



# **Report and Financial Statements**

**For the year ended 31 July 2023**

**CONTENTS**

OPERATING AND FINANCIAL REVIEW .....	2
STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL .....	15
THE STATEMENT ON THE COLLEGE’S REGULARITY, PROPRIETY AND COMPLIANCE .....	22
STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION .....	23
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THE CORPORATION OF NEW CITY COLLEGE.....	24
REPORTING ACCOUNTANT’S ASSURANCE REPORT ON REGULARITY.....	28
CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME .....	30
CONSOLIDATED AND COLLEGE STATEMENTS OF CHANGES IN RESERVES.....	31
CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2023.....	32
CONSOLIDATED STATEMENT OF CASH FLOWS .....	33
NOTES TO THE FINANCIAL STATEMENTS.....	34

**OPERATING AND FINANCIAL REVIEW****Nature, Objectives and Strategies**

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

**Legal status**

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting New City College (formerly Tower Hamlets College). The College is an exempt charity for the purposes of the Charities Act 2011.

The College was incorporated as Tower Hamlets College on 1 January 1993. Following merger with Hackney Community College on 1 August 2016 and prior to merger with Redbridge College on 1 April 2017, the Corporation applied to the Department for Education for approval to change its name to New City College, to reflect the broader range of its activities in East London. This change of name was approved with effect from 1 February 2017. Epping Forest College merged with New City College on the 1 August 2018 and the two Havering Colleges (Havering College of Further & Higher Education and Havering Sixth Form College) merged with New City College on the 1 August 2019.

**Public Benefit**

The College is an exempt charity under the Part 3 of the Charities Act 2011 and, is regulated by the Secretary of State for Education as Principal Regulator for all Further Education Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on pages 16 to 17.

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

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

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent progression opportunities for students
- Strong student support systems
- Links with employers, industry and commerce.

**Strategic Direction**

The Corporation confirmed the Strategic Intent for the period 2020 - 2025 in February 2020, with Proposals for a dynamic, successful and innovative college to deliver the public benefit and the vision:

**New City College exists to give our students a better future.**

To achieve this vision the College will:

- Use the scale and strength of our group to drive educational excellence and innovation.
- Continue to improve student outcomes and achievement. We will inspire and support every student, whatever their background, to maximise their potential within an environment of challenging targets.

## OPERATING AND FINANCIAL REVIEW (continued)

## Strategic Direction (continued)

- Support our staff to develop their skills and talents and look after their wellbeing.
- Make a positive impact on our local communities and the local economy by meeting the unique needs of all the areas in which we work, within a group structure.
- Have an influential position locally and nationally. Education must enhance the progression, employment and life chances of those who study with us. This is our overarching purpose and intent.

The College has set the following strategic priorities:

- We will create an evidence led, practical approach to developing group wide teaching and learning.
- We will design and implement innovative and efficient approaches to business improvement that empower staff.
- We will implement an estates strategy that delivers sector leading buildings and facilities.
- We will prioritise staff workload, wellness and sustainability as key themes of our strategic intent implementation.
- Any future expansion will be within our clear east London and south Essex footprint and bring demonstrable benefits to students and the organisation.

By 2025 New City College will be:

- An outstanding and innovative college serving its local communities.
- Focused on benefits to students including their achievement, safety, wellbeing and aspiration.
- Respected locally and influential nationally.
- Recognised as a community asset.
- Financially stable and environmentally sustainable.
- Recognised by our staff as a fair, equal and supportive employer.

## Performance indicators

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates.

The following paragraphs set out the performance against these measures and indicators.

## Student achievement

Over the last five years, overall the New City College achievement rates have improved steadily, sustaining outcomes through multiple mergers:

New City College Achievement	%
2018/19	87.6
2019/20	86.5
2020/21	87.6
2021/22	87.0
2022/23	87.3

**OPERATING AND FINANCIAL REVIEW (continued)****Ofsted Inspection**

Prior to merger, five of the legacy colleges were graded as 'Good' providers at their most recent Ofsted inspections. Tower Hamlets was inspected in December 2013, Hackney and Redbridge were inspected in September 2015 and December 2015 respectively. Both Havering Colleges were inspected in 2018. Only Epping Forest College received a grade 4, in November 2016, and a grade 3 in February 2018 prior to merger.

An Ofsted monitoring visit in June 2019 confirmed significant progress in the governance and leadership of the merger process.

The College delivered more than 43,018 qualifications in 2022/23. A full inspection took place in late November and early December 2021. The College was awarded Good for Overall Effectiveness with Good for each subsidiary grade. The report concluded:

*Learners and apprentices thrive in the supportive and friendly environment created by staff. As a result of what they have been taught by teachers, most learners and apprentices know more and can do more. They develop new knowledge, skills and behaviours that prepare them well for their futures.*

New City College continues to be a good college as judged by the Ofsted inspection of November 2021. Leaders and managers have sustained the quality of provision and achievement outcomes despite a national picture of falling rates due to the ongoing impact of the pandemic. The approach of more generous grading for GCSEs means that students continue to enter their college study without having the expected knowledge, behaviours and skills they need to be successful at higher levels. In addition, students completing 2 year programmes this year, who will have entered into study in 2021, will have had no previous experience of external examination and had over inflated teacher assessed grades. Nationally, average achievement rates have dropped by over 3 percentage points as the impact of the pandemic plays through.

The College's matrix approach to management has driven improvement at all campuses and continues to raise standards and expectations across the group, despite this challenging context. Strong leadership of the quality of provision has ensured that students at New City College achieve significantly better than their peers in similar colleges nationally. Most aspects of the College's provision are now assessed as good or outstanding, except for achievement for provision within the Construction and Engineering Directorate which continues to require improvement.

**Funding**

The College's performance against its key funding targets for the year in respect of activity in the year was:

- The College achieved 98% of its 16-18 learner number target. It achieved 100% of its 16-18 Responsive Funding target.
- The College achieved 99.39% of its ESFA Adult Education Budget, 198.16% of its Free Course for Jobs Fund for classroom activity, 104.29% of its GLA Adult Education Budget and 86.46% of its Free Course for Jobs Fund provision.
- The College delivered £1,960,000 of Apprenticeship income for the year.



## OPERATING AND FINANCIAL REVIEW (continued)

## Student numbers

In 2022/23 the College has delivered activity that has produced funding against the Education and Skills Funding Agency (ESFA) and Greater London Authority (GLA) main allocations amounting to £84,593,000 (2021/22: £82,571,000), including Additional Learning Support.

The College had approximately 20,750 (2021/22: 19,500) learners funded by the ESFA or the Greater London Authority and 2,000 (2021/22: 1,300) learners funded from other sources. There were 730 apprentices in the year compared to 760 in 2021/22.

## Performance against target

Members approve annual budgets for the College in July and target the Executive to deliver financial outcomes measured at Operating level. This is defined as the surplus on ordinary activities before FRS adjustments for pensions and holiday accruals and also before other exceptional costs such as those relating to merger and restructure.

	Income	Operating surplus
Corporation approved budget (July 2022)	£107.8m	Breakeven
Actual	£109.1m	£469k

Members set a breakeven position for 2022/23 which included a pay award of 3%.

The College is reporting an operating surplus of £469,000 (2021/22: £630,000 deficit) for the year ending 2022/23. Income was £1.3m higher than target.

While the College performed well against income targets, it did not achieve its funded learner number target for young people as competition in most local markets remained strong. The College continues to differentiate its offer and strengthen its digital based marketing to counter the ever-growing offer from local schools.

The acquisition of the Oxford School of Education on 31 August 2022 was net beneficial to the College's outturn. The College's language schools provide c£4m income at a 10% operating margin.

Apprenticeship and HE income were both lower than the budgeted target. Apprenticeship income was held back by delays in securing end point assessments for completing candidates. Higher education income through traditional Further Education based provision operates in a highly competitive environment. This will be addressed in the current year through a new strategic approach with our Higher Education partner, Bath Spa University.

The College led on the strategically significant Local Skills Improvement Fund for central London. This multi-partner project focused on capital investment in green technologies and upskilling staff to deliver appropriate courses for this developing market.

Provision for students with special education needs performed well and above target. The College is one of the largest providers of post 16 SEND provision in the UK.

Costs were well controlled during the year. Margin improvement resulted from a focus on efficiency, class sizes and close budget monitoring.

The College's operating surplus is recorded after a depreciation charge of £9.6m (2022: £8.8m) and a release of capital grant funding of £2.8m (2022: £2.8m)

## OPERATING AND FINANCIAL REVIEW (continued)

**Reconciliation to reported deficit/surplus**

In common with all further education sector Colleges, statutory reporting requirements (page 30) are prescriptive in their inclusion of non-cash pension adjustments that arise from the College's LGPS liabilities. Pension commitments are a significant sector issue and a topic for further debate. As a result, inter-alia, of a change to the discount rate applied to future pension liabilities, the College does not carry a pension liability on the balance sheet at 31 July 2023. A reconciliation statement is set out below:

	£000s
(Deficit)/Surplus before other gains and losses per Statement of Comprehensive Income:	(4,762)
Operating surplus	469
Difference	<b>(5,231)</b>
Of which:	
Non-cash items	
FRS 102 pension costs adjustment	3,739
Pension interest costs adjustment	927
Holiday pay accrual adjustment	(196)
Cash items	
Oxford School of English Language Limited Investment Costs	75
Restructure costs	686
	<b>5,231</b>

**Financial Objectives**

The College's long-term financial objectives were approved as:

- Financial health to remain as good to outstanding;
- Surpluses generated to allow the College to meet its capital investment requirements.

During the year, the focus was on the following performance indicators:

KPI	At 31 July 2023
Operating result before exceptional costs including FRS102 at breakeven or better.	Favourable variance – a surplus of £469k (Page 5 Financial Results)
Borrowing as % of Income	0.0% - No borrowings at year end
EBITDA Ratio shall not be less than 6% (Good Financial Health) / 8% (Outstanding)	6.5%
Proportion of funding that comes from core funding from the ESFA/GLA, including apprenticeship income, which will be as per the budget, 82%.	ESFA/GLA income 81%
a) Proportion of staff costs to total income, which will be as per the budget at 71% excluding subcontracted income.	68%
b) Proportion of staff costs and staff adjusted for agency and similar costs and subcontracting costs to total income, which will be as per the budget at 71% excluding subcontracted income.	65%
Adjusted Current ratio (current assets as a proportion of current liabilities) which per the budget for the end of the year will be 1.44:1.	1.12:1
Cash days in hand, based on the budget profile of 59 days.	54 days

## OPERATING AND FINANCIAL REVIEW (continued)

The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The current rating is Good.

The reasons for the variances have been reviewed and the Corporation is satisfied with the College's overall performance against the objectives.

## Financial results

The financial results are set out in the Consolidated Statements of Comprehensive Income. In summary, these were:

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Operating surplus/(deficit) before restructuring costs, investment costs and adjustments for FRS 102 Pension Costs	469	(630)
Holiday pay accruals adjustment	196	(238)
Restructuring costs	(686)	(560)
Profit on disposal of fixed assets	1,272	1,009
Investment Costs	(75)	-
Gain/(Loss) before adjustments for FRS 102 Pension Costs	1,176	(419)
Adjustments for FRS 102 Pension Costs (including actuarial gain)	25,997	78,298
Release of endowment income spent in year	(77)	(7)
(Loss)/Gain on investments	-	(12)
Surplus per Statement of Comprehensive Income	27,096	77,860

The surplus for the year added to reserves is £27,096,000 (2021/22: a surplus of £77,860,000).

At 31 July 2023, the Group has accumulated reserves and cash and short-term investment balances of £161,706,000 and £14,179,000 (2021/22: £134,610,000 and £14,286,000 respectively).

The College has one subsidiary company:

- Oxford School of English Language Limited purchases on 31 August 2022. In the current year, the company made a surplus of £82,778 (2021/22: £NIL)

During the year, the company directors of the following companies took the decision to cease trading on 28 February 2023.

- OKN1 Limited (formerly, The Trading Company (Hackney) Limited). In the current year, the company made a deficit of £55,315 (2021/22: a deficit of £104,835).
- New City Fitness Limited (formerly, Shoreditch Community Sports Centre Limited. In the current year, the company made a deficit of £20,154 (2021/22: a deficit of £90,138).

Tangible fixed asset additions during the year amounted to £18,854,000. This was split between land and buildings improvements of £2,874,000, equipment and fixtures and fitting of £8,506,000 and purchases relating to assets in the course of construction of £7,474,000.

The College's net current assets show a negative year end position of £2,705,000. This includes non-cash creditors totalling £4,722,000 (Deferred capital grants £2,750,000 and the holiday pay accruals £1,972,000). Excluding these items, the positive net current asset position totals £2,015,000.

The College has significant reliance on the ESFA and GLA for its principal funding source, largely from recurrent grants. In 2022/23 these bodies provided 81% (2021/22: 83%) of the College's total income.



## OPERATING AND FINANCIAL REVIEW (continued)

## Treasury policies and objectives

Treasury management of the College's cash flows, its banking and money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks are managed by the Deputy CEO and the Group Finance Director. Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

## Liquidity

The College had no borrowing as at 31 July 2023, with cash balances of £14,179,000 and no debt (2021/22: £14,286,000 cash balances and no debt). There was a net cash outflow of £107,000 (2021/22 inflow of £70,000), which includes a net spend on fixed asset additions, after accounting for receipt of deferred capital grants (£6,445,000), totalling £12,409,000.

The College did have a £10,000,000, 5-year Revolving Credit Facility in place from 18 October 2022 with Santander UK Plc. There was one drawdown of funds during the year of £2,000,000 on 28 November 2022.

In response to the changes for borrowing approval, resulting from the Office for National Statistics decision to reclassify Further Education Colleges back into the public sector, the College repaid the £2,000,000 drawdown on 30 June 2023 and the full Revolving Credit Facility of £10,000,000 was cancelled.

## 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. In the interests of operational efficiency, it is the College's practice to pay suppliers invoices by SACS transmission twice per month. The College incurred no interest charges in respect of late payment for this period.

## Streamlined Energy and Carbon Reporting

The College's greenhouse gas emissions and energy use for the period of 1 August 2022 to 31 July 2023 are set out below:

<b>UK Greenhouse gas emissions and energy use data for the period</b>	<b>2022/23</b>	<b>2021/22</b>
Energy consumption used to calculate emissions (kWh)	17,948,487	18,663,360
<u>Scope 1 emissions in metric tonnes CO<sub>2</sub>e</u>		
Gas consumption	1,986	2,084
Owned transport	28	19
F Gas	<u>1.6</u>	<u>0.6</u>
Total	2,016	2,105
<u>Scope 2 emissions in metric tonnes CO<sub>2</sub>e</u>		
Purchased electricity	1,469	1,530
<u>Scope 3 emissions in metric tonnes CO<sub>2</sub>e*</u>	13,053	390
<b>Total gross emissions in metric tonnes CO<sub>2</sub>e</b>	<b>16,538</b>	<b>4,095</b>
<u>Intensity ratio</u>		
Metric tonnes CO <sub>2</sub> e per member of staff	13.00	3.04

**OPERATING AND FINANCIAL REVIEW (continued)**

\*To note, the Scope 3 emissions reported in 2022/23 are not comparable with the data reported in 2021/22, and as a result neither are the total emissions or intensity ratios. Until 2021/22 New City College was only able to report on a limited number of Scope 3 emission sources, primarily waste, water and employee travel where travel costs were claimed from the College. In 2022/23 New City College is for the first time able to report on nearly the full scale of Scope 3 emissions through the use of a Scope 3 tool that translates non-payroll cost data into carbon emissions using agreed conversion rates. The 2022/23 Scope 3 data will be used as the baseline to report on emission reductions going forward.

**Qualification and reporting methodology**

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2023 UK Government’s Conversion Factors for Company Reporting.

**Intensity measurement**

The primary intensity measurement ratio is total gross emissions in metric tonnes CO<sub>2</sub>e per staff member (counted as FTE), the recommended ratio for the sector. We have also included a secondary intensity measurement ratio which captures total gross emissions in metric tonnes CO<sub>2</sub>e per student (counted as FTE).

**Measures taken to improve energy efficiency**

New City College seeks to improve energy efficiency in all campuses, in the year 2022/23 New City College have implemented the following:

- Improvements to windows in Arbour Square, contributing to building insulation
- Campus closure periods outside of term time
- Adjustments to BMS systems to reduce energy consumption
- Implementation of temperature protocol to standardise the approach to heating and cooling of campuses
- Continued transition to LED lighting

Further, we have improved our capability to measure and report on carbon emissions, now reporting on nearly 100% of emissions created by New City College.

**Current and Future Development and Performance****Curriculum Developments for 2022/23**

In 2022/23, the College supported nearly 23,500 students, comprising approximately: 9,000 16-19s completing study programmes, 13,750 adults and 730 apprentices.

New City College serves a diverse but geographically coherent urban area, from the edge of central London to the outer boroughs of north east London, and south Essex. The group’s catchment areas include areas of high deprivation as well as some of the most affluent areas in the country. The majority of the student body live in significantly deprived wards; approximately a third of the group’s adult cohort access benefits or income related support. A similar percentage of 16-19s completing study programmes are entitled to free meals.

As a result of the mergers, there have been significant changes across the campuses which form the group. However, the College remains clearly anchored in its shared commitment and ethos; of providing its students with opportunities through inspiring teaching, learning and assessment.

New City College continues to have a significant impact on the lives of the students it educates and the communities it serves.

**OPERATING AND FINANCIAL REVIEW (continued)**

New City College provides a broad-based curriculum offer across each of its main campuses and collectively the group delivers learning programmes across 14 of the 15 Subject Sector Areas (SSAs). The group has begun to refine its offer and has identified a number of curriculum hubs, such as for Construction, Sport and Catering, where it plans to channel future investment, to develop higher level and specialist learning programmes. The curriculum offer is reviewed annually through the business planning process, to ensure that the group is able to respond proactively to regional skills needs.

Outcomes that learners achieve as a result of the education they have received are predominantly good across the group, most provision types and Directorates. The College has demonstrated a strong trend of improvement, led by a focus on the quality of teaching and learning. Since the formation of New City College, overall achievement rates have risen and stabilised at significantly above 2021-22 national rates despite the impact of the pandemic on achievement nationally. In 2022-23 53% of outcomes had achievement rates of over 90%. These improvements over time demonstrate that the consistency of provision is improving across the group and reflect the positive impact of merger on student outcomes despite the college successively merging with weaker providers. Curriculum that is weaker or requires improvement is identified quickly through critical self-assessment, and quality improvement measures are implemented to rapidly improve provision in order not to disadvantage learners.

Retention has remained high at 91.6%, demonstrating the quality of the teaching learners receive and the effectiveness of the support mechanisms in place to ensure they continue to engage with their studies despite the lasting difficulties created by the pandemic and the cost of living crisis.

Achievement is at 87.3% and is above 2021-22 national rates for most types of provision. It is outstanding for ESOL, Basic Skills, Diploma and GCSE English and maths qualifications and in Science, Sport, Travel and Tourism, Hair and Beauty curriculum areas. Achievement for A' level has dipped by 1.6 pp and is now 1.8 pp below national rates, mainly due to a decline in retention in year 1. Achievement for all Levels are above 2021-22 national rates.

Achievement rates from particular cohorts have been targeted for improvement through the Equalities and Diversity group with some considerable success. Those of Asian heritage continue to achieve well against both their peers and national rates. Students from mixed white/black African and Caribbean backgrounds were targeted for support and proactive intervention this year and there has been a significant improvement in outcomes for these students, with both groups achieving at higher than national rates. While outcomes for these students did improve by 3.1%, achievement is still below national rates. Female students achieve slightly better than their male peers but this gap has narrowed over the past three years. The gap is now just 1.5 percentage points.

**Post balance sheet events**

There are no post balance sheet events.

**Resources**

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

*Tangible Resources*

Tangible resources include the principal College Campuses for:

- London Borough of Tower Hamlets, freehold sites at Poplar High Street and Arbour Square
- London Borough of Hackney a freehold site at Shoreditch
- London Borough of Redbridge, a freehold site at Chadwell Heath and a leasehold site in Ilford
- London Borough of Havering Borough, freehold sites at Rainham, Ardleigh Green and Wingletye Lane
- Epping, Essex, a freehold site at Loughton
- A freehold site in Bournemouth

**OPERATING AND FINANCIAL REVIEW (continued)***Financial*

As at 31 July 2023, the College had £161.7 million of net assets and no debt.

*People*

During the year ended 31 July 2023, the College employed 1,727 staff members, of whom 818 are teaching staff.

*Reputation*

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

**Principal Risks and Uncertainties**

The system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation, continues to be developed.

Based on the strategic intent, the College Senior Management Team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the College Senior Management Team also consider any risks which may arise as a result of a new area of work being undertaken by the College. The significant risks are reviewed by the Audit Committee at least twice a year at their meetings.

The operating environment is one of rapid change which is reflected in the nature of the principal risk factors that may affect the College, with or without merger or collaboration, and these are described below. This environment requires the Corporation, management and staff to be informed of the changes, aware of the opportunities and able to adapt. Not all the risk factors are within the College's control.

- The Executive adopted a framework to safely continue operations of the College balancing at all times the needs of our students and staff.
- The College has continued to provide education and training for the core services during lockdown for children of critical workers and vulnerable children/adults and reopened in June and July to support learners to achieve their outcomes. The College adopted successfully to an online learning model and delivering good student outcomes as reported in the student achievement and progression note on page 3.
- The College's financial regulations continued to be followed with no waivers required.
- All Executive and Governance operations continued to operate working within Government guidelines.
- The College plans and actions for the immediate, short term and longer term to ensure the going concern of the College were set, approved and continue to be monitored providing the necessary assurance to all stakeholders.

**Stakeholder Relationships**

In line with other colleges, New City College has many stakeholders. These include:

- Students;
- Funding Bodies, primarily the ESFA, GLA and OfS;
- Staff;
- Local employers;
- Local authorities;
- Government Offices and Local Enterprise Partnerships;
- The local community;
- Other Further Education institutions;
- Higher education institutions;
- Trade unions; and
- Professional bodies.

## OPERATING AND FINANCIAL REVIEW (continued)

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site and by meetings.

**Trade Union Facility Time Publication Requirements**

Facility Time is the provision of paid or unpaid time off from an employee's normal role to undertake TU duties and activities as a TU representative. There is a statutory entitlement to reasonable paid time off for undertaking union duties. There is no such entitlement to paid time off for undertaking activities. This agreement sets out the amount of time off that can be provided whilst recognizing fluctuations in use may occur depending on demands on time. Both employers and TU representatives have an important role to play in effectively and efficiently managing the use of facility time.

**Relevant Union Officials**

<i>Number of employees who were relevant union officials during the relevant period</i>	<i>Full time equivalent employee number</i>
24	12

**Percentage of time spent of facility time**

<i>Percentage of time</i>	<i>Number of employees</i>
0%	
1-50%	24
51-99%	
100%	

**Percentage of pay bill spent on facility time**

<i>Description</i>	<i>Figures</i>
Provide the total cost of facility time	£52,500
Provide the total pay bill	£71,768,000
Provide the percentage of the total pay bill spent on facility time, calculated as; (total cost of facility time ÷ total pay bill) x100	0.1%

**Paid Trade Union activities**

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	2.77%
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**OPERATING AND FINANCIAL REVIEW (continued)****Equal opportunities and employment of disabled persons**

New City College is committed to providing a high-quality educational experience and to promoting, maintaining and supporting equality and diversity in all aspects of its work.

The College will actively seek to ensure that students and staff experience equality of opportunity and are free from harassment, discrimination or victimisation of any kind, regardless of age, sex (gender), disability, learning difficulty, sexual orientation, gender reassignment and gender recognition, religious or political belief, race, ethnicity, nationality, national origins, family or marital status, social isolation, social status and deprivation, homelessness, unemployment, asylum and refugee status or membership of a trade union, or for any other identifiable cause protected by law.

**Disability statement**

The College seeks to achieve the objectives set down in the Equality Act 2010 and associated legislation. This has been summarised in the College's Single Equality Scheme, published on the College website, and includes the following:

- The College has a Group Curriculum Director for SEND and ALS who provides information, advice and arranges support where necessary for students with disabilities;
- There is a list of specialist equipment, which the College can make available for use by students, held by the IT department, learning technologies team and the additional learning support team. There is also a range of assistive technology equipment/resources available in the library learning centres at each main site;
- The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy;
- The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;
- Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format;
- Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

**Disclosure of information to auditor**

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

**Approved by order of the members of the Corporation on 14 December 2023 and signed on its behalf by:**



**Rob Hull**  
Chair

**Professional advisers****Financial statements and****Regularity auditor:**

Buzzacott LLP  
130 Wood Street  
London  
EC2V 6DL

**Bankers:**

Barclays Bank  
1 Churchill Place  
London  
E14 5HP

National Westminster Bank  
Ground Floor  
Gredley House  
1 -11 Broadway  
London  
E15 4BQ

Santander Corporate Banking  
3rd Floor, Santander House  
100 Ludgate Hill  
London  
EC4M 7NJ

**Internal auditor:**

TIAA Ltd  
Artillery House  
Fort Fareham  
Newgate Lane  
Fareham  
Hants PO14 1AH

**Solicitors:**

Bates Wells Braithwaite  
10 Queen Street Place  
London  
EC4R 1BE

Evershed Sutherland LLP  
1 Wood Street  
London  
EC2V 7WS

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2022 to the date of signing the financial statements.

The College 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
- having due regard to the English College's Code of Good Governance (the Code), as adopted by the College in 2015.

The College is committed to exhibiting best practice in all aspects of corporate governance and does so by self-assessing its Board on an annual basis, against best governance practice and the Code. In the opinion of the members of the Corporation, the College complies with the Code for the year 31 July 2023. The members of the Corporation recognise that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

**The Corporation**

The Chair of the Corporation for the academic year 2022/23 was Rob Hull and the Vice Chair was Marilyn Hawkins.

The members who served on the Corporation during the year and up to the date of signature of this report were as listed in Table 1.

**Table 1: Governors serving on the College Board during 2022/23**

Name	Date of appointment	Term of office	Date of resignation/ End of Office	Status of appointment	Committees served
Rob Hull	Jan-19	4 years	Reappointed November 2022	Chair of Governors	Search, Property, F&GP, Remuneration
Vivien Bailey	Oct-14	4 years	Term ended October 2022	Independent	CQ&S
Claire Baker	Nov-22	4 Years		Staff	CQ&S
Sarah Bennett	Jul-21	4 years		Independent	F&GP
Stephen Critoph	Aug-19	4 years	Reappointed July 2023	Independent	F&GP to Jul 23, Audit from Aug 23, Remuneration

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)

Table 1: Governors serving on the College Board during 2022/23 (Continued)

Name	Date of appointment	Term of office	Date of resignation/ End of Office	Status of appointment	Committees served
Nazia Faiz	Apr 22	4 years		Independent	Audit
Ruth Gilbert	Apr-23	4 years		Independent	CQ&S
Cynthia Griffin	Jan-19	4 years	Reappointed November 2022	Independent	CQ&S, Audit, Property
Marilyn Hawkins	Aug-18	4 years	Reappointed July 2022	Independent	Search, CQ&S, Remuneration
Steve Hedges	Dec-14	4 years	Reappointed December 18/Term Ended December 2022	Staff	CQ&S
Brijesh Patel	Nov-22	4 years		Independent	CQ&S, F&GP
Philida Schellekens	Oct-23	4 Years		Independent	CQ&S
Richard Smith Morgan	Nov-22	4 Years		Independent	Audit, Property
Dean Stanford	Nov-22	4 years		Staff	Property
Sue Williams	Jul-21	4 years		Independent	CQ&S
Neil Yeomans	Jan-19	4 years	Reappointed November 2022	Independent	Audit to Jul 23, Search, Remuneration. F&GP from Aug 23
Gerry McDonald	Apr-13	Ex-officio		CEO	F&GP, Search, CQ&S, Property
Labib Aminullah	Mar-21	2 years	Term ended July 23	Student	CQ&S
Lily Sims	Mar-21	2 years	Resigned October 2022	Student	CQ&S

Governors can serve a maximum of 2 terms of 4 years each, or up to 8 years, unless there are exceptional circumstances.

The non-governors who were co-opted to serve on Committees during the year were:

Name	Committees Served
Thana Nathan	Audit
Neal Hunt	Property
Cormac MacCrann	Property

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (Continued)**

Overall attendance (at Corporation and Committee meetings) was 87%. The Director of Governance as at 31 July 2023 was Elsa Wright, who joined the College in January 2020. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation meets five times per year.

The Corporation conducts its business through the Corporation Board and its Committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Finance and General Purposes, Remuneration, Search & Governance, Curriculum Quality & Students, Audit and Property.

Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Director of Governance at:

*New City College  
112 Poplar High Street  
Poplar  
London  
E14 0AF*

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

Members of the Corporation are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Director of Governance, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Director of Governance are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings via an electronic Board Portal App. Briefings are provided on an ad-hoc basis and members of the Corporation receive a fortnightly newsletter on sector and College matters. All members are required to complete regular training with completion reported to the Search & Governance committee and a full programme is offered which includes in house courses, ETF training modules and face to face training. All Board members undertake safeguarding training every two years and are able to access online refresher training at any point in the year. Members attend regional sessions for Chairs, Committee Chairs and Members as well as further education governance briefing runs by providers such as ETF and RSM. The Director of Governance attended regional and national governance training (online) in 2022/23 including sessions run by the AOC, ETF, Eversheds and Stone King. Training within the College including sessions with the regional Prevent coordinator for London, and on E safety, safeguarding and equality and diversity. An external review of governance is due to be undertaken in 2023/24.

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

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Chief Executive Officer (CEO) of the College are separate.



**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)****Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee, consisting of four members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

The Corporation has determined that the maximum number of consecutive terms for which a member may hold office is two terms of 4 years. The Search & Governance Committee provides an Annual Report on its work, which is available from the Director of Governance and is published on the College website.

**Audit Committee**

The Audit Committee comprises of four members, including co-optees (a majority of which must be members of the Corporation) and excludes the CEO, Chair and staff members. The Committee operates in accordance with written terms of reference approved by the Corporation and in accordance with the Post 16 Audit Code of Practice.

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

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

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

<b>Committee member</b>	<b>Meetings attended</b>
Neil Yeomans	4
Cynthia Griffin	0 from 1
Nazia Faiz	4
Thana Nathan	4
Richard Smith Morgan	2 from 3

**Finance & General Purposes committee (F&GP)**

The F&GP Committee normally comprises of six members. It operates in accordance with written terms of reference approved by the Corporation, advising on appropriate financial policies and procedures subject at all times to the requirements of the Financial Memorandum between the Corporation and the Education and Skills Funding Agency and the Articles of Government.

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

Meeting four times a year, the Committee oversees the financial affairs of the Corporation, monitors staffing issues and considers and advises the Corporation on matters relating to estates and buildings, health and safety, along with determining such other matters that may be delegated to it.

**Remuneration committee**

The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Accounting Officer and other senior post-holders. The Committee met three times during the year and among its work, approved the SPH Remuneration Code. An Annual Report of the Remuneration Committee is available from the Director of Governance.

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

**Curriculum, Quality & Students committee (CQ&S)**

The CQ&S committee comprises of a minimum of six members and includes up to two student governor members and up to two staff members. It operates in accordance with written terms of reference approved by the Corporation and meets on four occasions each academic year. It advises on the procedures in place for the continuous review of the curriculum offered by the College, along with the effectiveness of strategies used by managers to improve quality and the academic standard of provision for students, including HE and sub-contracted provision. In addition, it has responsibility for reviewing and monitoring the arrangements for the promotion of equality, diversity and safeguarding.

**Internal control***Scope of Responsibility*

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

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

*The purpose of the system of internal control*

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in New City College for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

**STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)***Capacity to handle risk*

The Corporation has reviewed the key risks by means of a risk register, to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2023 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and the Corporation.

*The risk and control framework*

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

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

New City College has an internal audit service, which operates in accordance with the requirements of the Skills Funding Agency's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis.

The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee.

Annually, the Chair of the Audit Committee provides the Corporation with a report on audit activity in the College. Further the internal audit provider submits an annual report to the Audit Committee and thence the Corporation. The report includes the independent internal audit providers' opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

*Responsibilities under funding agreements*

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

*Review of effectiveness*

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and

## STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

- comments made by the College's financial statements auditors, the regularity auditors, and the appointed funding auditors (where applicable) in their management letters and other reports.

The Group Principal & CEO has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the audit committee, which oversees the work of the internal auditor and the Risk Management Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Group Principal & CEO and senior management team receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The CEO and senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Corporation's reporting format ensures the consideration of risk and control and receives specific reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its December 2023 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2023 by considering documentation from the senior management team and internal audit and taking account of events since 31 July 2023.

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

**Going Concern**

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the Members of the Corporation on 14 December 2023 and signed on its behalf by:



Rob Hull  
Chair



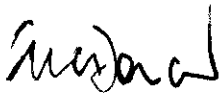
Gerry McDonald  
Accounting Officer

**THE STATEMENT ON THE COLLEGE'S REGULARITY, PROPRIETY AND COMPLIANCE**

As Accounting Officer, I confirm that the Corporation has had due regard to the requirements of grant funding agreements and contracts with ESFA and has considered its responsibility to notify ESFA of material irregularity, impropriety and non-compliance with terms and conditions of funding.

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

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



Gerry McDonald  
Accounting Officer

14 December 2023

**Statement of the Chair of Governors**

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



Rob Hull  
Chair

14 December 2023



## STATEMENT OF RESPONSIBILITIES OF THE MEMBERS OF THE CORPORATION

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

Within the terms and conditions of the College's Grant Funding Agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements 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 2022 to 2023* issued by the ESFA, and which give a true and fair view of the state of affairs of the group and the parent College and the result for that year.

In preparing the group and parent College financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent College or to cease operations, or have no realistic alternative but to do so.


The Corporation is also required to prepare an Operating and Financial Review 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 Corporation is responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the 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 such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for taking steps that are reasonably open to it in order to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation 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 Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA, and any other public fund, are used only in accordance with the Grant Funding Agreements and contracts and any other conditions that may be prescribed from time to time by ESFA, or any other public funder, including that any transactions entered into by the Corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the Corporation 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 Corporation are responsible for securing economical, efficient and effective management of the group and parent 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 members of the Corporation on 14 December 2023 and signed on its behalf by:



Rob Hull  
Chair

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CORPORATION OF NEW CITY COLLEGE****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

We have audited the financial statements of New City College ('the College') and its subsidiaries (together 'the group') for the year ended 31 July 2023 which comprise the group and parent college statement of comprehensive income, the group and parent college statement of changes in reserves and balance sheets, the group statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the group's and the College's affairs as at 31 July 2023 and of the group's deficit for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ in all material respects, funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- ◆ in all material respects, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- ◆ the requirements of OfS's accounts direction have been met.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

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

**Other information**

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

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

We have nothing to report in this regard.

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

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

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

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

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

**Responsibilities of the members of the Corporation**

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

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

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

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

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

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

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

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

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

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

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

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

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

There are inherent limitations in our audit procedures described above. The more removed those laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations

to enquiry of the members of the Corporation and other management and the inspection of regulatory and legal correspondence, if any.

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

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

**Use of our report**

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



Buzzacott LLP  
Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

20 December 2023



**REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY**

**To: The Corporation of New City College and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)**

In accordance with the terms of our engagement letter dated 30 June 2022 and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by New City College during the period 1 August 2022 to 31 July 2023 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

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

**Respective responsibilities of New City College and the reporting accountant**

The Corporation of New City College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them. Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2022 to 31 July 2023 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion. Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the Corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

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

**Conclusion**

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



Buzzacott LLP  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

20 December 2023

## CONSOLIDATED AND COLLEGE STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 July 2023		Year ended 31 July 2022	
		Group £'000	College £'000	Group £'000	College £'000
<b>INCOME</b>					
Funding body grants	2	91,680	91,680	86,271	86,271
Tuition fees and education contracts	3	12,432	10,866	8,738	8,738
Other grants and contracts	4	279	279	361	355
Other income	5	4,523	3,848	4,849	4,619
Investment income	6	263	263	12	12
<b>Total income</b>		<b>109,177</b>	<b>106,936</b>	<b>100,231</b>	<b>99,995</b>
<b>EXPENDITURE</b>					
Staff costs	7	71,768	71,096	72,909	72,712
Restructuring costs	7	686	686	560	560
Other operating expenses	8	30,801	29,348	26,347	26,972
Depreciation and amortisation	10,12	9,616	9,488	8,850	8,795
Interest payable and other finance costs	9	1,068	1,068	1,861	1,861
<b>Total expenditure</b>		<b>113,939</b>	<b>111,686</b>	<b>110,527</b>	<b>110,900</b>
<b>Deficit before other gains and losses</b>		<b>(4,762)</b>	<b>(4,750)</b>	<b>(10,296)</b>	<b>(10,905)</b>
Profit on disposal of fixed assets	10	1,272	1,272	1,009	1,009
<b>Loss on investments</b>		<b>-</b>	<b>-</b>	<b>(12)</b>	<b>(12)</b>
<b>(Deficit) for the year</b>		<b>(3,490)</b>	<b>(3,478)</b>	<b>(9,299)</b>	<b>(9,908)</b>
Actuarial gain in respect of pensions schemes	22	30,663	30,663	87,166	87,166
Gain on disposal of New City Fitness Ltd & OKN1 Ltd		-	531	-	-
Release of endowment income spent in year		(77)	(77)	(7)	(7)
<b>Total Comprehensive Income for the year</b>		<b>27,096</b>	<b>27,639</b>	<b>77,860</b>	<b>77,251</b>
Represented by:					
Endowment comprehensive income		(77)	(77)	(19)	(19)
Unrestricted comprehensive income		27,173	27,716	77,879	77,270
		<b>27,096</b>	<b>27,639</b>	<b>77,860</b>	<b>77,251</b>

## CONSOLIDATED AND COLLEGE STATEMENTS OF CHANGES IN RESERVES

	Income and Expenditure Reserve - Unrestricted £'000	Revaluation reserve £'000	Endowment Reserve £'000	Total £'000
<b>Group</b>				
<b>Balance at 1 August 2021</b>	<b>45,631</b>	<b>10,788</b>	<b>331</b>	<b>56,750</b>
(Deficit) from the income and expenditure account	(9,287)	-	(12)	(9,299)
Other comprehensive income (note 22)	87,166	-	-	87,166
Release of endowment income spent in year	-	-	(7)	(7)
Transfers between revaluation and income and expenditure reserves	399	(399)	-	-
<b>Total Comprehensive Income for the year</b>	<b>78,278</b>	<b>(399)</b>	<b>(19)</b>	<b>77,860</b>
<b>Balance at 31 July 2022</b>	<b>123,909</b>	<b>10,389</b>	<b>312</b>	<b>134,610</b>
(Deficit) from the income and expenditure account	(3,490)	-	-	(3,490)
Other comprehensive income (note 22)	30,663	-	-	30,663
Release of endowment income spent in year	-	-	(77)	(77)
Transfers between revaluation and income and expenditure reserves	399	(399)	-	-
<b>Total Comprehensive Income for the year</b>	<b>27,572</b>	<b>(399)</b>	<b>(77)</b>	<b>27,096</b>
<b>Balance at 31 July 2023</b>	<b>151,481</b>	<b>9,990</b>	<b>235</b>	<b>161,706</b>
<b>College</b>				
<b>Balance at 1 August 2021</b>	<b>45,631</b>	<b>10,788</b>	<b>331</b>	<b>56,750</b>
(Deficit) from the income and expenditure account	(9,896)	-	(12)	(9,908)
Other comprehensive income (note 22)	87,166	-	-	87,166
Release of endowment income spent in year	-	-	(7)	(7)
Transfers between revaluation and income and expenditure reserves	399	(399)	-	-
<b>Total Comprehensive Income for the year</b>	<b>77,669</b>	<b>(399)</b>	<b>(19)</b>	<b>77,251</b>
<b>Balance at 31 July 2022</b>	<b>123,300</b>	<b>10,389</b>	<b>312</b>	<b>134,001</b>
(Deficit) from the income and expenditure account	(3,478)	-	-	(3,478)
Other comprehensive income (note 22)	30,663	-	-	30,663
Gain on disposal of New City Fitness Ltd & OKN1 Ltd	531	-	-	531
Release of endowment income spent in year	-	-	(77)	(77)
Transfers between revaluation and income and expenditure reserves	399	(399)	-	-
<b>Total Comprehensive Income for the year</b>	<b>28,115</b>	<b>(399)</b>	<b>(77)</b>	<b>27,639</b>
<b>Balance at 31 July 2023</b>	<b>151,415</b>	<b>9,990</b>	<b>235</b>	<b>161,640</b>

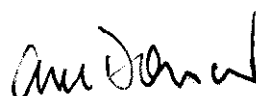
## CONSOLIDATED AND COLLEGE BALANCE SHEETS AS AT 31 JULY 2023

	Notes	Group 2023 £'000	College 2023 £'000	Group 2022 £'000	College 2022 £'000
<b>Fixed assets</b>					
Tangible fixed assets	10	216,445	216,445	207,013	206,759
Investments	11	235	1,224	312	312
Goodwill	12	1,249	313	415	415
		<b>217,929</b>	<b>217,982</b>	<b>207,740</b>	<b>207,486</b>
<b>Current assets</b>					
Stock		-	-	5	-
Trade and other receivables	13	4,185	4,494	8,571	8,565
Investments	19	2,000	2,000	4,500	4,500
Cash and cash equivalents	19	12,179	11,025	9,786	9,475
		<b>18,364</b>	<b>17,519</b>	<b>22,862</b>	<b>22,540</b>
Less: Creditors – amounts falling due within one year	14	(21,069)	(20,343)	(18,831)	(18,864)
Net current (liabilities)/assets		<b>(2,705)</b>	<b>(2,824)</b>	<b>4,031</b>	<b>3,676</b>
<b>Total assets less current liabilities</b>		<b>215,224</b>	<b>215,158</b>	<b>211,771</b>	<b>211,162</b>
Less: Creditors – amounts falling due after more than one year	15	(51,726)	(51,726)	(49,081)	(49,081)
<b>Provisions</b>					
Defined benefit pension obligations	22	-	-	(25,997)	(25,997)
Other provisions	17	(1,792)	(1,792)	(2,083)	(2,083)
<b>Total net assets</b>		<b>161,706</b>	<b>161,640</b>	<b>134,610</b>	<b>134,001</b>
<b>Restricted Reserves</b>					
Income and expenditure reserve – endowment reserve	18	235	235	312	312
<b>Unrestricted Reserves</b>					
Income and expenditure reserve - unrestricted		151,481	151,415	123,909	123,300
Revaluation reserve		9,990	9,990	10,389	10,389
<b>Total unrestricted reserves</b>		<b>161,471</b>	<b>161,405</b>	<b>134,298</b>	<b>133,689</b>
<b>Total Reserves</b>		<b>161,706</b>	<b>161,640</b>	<b>134,610</b>	<b>134,001</b>

The financial statements on pages 31 to 58 were approved and authorised for issue by the Corporation on 14 December 2023 and were signed on its behalf on that date by:



Rob Hull  
Chair



Gerry McDonald  
Accounting Officer

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2023 £'000	2022 £'000
<b>Cash flow from operating activities</b>			
(Deficit) for the year		(3,490)	(9,299)
<b>Adjustment for non-cash items</b>			
Depreciation and amortisation	10,12	9,616	8,851
Increase in stocks		5	(2)
Decrease/(Increase) in debtors	13	4,387	(949)
Increase in creditors due within one year	14	2,238	673
(Decrease) in creditors due after one year and other provisions	15,17	(4,141)	(2,782)
Pensions costs less contributions payable	22	3,739	7,031
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(263)	-
Interest payable and other finance cost	9	1,068	1,861
Profit on sale of fixed assets		(1,272)	(197)
<b>Net cash flow provided by operating activities</b>		<b>11,887</b>	<b>5,187</b>
<b>Cash flows from investing activities</b>			
Net Proceeds from sale of fixed assets		1,281	5,406
Investment income	6,11	263	12
Payments made to acquire fixed assets	10	(18,854)	(8,106)
Payments to acquire goodwill		(989)	-
Receipt of deferred capital grants	15	6,446	2,166
New Loans		2,000	-
		<b>(9,853)</b>	<b>(522)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(141)	(20)
Finance lease interest paid		-	(3)
Finance leases repaid		-	(72)
Increase in deposits (current asset investments)	19	2,500	(4,500)
Repayments of amounts borrowed		(2,000)	-
		<b>359</b>	<b>(4,595)</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>2,393</b>	<b>70</b>
Cash and cash equivalents at 1 August 2022	19	9,786	9,716
Cash and cash equivalents at 31 July 2023	19	12,179	9,786

**NOTES TO THE FINANCIAL STATEMENTS****1 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 2022 to 2023 and in accordance with Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

**Basis of accounting**

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

**Going concern**

The activities of the College, together with the factors likely to affect its future development and performance, are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College's forecasts and financial projections indicate that it will be able to operate within its existing finances for at least the next 12 months from the date of approval of these financial statements. Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the at least the next 12 months from the date of approval of these financial statements, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

**Basis of consolidation**

In preparing these financial statements the College has reviewed the appropriate treatment for business combinations in line with FRS 102.

Where the business combination is of entities with comparable income levels, asset bases and the complexity of operations, it is accounted for using merger accounting, with the prior year amounts being restated accordingly to reflect the merged position.

Otherwise, business combinations are accounted for by applying the acquisition method and the assets and liabilities acquired are adjusted to fair values, using external professional advisers where appropriate.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 1 Accounting policies (continued)

## Basis of consolidation (continued)

The consolidated financial statements include the College and its subsidiary companies, Oxford School of English Language Ltd, OKN1 Limited (previously known as The Trading Company (Hackney) Limited) and New City Fitness Limited (previously known as the Shoreditch Community Sports Centre Limited), all controlled by the Group. Intra-group transactions are eliminated fully on consolidation. All financial statements are made up to 31 July 2023.

## Recognition of income

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 or over 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 with the funding body at the end of November following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from Office for Students (OfS) represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

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

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example the National Health Service.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or 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

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded. In addition, the College provides defined contribution schemes to a small number of employees.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

**1 Accounting policies (continued)****Post-retirement Benefits (continued)**

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit pension obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

**Short term Employment benefits**

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

**Non-current Assets - 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 assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account on an annual basis.

Land and buildings acquired through merger are dealt with using acquisition accounting, are revalued to fair value, based on independent professional advice. The land & buildings at the Havering campuses were revalued on the 1 August 2019.

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 50 years. The College has a policy of depreciating major adaptations (in excess of £1,000,000) to buildings over the remaining period of their useful economic life of 50 years. Other adaptations (less than £1,000,000) to buildings are depreciated over the period of their useful economic life of up to 15 years.

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 1 Accounting policies (continued)

**Non-current Assets - Tangible fixed assets (continued)**

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

*Assets under construction*

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

*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 improved
- 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 £1000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

Other equipment is depreciated over its useful economic life as follows:

- motor vehicles - 5 years on a straight-line basis
- general equipment - 3, 5 & 10 years on a straight line basis
- computer equipment - 6 years on a straight-line basis
- software - 5 & 10 years on a straight-line basis
- furniture, fixtures and fittings - 10 years on a straight-line basis.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a government capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

**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 equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1 Accounting policies (continued)**

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 council capital equipment grants, the associated assets are designated as grant-funded assets.

**Investments and endowment assets**

Listed investments held as fixed assets or endowment assets are stated at market value. Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

**Goodwill**

Goodwill is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration paid, and the fair value of the net assets transferred. Goodwill is amortised over a 10-year period. An annual review is carried out of the goodwill to confirm the carrying value as at 31 July.

**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 tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The College is partially exempt in respect of Value Added Tax, so that it can only recover 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. The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

**Provisions and contingent liabilities**

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 1 Accounting policies (continued)

**Liquid resources**

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities and can be readily converted to cash within three months.

**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 included in the Income and Expenditure account as appropriate.

**Judgements in applying accounting policies and key sources of estimation uncertainty**

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

- *Impairment of the carrying value of tangible fixed assets and goodwill*  
A review has been undertaken to 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 22, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2022 has been used by the actuary in valuing the pensions liability at 31 July 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

FRS 102 section 28.22 inhibits the recognition of the net defined asset only to the extent that we are able to recover the surplus through reduced contributions in the future. The surplus cannot be recovered, the net defined asset (£22,873k) has been written off through the Statement of Comprehensive Income. The net asset/liability is therefore NIL.

The actuarial gain recognised in the year is reduced by the value of the net defined asset of £162,210k has been reduced by £22,873k to £139,337k.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 2 Funding body grants

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
<b><i>Recurrent grants</i></b>				
Education and Skills Funding Agency - adult	1,717	1,717	1,616	1,616
Education and Skills Funding Agency - 16-18	60,473	60,473	59,153	59,153
Education and Skills Funding Agency - apprenticeships	1,960	1,960	2,594	2,594
Greater London Authority - adult	17,643	17,643	16,294	16,294
Office for Students	67	67	81	81
<b><i>Specific grants</i></b>				
Education and Skills Funding Agency - 16-19 Tuition Fund	1,245	1,245	1,351	1,351
Education and Skills Funding Agency - High value courses for school and college leavers	506	506	368	368
Education and Skills Funding Agency - Multiply	821	821	-	-
Education and Skills Funding Agency – Strategic Development Fund	1,115	1,115	-	-
Free Course for Jobs Fund	1,059	1,059	654	654
ESFA Non-recurrent grants	113	113	97	97
GLA Non-recurrent grants	73	73	80	80
Teacher Pension Scheme contribution grant	2,348	2,348	1,870	1,870
Releases of government capital grants	2,433	2,433	2,394	2,394
Higher Education grants	107	107	158	158
<b>Total</b>	<b>91,680</b>	<b>91,680</b>	<b>86,710</b>	<b>86,710</b>

## 2b Higher Education Grant and Fee income

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Grant income from the Office for Students	174	174	240	240
Fee income for taught awards (exc. VAT)	880	880	1,054	1,054
<b>Total</b>	<b>1,054</b>	<b>1,054</b>	<b>1,294</b>	<b>1,294</b>

Higher Education grants and fee income relate to courses at Level 4 and above.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 3 Tuition fees and education contracts

	2023		2022	
	Group £'000	College £'000	Group £'000	College £'000
Adult education fees	498	498	568	568
Fees for Further Education loan supported courses	242	242	301	301
Fees for Higher Education loan supported courses	880	880	1,054	1,054
International student fees	2,474	908	559	559
Total tuition fees	4,094	2,528	2,482	2,482
Education contracts	8,338	8,338	6,256	6,256
<b>Total</b>	<b>12,432</b>	<b>10,866</b>	<b>8,738</b>	<b>8,738</b>

## 4 Other Grants and Contracts

	2023		2022	
	Group £'000	College £'000	Group £'000	College £'000
Erasmus	125	125	181	181
Coronavirus Job Retention Scheme grant	-	-	13	7
Other grants and contracts	154	154	167	167
<b>Total</b>	<b>279</b>	<b>279</b>	<b>361</b>	<b>355</b>

## 5 Other income

	2023		2022	
	Group £'000	College £'000	Group £'000	College £'000
Catering and residences	94	62	56	27
Other income generating activities	2,223	1,628	2,049	1,857
Non-government capital grants	255	255	288	288
Property income	1,327	1,311	1,677	1,668
Miscellaneous income	624	592	340	340
<b>Total</b>	<b>4,523</b>	<b>3,848</b>	<b>4,410</b>	<b>4,180</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 6 Endowment and investment income

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Interest receivable	263	263	12	12
<b>Total</b>	<b>263</b>	<b>263</b>	<b>12</b>	<b>12</b>

## 7 Staff costs

The average number of persons (including senior post-holders) employed by the Group during the year was:

	2023	2022
	Group No.	Group No.
Teaching staff	818	829
Non-teaching staff	909	911
	<b>1,727</b>	<b>1,740</b>

Staff costs for the above persons	2023	2022
	Group	Group
	£'000	£'000
Wages and salaries	54,057	51,974
Social security costs	5,475	5,468
Other pension costs (note 22)	12,236	15,467
<b>Payroll sub total</b>	<b>71,768</b>	<b>72,909</b>
Contracted out staffing services	-	-
<b>Staff costs before restructuring costs</b>	<b>71,768</b>	<b>72,909</b>
Fundamental restructuring costs		
- Contractual	686	560
- Non-contractual	-	-
	<b>72,454</b>	<b>73,469</b>

## Key management personnel - College and Group

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 Senior Management Team which comprises the Group Principal and Chief Executive Officer, the Deputy CEO, the three College Principals, and four directors with cross-college responsibility.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 7 Staff costs (continued)

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

	2023 No.	2022 No.
The number of key management personnel including the Accounting Officer was:	<u>10</u>	<u>9</u>

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

	Key Management		Other Staff	
	2023 No.	2022 No.	2023 No.	2022 No.
£60,001 to £65,000	-	-	20	11
£65,001 to £70,000	-	-	8	6
£70,001 to £75,000	-	-	8	4
£75,001 to £80,000	-	-	7	8
£80,001 to £85,000	-	-	7	6
£85,001 to £90,000	1	1	5	-
£90,001 to £95,000	1	1	-	1
£95,001 to £100,000	1	1	1	-
£100,001 to £105,000	-	1	-	-
£105,001 to £110,000	1	-	-	-
£120,001 to £125,000	1	-	-	-
£125,001 to £130,000	-	1	-	-
£135,001 to £140,000	-	3	-	-
£140,001 to £145,000	4	-	-	-
£290,001 to £295,000	-	1	-	-
£301,000 to £305,000	1	-	-	-
	<u>10</u>	<u>9</u>	<u>56</u>	<u>36</u>

The above key management personnel and other staff table includes one key management post holder and twelve other staff post holders who were not in post for a full year and the remuneration for these employees was less than £60,000, although their full time equivalent salary exceeded £60,000. This includes one key management postholder within the £120,0001 to £125,000 banding, eight other staff post holders within the £60,001 to £65,000 banding, two post holders within the £70,001 to £75,000 banding, one post holder in the £75,001 to £80,000 banding and one post holders in the £80,001 to £85,000 banding.

Key management personnel emoluments are made up as follows:

	2023 £'000	2022 £'000
Salaries – gross of salary sacrifice	1,261	1,178
Employer's National Insurance	166	156
Benefits in kind	-	-
	<u>1,427</u>	<u>1,334</u>
Pension contributions	165	171
<b>Total emoluments</b>	<u>1,592</u>	<u>1,505</u>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 7 Staff costs (continued)

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

The College's Accounting Officer and other key management personnel are paid a fair and appropriate remuneration based on the value delivered by the individual acting within their role. The value factors considered by the College are market rates, roles, skills and experience. The remuneration packages of both the Accounting Officer and senior post holders are regularly bench marked within the sector and remuneration decisions are based on robust evidence.

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

	2023 £'000	2022 £'000
Salaries	249	243
Payment in lieu of pension	52	51
	<hr/> 301	<hr/> 294
Pension contributions	<hr/> -	<hr/> -
<b>Total compensation</b>	<hr/> <b>301</b>	<hr/> <b>294</b>

The Corporation adopted the AoC's Senior Staff Remuneration Code in July 2019 and continues to assess pay in line with its principles.

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

The Group Principal and Chief Executive Officer became a deferred member of the Teachers' Pension Scheme on 31 July 2021. As a result, the College made no pension contributions for the postholder during 2022/23. In lieu of pension contributions, the Corporation agreed to an additional salary payment which is included in the note above.

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

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

	2023	2022
Group Principal and CEO's total compensation as a multiple of the median of all staff	8.47:1	8.72:1
Group Principal and CEO's salary (excluding pay in lieu of pension contributions) as a multiple of the median of all staff	7.01:1	6.81:1

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 7 Staff costs (continued)

## Fundamental restructuring costs

The College Group paid 50 severance payments in year, disclosed in the following bands:

	2023 No.
0 - £25,000	45
£25,001 - £50,000	5
	<u>50</u>

## 8 Other operating expenses

	2023		2022	
	Group £'000	College £'000	Group £'000	College £'000
Teaching costs	13,779	12,835	10,989	10,986
Non-teaching costs	8,116	7,832	7,180	7,814
Premises costs	8,906	8,681	8,178	8,172
<b>Total</b>	<b>30,801</b>	<b>29,348</b>	<b>26,347</b>	<b>26,972</b>

## Other operating expenses include:

	2023 Group £'000	2022 Group £'000
Auditors' remuneration:		
Financial statements audit current year	76	58
Financial statements audit previous year	-	4
Internal audit (not performed by external auditors)	30	47
Other services provided by the financial statements' auditors*	8	12
Hire of assets under operating leases	51	140
Hire of land and buildings	577	249

\*includes £2,525 in respect of the TPS Certification and £5,435 in respect of Corporate Taxation services for the College and its subsidiary companies

## 9 Interest payable and other finance cost – Group and College

	2023 £'000	2022 £'000
On bank loans, overdrafts and other loans	141	20
On finance leases	-	3
Pension finance costs (note 22)	927	1,838
	<b>1,068</b>	<b>1,861</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 10 Tangible fixed assets (Group)

	Group			
	Land and buildings	Equipment, fixtures and fittings	Assets in the Course of Construction	Total
	Freehold			
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2022	232,657	24,441	3,424	260,522
Additions	2,874	8,506	7,474	18,854
Assets acquired on acquisition of Oxford School of English	-	92	-	92
Disposals	-	(9)	-	(9)
Reclassification	21	279	(300)	-
<b>At 31 July 2023</b>	<b>235,552</b>	<b>33,309</b>	<b>10,598</b>	<b>279,459</b>
<b>Depreciation</b>				
At 1 August 2022	47,421	6,091	-	53,512
Depreciation acquired on acquisition of Oxford School of English	-	90	-	90
Charge for the year	5,049	4,372	-	9,421
Elimination in respect of disposals	-	(9)	-	(9)
<b>At 31 July 2023</b>	<b>52,470</b>	<b>10,544</b>	<b>-</b>	<b>63,014</b>
<b>Net book value at 31 July 2023</b>	<b>183,082</b>	<b>22,765</b>	<b>10,598</b>	<b>216,445</b>
Net book value at 31 July 2022	185,237	18,352	3,424	207,013

	College			
	Land and buildings	Equipment, fixtures and fittings	Assets in the Course of Construction	Total
	Freehold			
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 August 2022	232,594	24,087	3,424	260,105
Transfer of assets from OKN1	64	252	-	316
Transfer of assets from NCF	-	104	-	104
Additions	2,874	8,494	7,474	18,842
Reclassification	21	279	(300)	-
<b>At 31 July 2023</b>	<b>235,553</b>	<b>33,216</b>	<b>10,598</b>	<b>279,367</b>
<b>Depreciation</b>				
At 1 August 2022	47,401	5,946	-	53,347
Transfer of assets from OKN1	23	128	-	151
Transfer of assets from NCF	-	37	-	37
Charge for the year	5,045	4,342	-	9,387
<b>At 31 July 2023</b>	<b>52,469</b>	<b>10,453</b>	<b>-</b>	<b>62,922</b>
<b>Net book value at 31 July 2023</b>	<b>183,084</b>	<b>22,763</b>	<b>10,598</b>	<b>216,445</b>
Net book value at 31 July 2022	185,192	18,143	3,424	206,759

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**10 Tangible fixed assets (continued)**

Other than as noted in the accounting policies, land and buildings were valued in 1993 at depreciated replacement cost by a firm of independent chartered surveyors. Other tangible fixed assets inherited from the LEA at incorporation have been valued by the College on a depreciated replacement cost basis with the assistance of independent professional advice.

During the year, the company directors of OKN1 Limited and New City Fitness Limited, two subsidiary companies of the College, took the decision to cease trading. The assets of both companies were transferred to the College on 28 February 2023, totalling £41,000 for OKN1 Limited and £123,000 for New City Fitness Limited.

The College disposed of its surplus land, at its Havering College, Ardleigh Green Campus on 21 March 2023 for £1,300,000. Profit on disposal totalled £1,272,000 after accounting for legal and professional fees relating to the sale.

**11 Non-current investments – Group & College**

	2023 £'000	2022 £'000
Endowment assets:		
Balance at 1 August 2022	312	331
Loss on endowment asset investment	-	(12)
Released to income in the reporting period	(77)	(7)
<b>Balance at 31 July 2023</b>	<b>235</b>	<b>312</b>
	2023 £'000	2022 £'000
Investment in subsidiary companies	989	109
Less provision for impairment	-	(109)
	<b>989</b>	<b>-</b>
<b>Total</b>	<b>1,224</b>	<b>312</b>
Endowment assets are represented by:		
Charities Aid Foundation IM CAF Fixed Interest Fund and UK Equity Fund,		
Accumulation units.	-	214
Cash balances	235	98
	<b>235</b>	<b>312</b>

The College has beneficial ownership of 100 per cent of the issued ordinary £1 shares of the following company all incorporated in England and Wales:

- Oxford School of English Language Limited, purchased on 31 August 2022. Its principal activity is to operate as an international language school. In the current year, the company made a surplus of £83,000 (2021/22: £NIL), and has net current assets of £42,000 (2012/22: £NIL).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**11 Non-current investments – Group & College (continued)**

During the year, the company directors of the following companies took the decision to cease trading. The College had 100 percent of the issued ordinary £1 shares and the following companies were incorporated in England and Wales:

- OKN1 formally, The Trading Company (Hackney) Limited. Its principal activity was to operate as a commercially trading restaurant.
- New City Fitness formally, Shoreditch Community Sports Centre Limited. Its principal business activity was the operational management of the sports centre.

The assets and liability of both companies were transferred to the College on 28 February 2023 and the business activities incorporated within the curriculum provisions for Catering and Sports.

**12 Goodwill**

This arises from the acquisition of the assets and undertaking of Westbourne Academy

	<b>£'000</b>
<b>Fair value on acquisition</b>	1,015
<b>Released to income and expenditure account</b>	
At 1 August 2022	(601)
Release for the year	(101)
At 31 July 2023	(702)
<b>Net book value</b>	
<b>At 31 July 2023</b>	313
At 1 August 2022	415

This arises from the acquisition of the assets and undertaking of Oxford School of English Language Limited

	<b>£'000</b>
<b>Fair value on acquisition</b>	1,030
<b>Released to income and expenditure account</b>	
At 1 August 2022	-
Release for the year	(94)
At 31 July 2023	(94)
<b>Net book value</b>	
<b>At 31 July 2023</b>	936
At 1 August 2022	-
<b>Total Goodwill for the New City College Group</b>	1,249

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 13 Debtors

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	518	514	745	742
Prepayments and accrued income	2,994	2,951	1,902	1,899
Amount owed by group undertakings:				
Subsidiary undertakings	-	365	-	-
Amounts owed by the ESFA	664	664	269	269
Other debtors	9	-	5,655	5,655
<b>Total</b>	<b>4,185</b>	<b>4,494</b>	<b>8,571</b>	<b>8,565</b>

## 14 Creditors: amounts falling due within one year

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Trade payables	6,822	6,821	3,587	3,586
Other taxation and social security	2,375	2,336	2,456	2,451
Accruals and deferred income	6,949	6,275	9,377	9,366
Deferred income - government capital grants	2,750	2,750	2,627	2,627
Amounts owed to ESFA	1,907	1,907	487	487
Amounts owed to GLA	175	175	-	-
Other creditors	91	79	297	347
<b>Total</b>	<b>21,069</b>	<b>20,343</b>	<b>18,831</b>	<b>18,864</b>

## 15 Creditors: amounts falling due after one year

	2023		2022	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Deferred income - government capital grants	49,517	49,517	46,782	46,782
Other creditors	1,267	1,267	1,305	1,305
Amounts owed to the ESFA	942	942	994	994
<b>Total</b>	<b>51,726</b>	<b>51,726</b>	<b>49,081</b>	<b>49,081</b>

## 16 Maturity of debt

## a) Bank loans and overdrafts

There were no bank loans or overdrafts at 31 July 2023 (2022 – £NIL).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 16 Maturity of debt (continued)

## b) Finance leases

There were no finance leases at 31 July 2023 (2022 - £NIL).

## 17 Provisions – Group and College

	Defined benefit pension obligations (Note 22) £'000	Enhanced pension £'000	Total £'000
At 1 August 2022	25,997	2,083	28,080
Net movement in the period	(48,870)	(88)	(26,085)
Transferred from income and expenditure	22,873	(203)	(203)
<b>At 31 July 2023</b>	<b>-</b>	<b>1,792</b>	<b>1,792</b>

## 18 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Permanent Restricted £'000	Permanent Unrestricted £'000	Total Permanent £'000	Expendable Restricted £'000	Total 2023 £'000	Total 2022 £'000
At 1 August 2022	214	34	248	64	312	331
Transfer of permanent to expendable reserves	(214)	-	(214)	214	-	(12)
Released to income in the reporting period	-	(11)	(11)	(66)	(77)	(7)
<b>At 31 July 2023</b>	<b>-</b>	<b>23</b>	<b>23</b>	<b>212</b>	<b>235</b>	<b>312</b>
Consists of:						
Capital	100	34	134	64	198	205
Accumulated income	(100)	(11)	(111)	148	37	107
	<b>-</b>	<b>23</b>	<b>23</b>	<b>212</b>	<b>235</b>	<b>312</b>

## Analysis of type of purpose:

Student Hardship	-	23	23	212	235	312
	<b>-</b>	<b>23</b>	<b>23</b>	<b>212</b>	<b>235</b>	<b>312</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 19 Cash and cash equivalents

	At 1 August 2022 £'000	Cash flows £'000	At 31 July 2023 £'000
Cash and cash equivalents	9,786	2,393	12,179
Short-term investments	4,500	(2,500)	2,000
<b>Total</b>	<b>14,286</b>	<b>(107)</b>	<b>14,179</b>

There were no borrowings at 31 July 2022. The College did have a £10million, 5-year Revolving Credit Facility in place from 18 October 2022 with Santander UK Plc. There was one drawdown of funds during the year of £2million on 28 November 2022.

In response to the changes for borrowing approval, resulting from the Office for National Statistics decision to reclassify Further Education Colleges back into the public sector, the College repaid the £2million drawdown on 30 June 2023 and the full Revolving Credit Facility of £10million was cancelled.

## 20 Capital commitments

	2023 £'000	2022 £'000
Commitments contracted for at 31 July	4,537	6,548

## 21 Lease Obligations

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

	Group and College	
	2023 £'000	2022 £'000
<b>Future minimum lease payments due</b>		
<b>Land and buildings</b>		
Not later than one year	598	314
Later than one year and not later than five years	2,692	1,186
Late than five years	2,869	-
	<b>6,159</b>	<b>1,500</b>
<b>Other</b>		
Not later than one year	49	48
Later than one year and not later than five years	18	38
	<b>67</b>	<b>86</b>
<b>Total lease payments due</b>	<b>6,226</b>	<b>1,586</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 22 Defined Pension Obligations

The College's employees belong to two principal post-employment benefit plans: The Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the London Pension Fund Authority (LGPS) for non-teaching staff, which is managed by London Pension Partnership. Both are multi-employer defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2016 and of the LGPS 31 March 2022.

	2023		2022	
Total pension cost for the year	£'000	£'000	£'000	£'000
Teachers' Pension Scheme: contributions paid		6,398		6,205
Local Government Pension Scheme:				
Contributions paid	2,187		2,453	
FRS 102 (28) charge	3,739		7,031	
Charge to the Statement of Comprehensive Income		5,926		9,484
Enhanced pension charge to Statement of Comprehensive Income		(88)		(222)
Total Pension Cost for Year (note 7)		12,236		15,467

At 31 July 2023, contributions amounting to £975,193 (2022: £1,049,275) were payable to the schemes and are included in creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension scheme Regulations 2014. These regulations apply to teachers in schools 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 22 Defined Pension Obligations (continued)

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

As a result of the valuation, new employer contribution rates were set at 28.68% of the pensionable pay from April 2024 onwards (compared to 23.68% during 2022/23). DfE has agreed to cover additional costs of any increase for Colleges above the amounts agreed in 2019 and paid each year since.

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

The pension costs paid to TPS in the year amounted to £6,398,000 (2022: £6,205,000).

## Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pension Fund Authority. The total contribution made for the year ended 31 July 2023 was £3,620,000, of which employer's contributions totalled £2,187,000 and employees' contributions totalled £1,208,000. The agreed contribution rates for future years are 14.4% until 31 March 2023, and 7% from 1 April 2023 to 31 March 2026 for employers and ranges from 2.9% to 11.4% cent for employees, depending on salary.

## Principal Actuarial Assumptions

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

	At 31 July 2023	At 31 July 2022
Rate of increase in salaries	3.85%	3.75%
Future pensions increases	2.85%	2.75%
Discount rate for scheme liabilities	5.15%	3.40%
Inflation assumption (CPI)	2.85%	2.75%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2023 Years	At 31 July 2022 Years
<i>Retiring today</i>		
Males	20.10	21.40
Females	23.50	24.10
<i>Retiring in 20 years</i>		
Males	21.20	22.80
Females	24.60	25.50

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 22 Defined Pension Obligations (continued)

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

	Fair Value at 31 July 2023 £'000	Fair Value at 31 July 2022 £'000
Equities	95,266	88,145
Bonds	49,158	50,064
Property	15,343	15,252
Cash	2,443	1,868
<b>Total market value of</b>	<b>162,210</b>	<b>155,329</b>
<b>Weighted average expected long term rate of return</b>	<b>5.15%</b>	<b>3.14%</b>
<b>Actual return on plan</b>	<b>8,353</b>	<b>11,684</b>

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

	2023 £'000	2022 £'000
Fair value of plan assets	139,337	155,329
Present value of plan liabilities	(139,243)	(181,203)
Present value of unfunded liabilities	(94)	(123)
<b>Net pensions (liability) (note 17)</b>	<b>-</b>	<b>(25,997)</b>

FRS 102 section 28.22 inhibits the recognition of the net defined asset only to the extent that we are able to recover the surplus through reduced contributions in the future. The surplus cannot be recovered, the net defined asset (£22,873k) has been written off through the Statement of Comprehensive Income. The net asset/liability is therefore NIL.

The actuarial gain recognised in the year is reduced by the value of the net defined asset of £162,210k has been reduced by £22,873k to £139,337k.

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

	2023 £'000	2022 £'000
<b>Amount included in staff costs</b>		
Current service cost	(5,915)	(9,568)
Past service cost	(86)	-
<b>Total</b>	<b>(6,001)</b>	<b>(9,568)</b>
<b>Amounts included in interest payable</b>		
Net interest charge	(927)	(1,838)
	<b>(927)</b>	<b>(1,838)</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 22 Defined Pension Obligations (continued)

## Amount recognised in Other Comprehensive Income:

	2023	2022
	£'000	£'000
Return on pension plan assets	(664)	9,366
Other actuarial gains/(losses) on assets	3,759	-
Experience (losses)/gains arising on defined benefit pension obligations	(8,753)	(15,480)
Changes in assumptions underlying the present value of plan liabilities	25,259	93,280
Change in demographic assumptions	11,062	-
<b>Amount recognised in Other Comprehensive Income</b>	<b>30,663</b>	<b>87,166</b>

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

	2023	2022
	£'000	£'000
Deficit in scheme at 1 August	(25,997)	(104,294)
Movement in year:		
Current service cost	(6,001)	(9,568)
Past service cost	(86)	-
Employer contributions	2,262	2,537
Net interest on the defined (liability)	(927)	(1,838)
Actuarial gain	30,663	87,166
<b>Net defined benefit (liability) at 31 July</b>	<b>-</b>	<b>(25,997)</b>

FRS 102 section 28.22 inhibits the recognition of the net defined asset only to the extent that we are able to recover the surplus through reduced contributions in the future. The surplus cannot be recovered, the net defined asset (£22,873k) has been written off through the Statement of Comprehensive Income. The net asset/liability is therefore NIL.

## Asset and Liability Reconciliation

	2023	2022
	£'000	£'000
<b>Changes in the present value of defined benefit pension obligations</b>		
<b>Defined benefit pension obligations at 1 August</b>	<b>181,326</b>	<b>250,198</b>
Current service cost	5,915	9,568
Interest cost	6,107	3,966
Contributions by Scheme participants	1,208	1,114
Experience loss on defined benefit pension obligations	8,753	15,480
Changes in financial assumptions	(48,132)	(93,280)
Estimated benefits paid	(4,864)	(5,720)
Past Service Cost	86	-
Change in demographic assumptions	(11,062)	-
<b>Defined benefit pension obligations at 31 July</b>	<b>139,337</b>	<b>181,326</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 22 Defined Pension Obligations (continued)

## Changes in fair value of plan assets

	2023	2022
	£'000	£'000
Fair value of plan assets at 1 August	155,329	145,904
Interest on plan assets	5,258	2,318
Return on plan assets	(742)	9,176
Other actuarial gains/(losses)	(19,114)	-
Employer contributions	2,262	2,537
Contributions by Scheme participants	1,208	1,114
Estimated benefits paid	(4,864)	(5,720)
Fair value of plan assets at 31 July	<u>139,337</u>	<u>155,329</u>

## 23 Business acquisitions and mergers

Oxford School of English Language Limited

On 31 August 2022 the College acquired net assets and undertaking of an English Language school. This a limited company and a subsidiary of the College.

The net assets acquired and the consideration are as follows:

	£'000
Net Assets Acquired	(41)
Total Consideration	989
Goodwill	<u>1,030</u>

## 24 Related Party Transactions

Due to the nature of the College's operations and the composition of the Corporation being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Corporation 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.

Only the details below concerning the College's subsidiary companies and two members of the Corporation were identified which should be disclosed under Financial Reporting Standard 8 Related Party Disclosures.

*OKN1 Limited (Formerly The Trading Company (Hackney) Limited)*, a subsidiary of the College

There were no trading transactions in the year. The balance due to the College outstanding at the year end amounted to £NIL (2022 - £1,120,000).

*New City Fitness Limited (Formerly Shoreditch Community Sports Centre Limited,)* a subsidiary of the College

There were no trading transactions in the year. The balance due to the College outstanding at the year end amounted to £NIL (2022 - £802,000).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 24 Related Party Transactions (continued)

*Oxford School of English Language Limited, a subsidiary of the college*

There were no trading transactions in the year. The balance due to the College outstanding at the year end amounted to £441,000 (2022 - £NIL), which includes a management recharge totalling £82,851 (2022 - £NIL).

*OKN1 Limited (Formerly The Trading Company (Hackney) Limited), a subsidiary of the college until the 28 February 2023 when it ceases trading and the assets and liability were transferred to the College.*

There were no trading transactions in the year. The balance due to the College outstanding at the year end amounted to NIL (2022 - £1,120,000).

*New City Fitness Limited (Formerly Shoreditch Community Sports Centre Limited), a subsidiary of the college until the 28 February 2023 when it ceases trading and the assets and liability were transferred to the College.*

There were no trading transactions in the year. The balance due to the College outstanding at the year end amounted to NIL (2022 - £802,000).

*Bromley College of Further and Higher Education (trading as London South East Colleges) – a college for which Philida Schellekens is a consultant*

Purchase transactions in the year amounted to £NIL (2022 - £NIL). Sales transactions in the year amounted to £374,557.27 (2022 - £NIL) relating to the Strategic Development Fund (SDF) and training for the College's Teaching and Learning Hub. There were no debtor balance outstanding at the year end (2022 - £NIL).

*Association of Colleges – a company in which Gerry McDonald is a Board member*

Purchase transactions in the year amounted to £91,813 (2022 - £66,322) relating to the college's annual subscription, conference fees and interim management recruitment. The balance outstanding at the year end amounted to £NIL (2022 - £NIL). Sales transactions in the year amounted to £6,699 (2022 - £36,050) relating to room hire, mentor fees, and enrichment funding. The debtor balance outstanding at the year amounted to £250 (2022 - £NIL).

*Greater London Authority (GLA) – a strategic regional authority in which Gerry McDonald is a Board member of the Skills for Londoners Board*

Sales transactions in the year amounted to £19,794,181 (2022 - £17,803,029) relating to the Adult Education Budget, Multiply and Capital funding grants. The debtor balance outstanding at the year end amounted to £646,096 (2022 - £NIL). There were no creditor balances at the year end (2022 - £NIL).

*The Switch Charity Limited (known as Tower Hamlets Education Partnership Limited until 3 May 2023) – a company in which Gerry McDonald is a Board member*

Purchase transactions in the year amounted to £NIL (2022 - £2,664) relating to educational software purchases. Sales transactions in the year amounted to £NIL (2022 - £NIL).

*The Education and Training Foundation – a company in which Gerry McDonald is a Board member*

Purchase transactions in the year amounted to £56,049 (2022 £23,335) relating to training and workshop fees. The balance outstanding at the year end amounted to £NIL (2022 - £NIL). Sales transactions in the year amounted to £20,000 (2022 - £30,566) relating to Teaching Training, Mentoring and Industry Insight Workshops. The debtor balance outstanding at the year end amounting to £NIL (2022 - £400).