank University.

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 2019 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 Lead trustee
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
Leslie Bortey	1 Feb 2019	8 Sept 2019	Ex officio	Student Trustee	Quality & Improvement 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	
Jennifer Brathwaite	17 May 2019	22 Apr 2020	4 years	Independent Trustee	
Adesewa Ogunyomi	9 Sept 2019		1 year	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 Lambeth College 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.

### 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 Lambeth College website. The Audit Committee reviews the effectiveness of the systems of control in place across the College. It meets three times a year.

## **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 2020 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 2020 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 been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The College Leadership Group 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 College Leadership Group 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 item for consideration of risk and control and receives reports thereon from the College Leadership Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2020 meeting, the Board carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the College Leadership Group and internal audit, and taking account of events since 1 August 2019.

The Annual Audit Report for 2019/20 produced by the Internal Audit Service 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 order of the members of the Board on 23<sup>th</sup> November 2020 and signed on its behalf by:**



**Ruth Farwell**  
Chair



**Professor David Phoenix**  
Accounting Officer

### **Statement of Regularity, Propriety and Compliance**

The College has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's financial memorandum. As part of our consideration we have had due regard to the requirements of the financial memorandum.

We confirm on behalf of the College, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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

*Ruth Farwell.*



**Ruth Farwell**  
**Chair**

**Professor David Phoenix**  
**Accounting Officer**

## Statement of Responsibilities of the Trustees of the College

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

Within the terms and conditions of the College's grant funding agreements and contracts with the ESFA, the College, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the *2019 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2019 to 2020* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the College is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The College is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the group and parent College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the group and parent College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the trustees of the Board and signed on its behalf by:



**Ruth Farwell**  
**Chair**

## **Independent auditor's report to the Trustees of South Bank Colleges**

### **Opinion**

We have audited the financial statements of South Bank Colleges (“the College”) for the year ended 31 July 2020 which comprise the Consolidated and College Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, Consolidated Statement of Cash Flows and the 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 2020, 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*.
- 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 College has prepared the financial statements on the going concern basis as it does not intend to liquidate the Group or the College or to cease their operations, and as it has concluded that the Group and the College’s financial position means that this is realistic. It has 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”).

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the College’s 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the College will continue in operation.

### **Other information**

The College is responsible for the other information, which comprises the Trustees' Report and the College’s statement of corporate 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 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.

We have not identified material misstatements in the other information;

- in our opinion the information given in Trustees' Report and the College’s statement of corporate governance and internal control, which together constitute the strategic report and the Trustees’ report for the financial year, is consistent with the financial statements; and

- in our opinion Trustees' report 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 2019 to 2020 (July 2020) 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Trustees' responsibilities**

As explained more fully in their statement set out on page 14, the trustees 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 at [www.frc.org.uk/auditorsresponsibilities](http://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 Board, in accordance with Chapter 3 Part 16 of the Companies Act 2006 Article 22 of the College's Articles of Association. 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 Trustees of the College Board for our audit work, for this report, or for the opinions we have formed.



**Fleur Nieboer**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

Canary Wharf

2 December 2020

## **Reporting Accountant's Report on Regularity to the Members 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 11 February 2019 and further to the requirements and conditions of funding in ESFA 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 during the period 1 August 2019 to 31 July 2020 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Members 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 Members of South Bank Colleges and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of South Bank Colleges and the ESFA for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of South Bank Colleges and the reporting accountant**

The Members 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 is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2019 to 31 July 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and

- Reviewing any evidence of impropriety resulting from our work and determining whether it 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.

### **Conclusion**

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



Fleur Nieboer  
**For and on behalf of KPMG LLP, Reporting Accountant**  
**15 Canada Square**  
**Canary Wharf**  
**London**  
**E14 5GL**

**2 December 2020.**

**Consolidated and College Statement of Comprehensive  
Income and Expenditure  
Year ended 31 July 2020**

	Note	CONSOLIDATED		COLLEGE	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Income</b>					
Tuition fees and education contracts	1	2,846	1,774	2,846	1,774
Funding body grants	2	24,969	13,794	24,969	13,794
Other grants and contracts	3	-	17	-	17
Other income	4	573	390	573	390
Interest receivable	5	8	2	8	2
Transfer of net assets from Lambeth College			16,210		16,210
<b>Total income before other grants and donations</b>		<b>28,396</b>	<b>32,187</b>	<b>28,396</b>	<b>32,187</b>
Donations	6	541	271	541	271
<b>Total income</b>		<b>28,937</b>	<b>32,458</b>	<b>28,937</b>	<b>32,458</b>
<b>Expenditure</b>					
Staff costs	7	17,668	7,865	17,087	7,865
Other operating expenses	9	9,493	7,109	10,074	7,109
Depreciation	12	1,273	1,001	1,273	1,001
Interest and other finance costs	11	503	226	503	226
<b>Total expenditure</b>		<b>28,937</b>	<b>16,201</b>	<b>28,937</b>	<b>16,201</b>
<b>Surplus before other gains and losses</b>		-	16,257	-	16,257
<b>Surplus before tax</b>		-	<b>16,257</b>	-	<b>16,257</b>
Taxation		-	-	-	-
<b>Surplus for the year</b>		-	<b>16,257</b>	-	<b>16,257</b>
Actuarial (loss)/gain in respect of pension schemes	23	(6,073)	(5)	(6,073)	(5)
<b>Total comprehensive income/(expenditure) for the year</b>		<b>(6,073)</b>	<b>16,252</b>	<b>(6,073)</b>	<b>16,252</b>
<b>Represented by:</b>					
Unrestricted comprehensive income/(loss) for the year		<b>(6,073)</b>	<b>16,252</b>	<b>(6,073)</b>	<b>16,252</b>

All activities consist of continuing operations

**Consolidated and College Statement of Changes in Reserves  
Year ended 31 July 2020**

	<b>Income and Expenditure Reserve</b>	<b>Total Reserves</b>
	£'000	£'000
<b>Consolidated</b>		
<b>Balance at 1 August 2018</b>	-	-
Surplus/(deficit) from the income and expenditure statement	16,257	16,257
Other comprehensive income	(5)	(5)
		-
Total comprehensive income/(expenditure) for the year	16,252	16,252
<b>Balance at 1 August 2019</b>	<b>16,252</b>	<b>16,252</b>
Surplus/(deficit) from the income and expenditure statement	-	-
Other comprehensive income	(6,073)	(6,073)
		-
Total comprehensive income/(expenditure) for the year	(6,073)	(6,073)
<b>Balance at 31 July 2020</b>	<b>10,179</b>	<b>10,179</b>
<b>College</b>		
<b>Balance at 1 August 2018</b>	-	-
Surplus from the income and expenditure statement	16,257	16,257
Other comprehensive income	(5)	(5)
		-
Total comprehensive income/(expenditure) for the year	16,252	16,252
<b>Balance at 1 August 2019</b>	<b>16,252</b>	<b>16,252</b>
Deficit from the income and expenditure statement	(6,073)	(6,073)
Other comprehensive income	-	-
		-
Total comprehensive income/(expenditure) for the year	(6,073)	(6,073)
<b>Balance at 31 July 2020</b>	<b>10,179</b>	<b>10,179</b>

# South Bank Colleges

## Consolidated and College Balance sheets As at 31 July 2020

	Notes	Consolidated		College	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Non-current assets</b>					
Tangible fixed assets	12	72,077	71,286	72,077	71,286
		<u>72,077</u>	<u>71,286</u>	<u>72,077</u>	<u>71,286</u>
<b>Current assets</b>					
Debtors	13	1,517	955	1,517	971
Cash and cash equivalents	17	2,497	1,381	2,497	1,381
		4,014	2,336	4,014	2,352
Creditors: amounts falling due within one year	14	<u>(12,675)</u>	<u>(8,082)</u>	<u>(12,660)</u>	<u>(8,098)</u>
<b>Net current Liability</b>		<b><u>(8,661)</u></b>	<b><u>(5,746)</u></b>	<b><u>(8,646)</u></b>	<b><u>(5,746)</u></b>
<b>Total assets less current liabilities</b>		<b>63,416</b>	<b>65,540</b>	<b>63,431</b>	<b>65,540</b>
Creditors: amounts falling due after more than one year	15	(24,448)	(27,603)	(24,465)	(27,603)
<b>Provisions</b>					
Pension provisions	16	(28,789)	(21,685)	(28,789)	(21,685)
<b>Total net assets</b>		<b><u>10,179</u></b>	<b><u>16,252</u></b>	<b><u>10,177</u></b>	<b><u>16,252</u></b>
<b>Unrestricted Reserves</b>					
Income and expenditure reserve		10,179	16,252	10,177	16,252
<b>Total Reserves</b>		<b><u>10,179</u></b>	<b><u>16,252</u></b>	<b><u>10,177</u></b>	<b><u>16,252</u></b>

The financial statements were approved by the Board of Trustees on 23 November 2020 and were signed and authorised on their behalf by:

*Ruth Farwell*

Ruth Farwell (Chair)



Professor David Phoenix (Accounting Officer)

**Consolidated Statement of Cash Flows**  
**Year ended 31 July 2020**

	Note	2020 £'000	2019 £'000
<b>Cash flow from operating activities</b>			
Surplus for the year		-	16,257
<b>Adjustment for non cash items</b>			
Depreciation		1,273	1,001
Investment income			
Interest payable		503	
Decrease/(increase) in stock		-	
Decrease/(increase) in debtors		(562)	486
Increase in creditors		1,438	1,254
Pension costs less contributions payable		1,115	575
Increase in provisions		(595)	131
Enhanced pension adjustment			(5)
Gain on transfer of assets and liabilities acquired from Lambeth College		-	(16,210)
<b>Adjustment for investment or financing activities</b>			
Investment income		-	(273)
Interest receivable		8	226
<b>Net cash inflow from operating activities</b>		<b>3,180</b>	<b>3,442</b>
<b>Cashflows from investing activities</b>			
Payment to acquire tangible and intangible fixed assets		(2,064)	(2,305)
Cash (added to)/removed from fixed term deposits		-	273
<b>Cashflows from financing activities</b>			
Interest element of bank loan repayments		-	(226)
<b>Increase in cash and cash equivalents during the year</b>		<b>1,116</b>	<b>1,184</b>
Cash at bank and on deposit at the start of the year		1,381	-
Cash at bank and on deposit at the end of the year		2,497	1,381

**Analysis of Changes in Net Debt**

	at 1 August 2019 £'000	Cashflows £'000	Other non- cash changes £'000	at 31 July 2020 £'000
Cash at bank and on deposit	1,381	1,116	-	2,497
	<b>1,381</b>	<b>1,116</b>	<b>-</b>	<b>2,497</b>
	<b>1,381</b>	<b>1,116</b>	<b>-</b>	<b>2,497</b>

## 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 for 2019 to 2020 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The 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 undertaking SW4 Catering Limited. Consolidation of subsidiaries is based on the equity method. Intragroup loans or balances are recognised at fair value.

#### Going Concern

The activities of the College<sup>1</sup>, together with the factors likely to affect its future development and performance are set out in the Trustees Report.

The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in operation. The Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Trustees Report. The financial position of the Corporation, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying Notes. The financial statements have been prepared on a going concern basis which the Corporation considers to be appropriate for the following reasons:

The merger with London South Bank University took place 31 January 2019 and all College's business, staff, assets and liabilities were transferred to South Bank Colleges. South Bank Colleges is a company limited by guarantee and subsidiary by virtue of control by London South Bank University. The College has prepared cash flow forecasts for a period of at least 1 year from the date of approval of these financial statements. After reviewing these forecasts in addition to current financing and restructuring grant arrangements and including the letter of support from the LSBU Group, the College is of the opinion that, taking account of severe but plausible downsides, including the anticipated impact of Covid-19, the College will have sufficient funds to meet its liabilities as they fall due over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

#### 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

---

<sup>1</sup> To refer to group if appropriate

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**

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 25, 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.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the Income and Expenditure account. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognized in the statement of total recognized gains and losses.

### **Short term Employment benefits**

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

### **Tangible Fixed Assets**

#### *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 27, 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, including goodwill. 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.
- *Local Government Pension Scheme*  
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the accounts  
Year ended 31 July 2020

	Consolidated		College	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<b>1. Tuition fees and education contracts</b>				
Adult education fees	1,334	772	1,334	772
Education contracts	1,512	1,002	1,512	1,002
	<b>2,846</b>	<b>1,774</b>	<b>2,846</b>	<b>1,774</b>
<b>2. Funding council grants</b>				
	Consolidated		College	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	10,707	7,509	10,707	7,509
Education and Skills Funding Agency – 16 -18	7,554	3,779	7,554	3,779
Education and Skills Funding Agency - apprenticeships	349	166	349	166
<b>Specific grants</b>				
Education Funding Agency - Bursary	557	931	557	931
Education Funding Agency - Other Grants	566	31	566	31
Releases of government capital grants	5,236	1,378	5,236	1,378
	<b>24,969</b>	<b>13,794</b>	<b>24,969</b>	<b>13,794</b>
<b>3. Research grants and contracts</b>				
	Consolidated		College	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
European Commission	-	17	-	17
<b>4. Other income</b>				
Residence and catering income	34	24	34	24
Other income	539	366	539	366
	<b>573</b>	<b>390</b>	<b>573</b>	<b>390</b>
<b>5. Interest Receivable</b>				
Interest receivable	8	2	8	2
	<b>8</b>	<b>2</b>	<b>8</b>	<b>2</b>
<b>6. Donations</b>				
Unrestricted donations	541	271	541	271

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

Notes to the accounts  
Year ended 31 July 2020

7. Staff

The average number of persons (including key management personnel) employees by the college during the year, described as full-time equivalents, was:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
Teaching staff	118	125
Non teaching staff	199	191
	<b>317</b>	<b>316</b>

	<b>Consolidated</b>		<b>College</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	13,320	5,230	12,791	5,230
Social security costs	1,172	572	1,127	572
Employers' pension contributions	1,713	1,113	1,706	1,113
<b>Payroll sub total</b>	<b>16,205</b>	<b>6,915</b>	<b>15,624</b>	<b>6,915</b>
Contracted out staffing services	1,312	899	1,312	899
	17,517	7,814	16,936	7,814
Fundamental restructuring costs contractual	151	51	151	51
	<b>17,668</b>	<b>7,865</b>	<b>17,087</b>	<b>7,865</b>

8. Remuneration of Board of Trustees 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 College Leadership Team which comprises the Executive Principal, Chief Financial Officer, Deputy Principal Curriculum and Quality, Assistant Principal Curriculum and Innovation, Assistant Principal Curriculum and Student Success and Head of MIS.

**Determining pay of senior staff**

The pay of the Executive Principal is set by the LSBU Remuneration Committee which meets annually in November to determine the remuneration of the LSBU 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 CEO who consults with the Chair of the SBC Board and the SBC lead Trustee for Remuneration. This process includes consideration of performance related areas and responsibilities at College and Group level which includes CEO of SBA MAT. All other SBC staff are engaged on main pay scale rates.

Severance payments for senior staff are determined by the Executive Principal and by the Group CEO in consultation with the SBC Chair.

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

	<b>2020</b>	<b>2019</b>
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 ranges was:

Notes to the accounts  
Year ended 31 July 2020

	Senior Staff		Other staff	
	2020 No.	2019 No.	2020 No.	2019 No.
£60,000 to £65,000	1	1	-	1
£65,001 to £70,000	-	2	-	-
£70,001 to £75,000	2	-	-	-
£80,001 to £85,000	1	1	-	1
£110,001 to £115,000	-	1	-	-
£115,001 to £120,000	1	1	-	-
£135,001 to £140,000	1	-	-	-
	<u>6</u>	<u>6</u>	<u>-</u>	<u>2</u>

FTE for key management staff is 6 (2019 4.9).

Key management personnel compensation is made up as follows:

	2020 £'000	2019 £'000
Salaries	536	221
Pension contributions	104	34
	<u>640</u>	<u>255</u>

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:

	2020 £'000	2019 £'000
Salary	121	59
Performance related pay award	14	-
Taxable benefits	-	-
Pension scheme contributions or payments in lieu of pension contributions	28	10
	<u>163</u>	<u>69</u>

The Accounting Officer draws no salary from the College.

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

	2020	2019
Executive Principal's basic salary as a multiple of the median of all staff	4.0	3.9
Executive Principal's total remuneration as a multiple of the median of all staff	4.5	4.6

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 2020

	Consolidated		College	
	2020	2019	2020	2019
9. Other operating expenses	£'000	£'000	£'000	£'000
Direct Teaching costs	3,048	3,494	3,048	3,494
Non teaching costs	4,333	2,670	4,331	2,670
Premises costs	2,112	945	2,695	945
	<b>9,493</b>	<b>7,109</b>	<b>10,074</b>	<b>7,109</b>

Direct teaching costs include the costs of services delivered to the College by Subcontractors and Partners of £2.3m (£3.1m:2019). 2019 operating costs have been reanalysed for comparative purposes; overall expenditure is unchanged.

Other operating expenses are stated after charging:

	Consolidated		College	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Auditors' remuneration				
<i>External audit</i> KPMG LLP	51	48	49	48
<i>other services</i> KPMG LLP	9		9	
<i>Internal audit</i> RSM		25		25
<i>Internal audit</i> BDO	9		9	
Rentals under operating leases: Plant and machinery	51	51	51	51
Notional rent charge matched by notional income for Brixton Campus	541	271	541	271

External audit fees, exclusive of irrecoverable VAT, was £40,680 for statutory audit and £9,000 for audit related assurance services. The figure shown in the note includes irrecoverable VAT at 20%

## 10. 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	
	2020	2019	2020	2019
11. Interest and other finance costs	£'000	£'000	£'000	£'000
Loans interest	-	(3)	-	(3)
Net charge on pension scheme	503	229	503	229
	<b>503</b>	<b>226</b>	<b>503</b>	<b>226</b>

Notes to the accounts  
Year ended 31 July 2020

**12. Tangible fixed assets (Consolidated)**

	Freehold land	Freehold buildings	Long leasehold land and buildings	Fixtures, fittings and equipment £'000	Assets in course of construction £'000	Fixed assets total £'000
<b>Cost or valuation</b>						
At August 2019	24,600	41,125	2,458	1,158	2,946	72,287
Additions				38	2,026	2,064
Disposal						-
Transfer						-
At 31 July 2020	24,600	41,125	2,458	1,196	4,972	74,351
<b>Depreciation</b>						
At August 2019	-	(692)	(25)	(284)	-	(1,001)
Charge for the year		(831)	(50)	(392)		(1,273)
Disposals						-
At 31 July 2020	-	(1,523)	(75)	(676)	-	(2,274)
<b>Net book value</b>						
At 31 July 2020	24,600	39,602	2,383	520	4,972	72,077
At 31 July 2019	24,600	40,433	2,433	874	2,946	71,286

**Tangible fixed assets (College)**

	Freehold land	Freehold buildings	Long leasehold land and buildings	Fixtures, fittings and equipment £'000	Assets in course of construction £'000	Fixed assets total £'000
<b>Cost or valuation</b>						
At August 2019	24,600	41,125	2,458	1,158	2,946	72,287
Additions				38	2,026	2,064
Transfer						-
At 31 July 2020	24,600	41,125	2,458	1,196	4,972	74,351
<b>Depreciation</b>						
At August 2019	-	(692)	(25)	(284)	-	(1,001)
Charge for the year		(831)	(50)	(392)		(1,273)
Disposals						-
At 31 July 2020	-	(1,523)	(75)	(676)	-	(2,274)
<b>Net book value</b>						
At 31 July 2020	24,600	39,602	2,383	520	4,972	72,077
At 31 July 2019	24,600	40,433	2,433	874	2,946	71,286

Notes to the accounts  
Year ended 31 July 2020

**13. Debtors: amounts falling due within one year**

	Consolidated		College	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade debtors	564	944	564	944
Amounts owed by group undertakings	-	-	-	16
Other debtors	50	-	50	-
Prepayments and accrued income	903	11	903	11
	<b>1,517</b>	<b>955</b>	<b>1,517</b>	<b>971</b>

**14. Creditors: amounts falling due within one year**

	Consolidated		College	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	910	1	910	1
Other creditors	91	145	91	145
Social security and other taxation payable	527	498	514	514
Accruals and deferred income	6,233	2,198	6,231	2,198
Deferred income - government capital grants	310	314	310	314
Deferred grant	4,604	4,926	4,604	4,926
	<b>12,675</b>	<b>8,082</b>	<b>12,660</b>	<b>8,098</b>

**15. Creditors: amounts falling due after more than one year**

	Consolidated		College	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Other creditors	-	2,576	-	2,576
Deferred income - government capital grants	8,226	8,532	8,226	8,532
Deferred grant	3,016	7,620	3,016	7,620
Amounts owed to group undertakings (LSBU Creditor)	13,206	8,875	13,223	8,875
	<b>24,448</b>	<b>27,603</b>	<b>24,465</b>	<b>27,603</b>

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

	Consolidated		College	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Government capital grants	8,536	8,846	8,536	8,846

Notes to the accounts  
Year ended 31 July 2020

**16. Provisions for liabilities: Consolidated and College**

	<b>Defined benefit obligation £'000</b>	<b>Enhanced pension £'000</b>	<b>Total £'000</b>
Balance at 1 August 2019	19,620	2,065	21,685
Expenditure in the period			-
Charged to comprehensive income and expenditure	7,339	(235)	7,104
Balance at 31 July 2020	<b>26,959</b>	<b>1,830</b>	<b>28,789</b>

Defined benefit obligations relate to the liabilities under the college's membership of the Local Government Pension Scheme. Further details are given in note 23.

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 for Colleges.

The enhanced pension provision relates to the cost of staff who retired from Lambeth College Corporation with enhanced pension provisions between 1995/96 and 2006/7. The value of the provision is calculated in accordance with guidelines issued by the Association for Colleges.

**17. Cash and cash equivalents**

	<b>at 1 August 2019 £'000</b>	<b>Cashflows £'000</b>	<b>at 31 July 2020 £'000</b>
<b>Consolidated</b>			
Cash at bank and on deposit	1,381	1,116	2,497

**18. Capital commitments**

Provision has not been made for the following capital commitments as at 31 July 2020

	<b>Consolidated and College</b>	
	<b>2020 £'000</b>	<b>2019 £'000</b>
Commitments contracted at 31 July	20,860	765

**19. Contingent liabilities**

Funds amounting to £4.4m 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 governing body 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 provision is necessary in respect of this claim.

Notes to the accounts  
Year ended 31 July 2020

**20. Lease obligations**

At 31 July 2020 the College was committed to making the following future minimum lease payments in respect of operating leases on IT equipment

	<b>Consolidated and College</b>	
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Expiring within one year	16	77
Expiring within two and five years	-	41
Expiring in over five years	-	-
	<u>16</u>	<u>118</u>

**21. Amounts disbursed as agents**

	<b>Consolidated</b>		<b>College</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Learner support funds</b>				
Balance at 1 August	-	-	-	-
Acquired at 1 February 2019	-	305	-	305
24+ bursary	1,129	231	1,129	231
Disbursed to students	(1,067)	(516)	(1,067)	(516)
Administration costs		(20)		(20)
Balance unspent as at 31 July, included in creditors	<u>62</u>	<u>-</u>	<u>62</u>	<u>-</u>

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

**22. Cash and cash equivalents - analysis of changes in net debt**

	<b>at 1 August</b>	<b>Cashflows</b>	<b>Other non-</b>	<b>at 31 July</b>
	<b>2019</b>		<b>cash changes</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and on deposit	1,381	1,116	-	2,497
	<u>1,381</u>	<u>1,116</u>	<u>-</u>	<u>2,497</u>
	<u>1,381</u>	<u>1,116</u>	<u>-</u>	<u>2,497</u>

## Notes to the accounts

### Year ended 31 July 2020

#### 23. 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)

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.

<b>Total pension cost for the year</b>	<b>2020</b>		<b>2019</b>
	<b>£'000</b>		<b>£'000</b>
Teachers Pension Scheme: contributions paid		1,141	395
Local Government Pension Scheme:			
Contributions paid	(745)		(436)
FRS 102 (28) charge	<u>2,599</u>		<u>1,154</u>
Charge to the Statement of Comprehensive Income		1,854	718
Enhanced pension charge to Statement of Comprehensive Income		235	
Defined Contribution Scheme		7	
<b>Total Pension Cost</b>		<u><u>3,237</u></u>	<u><u>1,113</u></u>

#### Teachers' Pension Scheme

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

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above 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 rates.

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

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

## Notes to the accounts

### Year ended 31 July 2020

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

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

The pension costs paid to TPS in the period amounted to £395,011.

#### 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 2020 was £819,598 (2019: £388,153), of which employer's contributions totalled £564,902 (2019: £256,657) and employees' contributions totalled £254,697 (2019: £131,526). The agreed contribution rates for future years are 13.5% (2018:22.27 %) 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 2020 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 the actuary, we expect the impact of this change in approach to be a c. £3m increase in the DBO as the CPI assumption is now 0.2% higher than it would have been under the previous methodology.

Following a pension assumption review process we have updated the discount rate assumption to 1.5% compared with 1.35% that would be consistent with the approach taken in the previous years. Based on the sensitivity information provided by the actuary, we expect the impact of this change in approach to be a £2m decrease in the DBO as the assumption is now 0.15% lower than it would have been under the previous methodology.

	<b>Year ended 31 July 2020</b>	<b>Year ended 31 July 2019</b>
Rate of increase in salaries	3.00%	3.90%
Future pensions increases	2.25%	2.40%
Discount rate for scheme liabilities	1.50%	2.10%

Notes to the accounts  
Year ended 31 July 2020

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

		<b>Year ended 31 July 2020</b>	<b>Year ended 31 July 2019</b>
		<b>Years</b>	<b>Years</b>
<i>Retiring today</i>	Males	21.20	20.30
	Females	23.70	23.10
<i>Retiring in 20 years</i>	Males	22.60	22.10
	Females	25.20	25.00

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

	<b>%</b>	<b>Fair Value at 31 July 2020</b>	<b>%</b>	<b>Fair Value at 31 July 2019</b>
		<b>£'000</b>		<b>£'000</b>
Equities	54%	23,549	54%	24,033
Target return portfolio	23%	10,385	24%	11,202
Infrastructure	7%	3,018	7%	2,528
Property	9%	4,041	9%	4,018
Cash	7%	2,962	6%	2,327
<b>Total market value of assets</b>	<b>100%</b>	<b><u><u>43,955</u></u></b>	<b>100%</b>	<b><u><u>44,108</u></u></b>

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

	<b>31 July 2020</b>	<b>31 July 2019</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	43,955	44,108
Present value of plan liabilities	(70,453)	(63,263)
Present value of unfunded liabilities	(461)	(465)
<b>Net pensions (liability)/asset (Note 16)</b>	<b><u><u>(26,959)</u></u></b>	<b><u><u>(19,620)</u></u></b>

Notes to the accounts  
Year ended 31 July 2020

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

	31 July 2020 £'000	31 July 2019 £'000
<b>Amounts included in staff costs</b>		
Current service cost	1,394	704
Past service cost	-	44
	<u>1,394</u>	<u>748</u>
<b>Amounts included in investments income</b>		
Net interest income on the defined liability	<u>460</u>	<u>237</u>
<b>Amounts recognised in other comprehensive income</b>		
Return on pension plan assets	(121)	3,581
Experience losses arising on defined benefit obligations	334	114
Changes in assumptions underlying the present value of plan liabilities	(5,604)	(6,783)
Changes in demographic assumptions	(389)	3,083
Other actuarial gains/(losses) on assets	(450)	-
	<u>(6,230)</u>	<u>(5)</u>

**Movement in net defined benefit (liability)/asset during the year**

	31 July 2020 £'000	31 July 2019 £'000
Surplus/(deficit) in scheme at 1 August	(19,620)	-
Acquisition of LCC assets and liabilities at 31 January 2019	-	(19,040)
Movement in year:		
Current service cost	(1,394)	(704)
Employer contributions	745	436
Past service cost	-	(44)
Unfunded pension payments	31	12
Net interest on the defined (liability)/asset	(460)	(263)
Actuarial gain or loss	(6,230)	(5)
Settlement and curtailments	(31)	(12)
<b>Net defined benefit (liability)/asset at 31 July</b>	<u>(26,959)</u>	<u>(19,620)</u>

**Asset and Liability Reconciliation**

	31 July 2020 £'000	31 July 2019 £'000
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	63,728	59,282
Current Service cost	1,394	704
Interest cost	1,325	768
Contributions by Scheme participants	254	139
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	5,604	6,783
Change in demographic assumptions	389	(3,083)
Experience loss/(gains) on defined benefit obligations	(334)	(114)
Estimated benefits paid	(1,415)	(783)
Past Service cost including curtailments	-	44
Unfunded pension payments	(31)	(12)
	<u>70,914</u>	<u>63,728</u>
<b>Defined benefit obligations at end of period</b>		

Notes to the accounts  
Year ended 31 July 2020

**Reconciliation of Assets**

<b>Fair value of plan assets at start of period</b>	44,108	40,242
Interest on plan assets	922	531
Return on plan assets	(121)	3,581
Other actuarial gains/(losses)	(450)	-
Employer contributions	745	436
Contributions by Scheme participants	254	139
Estimated benefits paid	(1,446)	(795)
Administration expenses	(57)	(26)
<b>Assets at end of period</b>	<b>43,955</b>	<b>44,108</b>

<b>Sensitivity analysis</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	69,530	70,914	72,327
Projected service cost	1,769	1,827	1,887
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	70,991	70,914	70,838
Projected service cost	1,828	1,827	1,826
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	72,239	70,914	69,615
Projected service cost	1,886	1,827	1,770
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present value of total obligation	73,289	70,914	68,616
Projected service cost	1,888	1,827	1,768

**National Employment Savings Trust (NEST)**

The College provides a defined contribution scheme through NEST for employees of SW4, a subsidiary of South Bank Colleges. At 31 July 2020 there were 13 staff in the scheme. Employer contribution to the NEST scheme for the year ending 31 July 2020 was £7,448 and employer contributions were 3%. Pension contributions payable at 31 July 2020 were £1,211 (2019:£1,502).

## Notes to the accounts

### Year ended 31 July 2020

#### **23. Related party transactions**

Owing to the nature of the College's operations and the composition of the board of governors 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 governors 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, three Trustees were also Trustees of London South Bank University, of which South Bank Colleges is a subsidiary. The total expenses paid to or on behalf of the Governors during the period was £nil. No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year. Purchase transactions in commercial terms for the period amounted to £94,000 and there was a £13,206k outstanding at period end as shown as amount owed to group undertakings in note 15. During the period the College borrowed £3.95m from LSBU, part of a £13.75m funding grant received from the ESFA.

SW4 Catering Limited, a subsidiary of SBC, purchase transactions amounted to £nil.