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KPMG Note: Consistent with version attached at 4.7.3.0060 where final checks performed.

SOUTH BANK COLLEGES

Report and Financial Statements for the year ended 31 July 2021

Company Number 11495376

CONTENTS

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Key Management Personnel, Board of Trustees and Professional advisers

Key management personnel

Seven individuals are declared as key management personnel in 2020/21 in the financial statements -these were:

Name	Position Held
Fiona Morey	Executive Principal
Hassan Rizvi	Deputy Principal (to 15/02/21)
Wayne Wright	Deputy Principal (from 1st March 2021)
Rachel McCafferty	Chief Financial Officer (from 21/09/2020)
Philip Cunniffe	Assistant Principal - Student Success
Monica Marongiu	Assistant Principal - Curriculum and Innovation
Alistair Dunkwu	Director of MIS & Exams

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

Board of Trustees

A full list of the Board of South Bank Colleges is given on page 13 of these financial statements.

Professional Advisors

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Internal Auditor

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

Bankers

Barclays
Level 12
One Churchill Place
London E14 5HP

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TRUSTEES' REPORT

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

NATURE OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2021.

Legal status

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

As an exempt charity, the governing body is the Board of Trustees which is responsible for the effective stewardship of the College and has control of the revenue and the property of the College. The company's corporate governance arrangements are described on pages 12-15 and the Trustees who served during the year ended 31 July 2021 are listed on page 13. The Trustees are also directors under the Companies Act 2006.

Mission

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

Public Benefit

South Bank Colleges is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated as a charity by the OfS. The Board are the Trustees of the charity and are disclosed on page 13.

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

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

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

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College Plans

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

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

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

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

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

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

In particular, the College's ambition is to:

- Increase the number of young people accessing level 3 technical education
- Establish clear occupational progression pipelines that support young people and adults to undertake level 2-4 technical education
- Engage directly with employers in the design and delivery of our offer
- Increase the take-up of apprenticeships by Lambeth residents
- Increase the number of adults engaged in training and upskilling and reskilling
- Provide bespoke provision tailored to meet local demand, in particular addressing the needs of those at risk of becoming NEET and/or excluded from education and/or the workplace
- Increase the number of adults and young people achieving English, Maths and Digital Skills as Gateway qualifications.

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

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Estates Strategy

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

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

Clapham Campus

The Gateway Centre at the Clapham Campus will focus on Gateway provision, delivering English, Maths and Digital skills and support for entry to employment. The centre will continue to be home to our SEND provision supporting students to develop their entry to employment skills and supporting more young people and adults to progress to level 3 and 4 qualifications.

Brixton Campus

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

Vauxhall Campus

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

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

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

Resources

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

After taking account of deferred capital grants and pension liabilities the College finished the period to 31 July 2021 with net assets of £12.9m (2020 £10.1m). This includes pension provisions of £27.5m (2020: liability of £28.7m).

The College employed 318 staff in 2020/21 (full time equivalent) (2020: 317). It did not furlough any staff during the year.

Tangible resources at the 31 July 2021 included the two main College sites at Vauxhall and Clapham and the right to occupy part of the Brixton site on Brixton Hill. The Vauxhall site includes the construction of a £47m development for the new STEAM centre, of which £10.8m is recognised as assets under construction. (2020: £4.9m).

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Stakeholder Relationships

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

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

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

The College considers good communication with its staff to be very important and to this end publishes regular updates including a monthly staff briefing from the Executive Principal during term time for all staff and a weekly newsletter.
The College encourages staff and student involvement through the membership of formal committees, sub-committees and focus groups and regular staff surveys. The College also undertakes annual course reviews where the input of students is a requirement and encourages student and sponsor views of the College through regular student and employer perception surveys.

Current and future development and performance

Student numbers and achievements

In 2020/21 the College recorded success or failure against 2,592 qualifications undertaken by 16-18 year old funded students while 9061 qualifications were delivered to 19+ students. Overall, the college delivered 11,798 qualifications.

The College has set out achievement data for students across a three year period in the table below. It is noted however that as a result of the pandemic and the impact of lockdown on public examinations the DfE have advised that national achievement data will not be published for 20/21. Our most recent published data is the 18/19 NARTs data which shows a strong three year improving achievement trend. .

Age group/Provision	2018-19	2019-20	2020-21	National Rates
All ages	88.3%	88.6%	87.3%	86.0%
16-18 (Study Programmes)	82.2%	83.6%	79.3%	82.6%
19+ (Adults)	89.9%	90.2%	89.5%	89.1%
High Needs	88.3%	88.7%	87.8%	n/a
Apprenticeships (Overall)	50.2%	73.0%	48.9%	67.3%

Following the pandemic changes were introduced for the year which meant that some qualifications such as GCSEs had teacher assessed grades (TAGs), some qualifications had adaptations made in light of the two national lockdowns whilst some qualifications had to be completed in their entirety, such as functional skills.

In 2020/21, there were two further lockdowns arising from the COVID pandemic. This meant that it wasn't possible for face to face teaching to take place during these periods and so learning took place online. Pandemic related lockdowns meant that changes had to take place to qualifications which awarding bodies approached in different ways. To support teachers and students during this period the college undertook wide ranging staff development so that lessons were delivered innovatively and adopted a range of technologies to engage learners. Students were further supported by the allocation of laptops and dongles for those who did not have access to equipment at home. This investment meant that learners continued to make progress in their studies even when the college was in lockdown.

The College's Ofsted grading from the 2019 inspection is 'Requires Improvement'. A monitoring visit took place in March 2020 to evaluate the progress that leaders and managers had made in addressing the main areas for improvement identified at the previous inspection and was very positive. Out of the four themes that were chosen by Ofsted, the outcomes were judged as follows:

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

On 17 March 2020, all routine Ofsted inspections were suspended due to the COVID-19 (coronavirus) pandemic.
Ofsted have now confirmed routine inspections are resuming from September 2021 and the College is anticipating an inspection during the course of this academic year.

In the academic year 2020/21, the college self-assessed the quality of its provision as "Good", an improvement from the "Requires Improvement" grade in 2019.

Financial Objectives and Results for the Year

The college reports a breakeven position for the 12 months ending 31st July following the release of £4.1m (£4.9m to end Jul 20) of an ESFA grant of £13.75m received on the first day of the College trading within SBC; without this the college would have delivered an equivalent £4.1m loss (2020: £4.9m loss).

The financial health category reported to the ESFA for the period to the end of July 2021 was "Requires Improvement".

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

Key performance Indicator	Target to 31 July 2021	Actual to 31 July 2021
Surplus/(deficit) (after release of Transaction Unit Grant)	£0	£0
Surplus/(deficit) (before release of Transaction Unit Grant)	(-£3,561)	(-£4,100)
EBITDA (Education Specific)	(-£1,172)	(-£1,997)
Staff Cost / Income ratio	70%	76%
Cash at 31 July	£2,000k	£3,584k

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Financial results

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

Following the UK Government's decision in March 2020 to implement lock-down across the UK and the ongoing impact of preventative measures for public health, educational activities were largely delivered remotely to students until September 2020 when the College opened again. During the course of the year, further lockdowns were implemented in November 2020, with full opening on –site commencing again in March 2021. Throughout this period the College has relied on the ability to deliver blended learning (mix of on-line and on-site) to its students, and has fully supported those students with the necessary resources to participate. This has included distributing laptops and dongles to students with the partial support of the GLA and ESFA during the course of the year.

The impact of these arrangements has put financial pressure on the College's budget in a number of ways. Health and Safety considerations have meant that when on-site, class sizes have been limited to avoid large groups in confined areas. Resourcing required for the provision of laptops to students was partially financed by the GLA, following a successful bid in which £198k was secured for laptops. A further £250k was directly financed by the College. In April 2021 the ESFA provided further support by issuing laptops to the College for 16-19 year old students; 417 devices were requested and received and have been reported as donated assets within the financial statements.

Following full site re-opening in September 2020 and again in March 2021, additional Health and Safety measures included a step increase in cleaning undertaken throughout both sites both at Clapham and Brixon.
The College also responded to Government requirements to provide on-site testing facilities on re-opening and ensured that all measures were put in place in line with government testing guidelines and requirements. The College has received limited levels of funding to support the direct costs of providing physical equipment (partitions) and testing staff.

Following the impact of National Lockdowns on the ability to deliver the ESFA and the GLA lowered delivery thresholds to 90% of grant funding provided. Lambeth College have delivered at this level for AEB funding (non-devolved). In the case of devolved funding, the GLA have allowed business cases' to be submitted and Lambeth College has been successful in retaining its funding. As a result no clawback adjustments have been made on main Grant funding received. In addition the College received from the GLA access to drawdown up to £473k of additional AEB funding, with the opportunity to continue to deliver this additional income during 2021-22 following the impact of further national lockdowns during 2020-21.

The College recorded £144k fall in commercial income compared to 19/20 which was also impacted by the pandemic (from March 2020). This represents a 95% loss of income in this area year on year. Similarly levels of income for nursery places fell by 20% year on year, with lower demand due to lockdown measures.

Financial Results

Group turnover before donations was £29.5m in the year to the end of July 2021. (2020: £28.4m). This includes revenue released of £4.1m from £13.75m of grant funding received from the ESFA in 2019.

The main changes in funding during the year to July 2021 are to 16-19 Grant Income and income from Local Authorities to support students with Educational Health Care Plans (EHCP's). National funding rates for 16-19 year old students were increased from September 2020 and the College received an additional £420k to deliver curriculum programmes for this student cohort. This increase (+6%) in funding was despite a decrease in funded numbers of 16-19 students, which reduced by 4% on previous year. (2020: also a 4.7% reduction in funded numbers to 2019).

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Income from Local Authorities to support student's with EHCP's increase in the year by £800k representing a significant increase to 2019/20 funding reported (+60%). This is a result of increasing demand in this area, where students with increasingly complex needs are being supported by the College. Lambeth College is committed to providing an inclusive learning environment.

Adult Education Funding is received directly from the ESFA and the GLA. Funding levels remained at similar levels to those reported for year ending July 2020.

Staff costs are reported for the group as £16.1m (2020: £16.2m), excluding the costs of subcontracted teaching, partnerships and agency staff. Other operating expenses before depreciation were £10.7m (2020: £9.5m). The increase in other operating expenses includes the cost of both procured and donated IT assets (£920k) that were distributed for students use.

Tangible fixed asset additions during the period amounted to £7m, principally including work on the new STEAM centre at Vauxhall and investment in IT network infrastructure (£1.1m).

Total creditors due within one year have decreased as at the 31 July 2021 to £10.1m compared to the 31 July 2020 comparative figure of £12.6m. Creditors due within one year includes accruals and deferred income of £5.1m (2020:£6.2m) and ESFA deferred grant income of £3.2m (2020:4.6m). ESFA deferred grant income due within one year, represents the remaining balance of the ESFA £13.75 million grant funding received and is expected to be fully utilised within 12 months.

The College reports a breakeven position for the 12 months ending 31st July 2021 following the release of £4.1m (2020: £4.8m) part of an ESFA grant of £13.75m received on the first day of the College trading within SBC. Without this the college would have delivered an equivalent £4.1m loss. The reported financial health for the period to the end of July 2021 was "Requires Improvement".

SW4 Catering Ltd delivered a break-even result (2020 £-, breakeven). These figures are included in the group figures in these financial statements.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place. Short term borrowing for temporary revenue purposes is authorised by the Chief Accounting Officer. All other borrowing requires the authorisation of the Board and shall comply with the requirements of the Financial Memorandum.

The College generated £1.1m in operating cash inflows in the year to 31 July 2021. The College spent £7.0m on investing activities in the year to 31 July 2021. The college ended the year with cash balances of £3.6m.

Reserves Policy

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation. As at the balance sheet date the Income and Expenditure reserve stands at a positive figure of £12.9m (2020: £10.2m). It is the College's intention to secure this position following best practice of LSBU as parent.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998 requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During 2020/21 39% (2020:47%) of suppliers were paid within 30 days of the invoice data. College Leadership has identified this as a key area requiring improvement in 2021/22.

College Companies

The College has two subsidiary companies SW4 (Catering) Limited (09125790) and South Bank Skills Limited (13286529 - dormant during the year 2020/21).

Future prospects

The ongoing Covid-19 situation brought a period of significant uncertainty with implications for enrolment. Looking forward the larger macroeconomic effect indicates the opportunity to further develop career led educational activities and engagement. The development of the new site at Vauxhall and the planned opening of the London South Bank Technical College in September 2022 brings with it the opportunity to increase the provision of Level 3 and 4 courses, with a planned roll out of HNC from September 2022. In July 2021 the College received approval from the DfE to deliver its first tranche of T levels from September 2023 and this will the first step in positioning the Technical College as a lead provider of T levels for South London. South Bank Colleges has ambitious plans for growth and is uniquely placed to benefit from being a member of the LSBU group, where progression pathways for educational development can be offered from Level 1 through to Level 5 within the Group. There is focus on rapidly expanding apprenticeship numbers to meet Group targets and student number targets as part of the conditions of the restructuring grant awarded by the Department for Education.

Financial Plan

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

Going Concern Assumption

The Group's activities, together with the factors likely to affect its future development, performance and position of the Group are set out in the Annual Report. The financial position of the Group, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. As reflected in these financial statements, the Group has recorded a break even position for the year ended 31 July 2021.

Trustees consider that the use of the Going Concern basis for the preparation of these financial statements is appropriate for the following reasons.
South Bank Colleges is a company limited by guarantee and a subsidiary by virtue of control by London South Bank University. The College has prepared cash flow forecasts for a period of at least 1 year from the date of approval of these financial statements.

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

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

Principal Risks and Uncertainties

The College Board has arrangements for managing risk and uncertainty. The College Leadership Group also considers risks which are identified during the year. A risk register is maintained at the College level which is reviewed termly by the Audit Committee and by the College Leadership Group. The risk register identifies significant risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. In the course of 2020/21 the College responded to the impact on Finance and HR systems of a cyber incident at LSBU that impacted College access to those systems. The college was without access to key systems for a number of months and put in place key measures to mitigate impact manually until systems were restored. The risk register was also reviewed in light of this instance, and updated accordingly.
Following the outbreak of Covid-19 an additional Covid-19 related risk register was developed for review and continued to be incorporated in 2020/21.

Equality

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

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

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

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

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

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

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

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

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

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

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Trade union facility time

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

Numbers of employees who were Trade Union officials during the relevant period	FTE employee number
8	**7.66**

Percentage of time	Number of employees
0%	**0**
1-50%	**8**
51-99%	**0**
100%	**0**

Total cost of facility time	**£35k**
Total pay bill	**£16,073k**
Percentage of total bill spent on facility time	**0.25%**

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

Disclosure of information to auditors

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

Approved by the Board of trustees of South Bank Colleges on 23rd November 2021 and signed on its behalf by:

Ruth Farwell.

Ruth Farwell
Chair

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Statement of Corporate Governance and Internal Control

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

This statement covers the period from 1 August 2020 to 31 July 2021 and up to the date of approval of the annual report and financial statements.

The SBC Board endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and has adopted the Code of good Governance for English Colleges ("the Code"). In the opinion of the Trustees, the Board acts with due regard to the provisions of the Code, and has done so for the year ended 31 July 2021. The Board recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

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

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

- Quality & Improvement
- Audit

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

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

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

Under the articles the Board is composed of the Accountable Officer, four trustees appointed by London South Bank University, three independent trustees appointed by the Board, one student trustee and one staff trustee. The Board has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board considers that each of its members, except the Accountable Officer, is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. During the year ending 31 July 2021 two trustees were also directors of SBC's parent company, London South Bank University (one trustee retired from the LSBU Board on 13 March 2021).

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

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South Bank Colleges Board

Since 1 August 2020 the following have been members of the South Bank Colleges Board:

Name	Appointed	End of Office	Term	Role	Committees
David Phoenix	1 Aug 2018		Ex officio	Accounting Officer	
Sue Dare	1 Oct 2018		4 years	Independent Trustee	Quality & Improvement Committee(Chair)
Andrew Owen	1 Feb 2019		4 years	LSBU appointed trustee, Vice Chair of the Board	Audit Committee (Chair)
Stephen Balmont	1 Feb 2019		4 years	LSBU appointed trustee	Audit Committee Remuneration Lead trustee
Shakira Martin	1 Feb 2019		4 years	Independent Trustee	Quality & Improvement Committee
Mee Ling Ng	1 Feb 2019		4 years	LSBU appointed trustee	Audit Committee
Nigel Duckers	12 Apr 2019		4 years	Staff Trustee	Quality & Improvement Committee
Ruth Farwell	7 May 2019		4 years	LSBU appointed trustee and Chair of the Board	
Adesewa Ogunyomi	9 Sept 2019	26 October 2020	Ex officio	Student Trustee	Quality & Improvement Committee
Theresa Quinton	27 October 2020	7 June 2021	Ex officio	Student Trustee	Quality & Improvement Committee
Moriam Folawiyo	10 June 2021		Ex officio	Student Trustee	Quality & Improvement Committee
Jacqui Dyer	6 May 2020		4 years	Independent Trustee	

Quality & Improvement Committee

The Quality & Improvement Committee comprises four members of the Board. The Committee operates in accordance with written terms of reference approved by the Board and available on the Lambeth College website. The Quality & Improvement Committee has overall responsibility delegated to it by the Board for monitoring and reviewing the quality of education provided by the College. It meets four times a year.

Audit Committee

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

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Internal Control

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in SBC for the period ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The SBC Board has reviewed the key risks to which the Company is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board.

The risk and control framework

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

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

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

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Review of effectiveness

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

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

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

The College Leadership Group receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded throughout the College. The College Leadership Group and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The SBC Board's business cycle includes a regular report for consideration of risk and control. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2021 meeting, the Board carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the College Leadership Group and internal audit, and taking account of events since 1 August 2020.

The Annual Internal Audit Report for 2020/21 produced by the internal auditors concluded that the College's risk management, control and governance processes and its arrangements for economy, efficiency and effectiveness are generally satisfactory with improvements required in some areas.

Approved by the Board on 23rd November 2021 and signed on its behalf by:

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

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Statement of Regularity, Propriety and Compliance

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

We confirm on behalf of the College, that after due enquiry, and to the best of our knowledge, we are not able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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

Ruth Farwell.

Ruth Farwell
Chair

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Professor David Phoenix
Accounting Officer

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Statement of Responsibilities of the Trustees of the College

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

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

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

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

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

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

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

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

Approved by the Board and signed on its behalf by:

Ruth Farwell.

Ruth Farwell
Chair

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Bank Colleges ("the College") for the year ended 31 July 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, Balance Sheets, Consolidated Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 July 2021, and of the Group's and the College's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

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

Fraud and breaches of laws and regulations – ability to detect

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To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

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

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

As required by auditing standards, and taking into account possible pressures to meet regulatory performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Adult Education grant income from the Education and Skills Funding Agency (ESFA) is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements..

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation of some of the Group’s fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual posting to suspense accounts.
- Sample testing of Adult Education and grant income and income from the ESFA received in the period 01 July 2021 to 31 October 2021 to determine whether income was recognised in the correct accounting period.
- Assessing significant accounting estimates for bias.

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

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

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

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

The potential effect of these laws and regulations on the financial statements varies considerably.
Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), taxation legislation, pensions legislation and specific disclosures required by post-16 education and skills legislation and

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regulation, charities legislation and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions for any claw back of grant funding provided by the ESFA. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety legislation, employment and social security legislation, anti-bribery and money laundering legislation, recognising the regulated nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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

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

Other information

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

- Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:
- we have not identified material misstatements in the other information; and
- in our opinion the information given in Trustees' Report and the Statement of Corporate Governance and Internal Control is consistent with the financial statements.
- Matters on which we are required to report by exception
- Under the Post-16 Audit Code of Practice 2020 to 2021 (March 2021) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent College; or
- the parent College's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.
- we have nothing to report in these respects.

Director's responsibilities

As explained more fully in their statement set out on page 17, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such

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internal control as it determines is necessary to enable the preparation of financial

statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent College or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

The Purpose of our Audit Work and to whom we owe our responsibilities

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

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

9 December 2021

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

In accordance with the terms of our engagement letter dated 11 February 2019 and further to the requirements and conditions of funding in ESFA grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by South Bank Colleges during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of South Bank Colleges and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Post-16 Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw our conclusion included:

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

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

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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

9 December

South Bank Colleges

Consolidated and College Statement of Comprehensive Income and Expenditure Year ended 31 July 2021

		CONSOLIDATED		COLLEGE	
		2021	**2020**	**2021**	**2020**
	Note	£'000	£'000	£'000	£'000
Income					
Tuition fees and education contracts	1	3,328	2,846	3,328	2,846
Funding body grants	2	25,422	24,969	25,422	24,969
Other income	3	762	573	762	573
Interest receivable	4	-	8	-	8
Total income before other grants and donations		**29,512**	**28,396**	**29,512**	**28,396**
Donations	5	722	541	722	541
Total income		**30,234**	**28,937**	**30,234**	**28,937**
Expenditure					
Staff costs	6	17,760	17,668	17,185	17,087
Other operating expenses	8	10,719	9,493	11,294	10,074
Depreciation	11	1,275	1,273	1,275	1,273
Interest and other finance costs	10	480	503	480	503
Total expenditure		**30,234**	**28,937**	**30,234**	**28,937**
Surplus before other gains and losses		-	-	-	-
Surplus before tax		**-**	**-**	**-**	**-**
Taxation		-	-	-	-
Surplus for the year		**-**	**-**	**-**	**-**
Actuarial (loss)/gain in respect of pension schemes and other movements	21	2,748	(6,073)	2,838	(6,073)
Total comprehensive income/(expenditure) for the year		**2,748**	**(6,073)**	**2,838**	**(6,073)**
Represented by:					
Unrestricted comprehensive income/(loss) for the year		**2,748**	**(6,073)**	**2,838**	**(6,073)**

All activities consist of continuing operations

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Consolidated and College Statement of Changes in Reserves
Year ended 31 July 2021

	Income and Expenditure Reserve	Total Reserves
Consolidated	£'000	£'000
Balance at 1 August 2019	**16,252**	**16,252**
Surplus/(deficit) from the income and expenditure statement	-	-
Other comprehensive expenditure	(6,073)	(6,073)
		-
Total comprehensive expenditure for the year	(6,073)	(6,073)
Balance at 1 August 2020	**10,179**	**10,179**
Surplus/(deficit) from the income and expenditure statement	-	-
Other comprehensive expenditure	2,748	2,748
		-
Total comprehensive income for the year	2,748	2,748
Balance at 31 July 2021	**12,927**	**12,927**
College		
Balance at 1 August 2019	**16,252**	**16,252**
Surplus/(deficit) from the income and expenditure statement	-	-
Other comprehensive expenditure	(6,073)	(6,073)
		-
Total comprehensive expenditure for the year	(6,073)	(6,073)
Balance at 1 August 2020	**10,179**	**10,179**
Surplus from the income and expenditure statement	-	-
Other comprehensive expenditure	2,748	2,748
		-
Total comprehensive income for the year	2,748	2,748
Balance at 31 July 2021	**12,927**	**12,927**

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South Bank Colleges

Consolidated and College Balance sheets
As at 31 July 2021

	Note	Consolidated 2021 £'000	Consolidated 2020 £'000	College 2021 £'000	College 2020 £'000
Non-current assets					
Tangible fixed assets	11	77,797	72,077	77,797	72,077
		77,797	72,077	77,797	72,077
Current assets					
Debtors	12	854	1,517	921	1,517
Cash and cash equivalents	16	3,584	2,497	3,584	2,497
		4,438	4,014	4,505	4,014
Creditors: amounts falling due within one year	13	(10,097)	(12,675)	(10,075)	(12,660)
Net current Liability		**(5,659)**	**(8,661)**	**(5,570)**	**(8,646)**
Total assets less current liabilities		**72,138**	**63,416**	**72,227**	**63,431**
Creditors: amounts falling due after more than one year	14	(31,663)	(24,448)	(31,663)	(24,465)
Provisions					
Pension provisions	15	(27,548)	(28,789)	(27,548)	(28,789)
Total net assets		12,927	10,179	13,016	10,177
Unrestricted Reserves					
Income and expenditure reserve		12,927	10,179	13,016	10,177
Total Reserves		12,927	10,179	13,016	10,177

The financial statements were approved by the Board of Trustees on 23 November 2021 and were signed and authorised on their behalf by:

Ruth Farwell (Chair)

Professor David Phoenix (Accounting Officer)

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Consolidated Statement of Cash Flows
Year ended 31 July 2021

	Note	2021 £'000	2020 £'000
Cash flow from operating activities			
Surplus for the year		-	-
Adjustment for non cash items			
Depreciation	11	1,275	1,273
Interest payable		480	503
Decrease/(increase) in debtors		663	(562)
Increase in creditors		2,715	1,438
Pension costs less contributions payable		1,237	1,115
Decrease in provisions		(210)	(595)
Adjustment for investment or financing activities			
Interest receivable		-	8
Net cash inflow from operating activities		**6,160**	**3,180**
Cashflows from investing activities			
Payment to acquire tangible and intangible fixed assets		(5,073)	(2,064)
Increase in cash and cash equivalents during the year		**1,087**	**1,116**
Cash at bank and on deposit at the start of the year		2,497	1381
Cash at bank and on deposit at the end of the year		3,584	2,497

Analysis of Changes in Net Debt	**at 1 August 2020** **£'000**	**Cashflows** **£'000**	**Other non-cash changes** **£'000**	**at 31 July 2021** **£'000**
Cash at bank and on deposit	**2,497**	**1,087**	**-**	**3,584**

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NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

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

Basis of preparation
These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), the College Accounts Direction for 2020 to 2021 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the college's accounting policies.

Consolidation of accounts

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

Going Concern
The Group's activities, together with the factors likely to affect its future development, performance and position of the Group are set out in the Annual Report. The financial position of the Group, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes. As reflected in these financial statements, the Group has recorded a breakeven position for the year ended 31 July 2021.

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

South Bank Colleges is a company limited by guarantee and a subsidiary by virtue of control byLondon South Bank University. The College has prepared cash flow forecasts for a period of atleast 1 year from the date of approval of these financial statements.

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

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

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Recognition of Income

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

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

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

Post-Retirement Benefits

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

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 22, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

The College has a defined contribution pension scheme for employees of the subsidiary company SW4 Catering Ltd. From April 2021, the LPFA pension scheme is closed to new non-teaching staff and those staff are entitled to join the defined contribution scheme. The College pays contributions into a separate legal entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

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

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

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

Tangible Fixed Assets

Land and Buildings

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

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 10 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

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

Assets under Construction

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

Subsequent Expenditure on existing Fixed Assets

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

Market value of the fixed asset has subsequently moved;

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

Equipment

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

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

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

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

Leased Assets
Costs in respect of operating leases are charged on a straight-line basis over the lease term.

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

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

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

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

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Provisions

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

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and

expenditure account and are shown separately in note 20, except for the 5 per cent of the grant received which is available to the College to cover administration costs relatingto the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

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

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

- *Local Government Pension Scheme*

  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate, salary pension and price increases. Any changes in these assumptions, which are disclosed in note 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 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. 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.

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	Consolidated		College	
	2021	2020	2021	2020
1. **Tuition fees and education contracts**	£'000	£'000	£'000	£'000
Adult education fees	258	336	258	336
Adult Education Fees : loan supported courses	798	998	798	998
Education contracts	2,272	1,512	2,272	1,512
	3,328	**2,846**	**3,328**	**2,846**

2. **Funding Body Grant**	Consolidated		College	
	2021	2020	2021	2020
Recurrent grants	£'000	£'000	£'000	£'000
Education and Skills Funding Agency - adult	1,320	1,285	1,320	1,285
Greater London Authority - Adult funding	9,512	9,422	9,512	9,422
Education and Skills Funding Agency – 16 -18	7,124	7,554	7,124	7,554
Education and Skills Funding Agency - apprenticeships	248	349	248	349
Specific grants				
Education Skills and Funding Agency - Bursary	496	557	496	557
Teachers Pension Grant	348	339	348	339
Education Skills and Funding Agency - Other Grants	1,889	227	1,889	227
Releases of Restructuring Grant Facility	4,175	4,926	4,175	4,926
Releases of government capital grants	310	310	310	310
	25,422	**24,969**	**25,422**	**24,969**

	Consolidated		College	
	2021	2020	2021	2020
3. **Other income**	£'000	£'000	£'000	£'000
Residence and catering income	5	34	5	34
Other income	757	539	757	539
	762	**573**	**762**	**573**

	Consolidated		College	
	2021	2020	2021	2020
4. **Interest Receivable**	£'000	£'000	£'000	£'000
Interest receivable	-	8	-	8
	-	**8**	**-**	**8**

	Consolidated		College	
	2021	2020	2021	2020
5. **Donations**	£'000	£'000	£'000	£'000
Unrestricted donations	722	541	722	541

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

Notes to the accounts
Year ended 31 July 2021

6. Staff

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

	Consolidated	
	2021	2020
Teaching staff	139	118
Non teaching staff	179	199
	318	**317**

	Consolidated		College	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Wages and salaries	13,089	13,320	12,569	12,791
Social security costs	1,147	1,172	1,109	1,127
Employers' pension contributions	1,837	1,713	1,820	1,706
Payroll sub total	**16,073**	**16,205**	**15,498**	**15,624**
Contracted out staffing services	1,434	1,312	1,434	1,312
	17,507	17,517	16,932	16,936
Fundamental restructuring costs contractual	253	151	253	151
	17,760	**17,668**	**17,185**	**17,087**

7. Remuneration of Board of Tustees and higher paid employees

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Accounting Officer and College Leadership Team which comprises the Executive Principal, Chief Financial Officer, Deputy Principal Curriculum and Quality, Assistant Principal Curriculum and Innovation, Assistant Principal Curriculum and Student Success and Head of MIS.

Determining pay of senior staff

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

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

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

	2021	2020
The number of key management personnel including the Accounting Officer was:	7	7

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

	Senior Staff		Other staff	
	2021	2020	2021	2020
	No.	No.	No.	No.
£30,000 to £40,000	1	-	-	-
£50,000 to £55,000	1	-	-	-
£60,000 to £65,000	1	1	2	-
£65,001 to £70,000	1	-	-	-
£70,001 to £75,000	2	2	-	-
£80,001 to £85,000	-	1	-	-
£115,001 to £120,000	1	2	-	-
	7	**6**	**2**	**-**

FTE for key management staff is 6 (2020 6).

Key management personnel compensation is made up as follows:

	2021	2020
	£'000	£'000
Salaries	477	533
Pension contributions	104	104
	581	**637**

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

The above compensation includes amount paid to the Executive Principal who is the highest paid member of staff of:

	2021	2020
	£'000	£'000
Salary	119	118
Performance related pay award	-	-
Taxable benefits	-	-
Pension scheme contributions or payments in lieu of pension contributions	29	28
	148	**146**

Compensation above relates to their role as Executive Principal of South Bank Colleges. Renumeration of £6k was also received in their role of PVC Education at London South Bank University (2020: £17k).

The Accounting Officer draws no salary from the College.

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

	2021	2020
Executive Principal's basic salary as a multiple of the median of all staff	3.4	3.4
Executive Principal's total remuneration as a multiple of the median of all staff	4.2	4.2

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

Notes to the accounts
Year ended 31 July 2021

	Consolidated		College	
	2021	2020	2021	2020
8. Other operating expenses	**£'000**	**£'000**	**£'000**	**£'000**
Direct Teaching costs	5,442	3,048	5,442	3,048
Non teaching costs	3,502	4,333	3,499	4,331
Premises costs	1,775	2,112	2,353	2,695
	10,719	**9,493**	**11,294**	**10,074**

Direct teaching costs include the costs of services delivered to the College by Subcontractors and Partners of £2.8m (£2.3m:2020).

Other operating expenses are stated after charging:

		Consolidated		College	
		2021	**2020**	**2021**	**2020**
		£'000	**£'000**	**£'000**	**£'000**
Auditors' remuneration					
External audit	KPMG LLP	52	51	50	49
other services	KPMG LLP	9	9	9	9
Other services	BDO	9	9	9	9
Rentals under operating leases: Plant and machinery		36	51	36	51
Notional rent charge matched by notional income for Brixton Campus		541	541	540	541

External audit fees, exclusive of irrecoverable VAT, was £52,000 for statutory audit and £9,000 for audit related assurance services.

9. Taxation

The members do not believe the College was liable for any corporation tax arising out of its activities during either the current or prior year.

The College holds 100% of the issued £1 ordinary shares in SW4 Catering Ltd (incorporated on 10 July 2014, Company Number 09125790) whose principal business activities are catering, cleaning and security. The company has been trading since August 2014 and is consolidated within these financial statements. The subsidiary company was incorporated in England and Wales and the shares were purchased at par and are carried at cost. Total cost of shares held is £1.

Any profits made by the subsidiary are donated to the College and would attract no corporation tax.

	Consolidated		College	
	2021	2020	2021	2020
10. Interest and other finance costs	**£'000**	**£'000**	**£'000**	**£'000**
Net charge on pension scheme	480	503	480	503
	480	**503**	**480**	**503**

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11. Tangible fixed asssets (Consolidated)

	Freehold land	Freehold buildings	Long leasehold land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Fixed assets total
Cost or valuation				**£'000**	**£'000**	**£'000**
At August 2020	24,600	41,125	2,458	1,196	4,972	**74,351**
Additions					6,995	**6,995**
Disposal						**-**
Transfer						**-**
At 31 July 2021	24,600	41,125	2,458	1,196	11,967	81,346
Depreciation						
At August 2020	-	(1,523)	(75)	(676)	-	(2,274)
Charge for the year		(831)	(50)	(394)		(1,275)
Disposals						-
At 31 July 2021	-	(2,354)	(125)	(1,070)	-	(3,549)
Net book value						
At 31 July 2021	**24,600**	**38,771**	**2,333**	**126**	**11,967**	**77,797**
At 31 July 2020	24,600	39,602	2,383	520	4,972	72,077

Tangible fixed assets (College)

	Freehold land	Freehold buildings	Long leasehold land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Fixed assets total
Cost or valuation				**£'000**	**£'000**	**£'000**
At August 2020	24,600	41,125	2,458	1,196	4,972	**74,351**
Additions				-	6,995	**6,995**
Transfer						**-**
At 31 July 2021	24,600	41,125	2,458	1,196	11,967	81,346
Depreciation						
At August 2020	-	(1,523)	(75)	(676)	-	(2,274)
Charge for the year		(831)	(50)	(394)		(1,275)
Disposals						-
At 31 July 2021	-	(2,354)	(125)	(1,070)	-	(3,549)
Net book value						
At 31 July 2021	**24,600**	**38,771**	**2,333**	**126**	**11,967**	**77,797**
At 31 July 2020	24,600	39,602	2,383	520	4,972	72,077

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12. Debtors: amounts falling due within one year

	Consolidated		College	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Trade debtors	650	564	650	564
Amounts owed by group undertakings	-	-	67	-
Other debtors	49	50	49	50
Prepayments and accrued income	155	903	155	903
	854	**1,517**	**921**	**1,517**

13. Creditors: amounts falling due within one year

	Consolidated		College	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Trade creditors	448	910	448	910
Other creditors	448	91	448	91
Social security and other taxation payable	560	527	542	514
Accruals and deferred income	5,077	6,233	5,073	6,231
Deferred income - government capital grants	310	310	310	310
Deferred grant	3,254	4,604	3,254	4,604
	10,097	**12,675**	**10,075**	**12,660**

14. Creditors: amounts falling due after more than one year

	Consolidated		College	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Other creditors	-	-	-	-
Deferred income - government capital grants	14,194	8,226	14,194	8,226
Deferred grant	188	3,016	188	3,016
Amounts owed to group undertakings (LSBU Creditor)	17,281	13,206	17,281	13,223
	31,663	**24,448**	**31,663**	**24,465**

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

	Consolidated		College	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Government capital grants	14,504	8,536	14,504	8,536

15. Provisions for liabilities: Consolidated and College

	Defined benefit obligation	Enhanced pension	Total
	£'000	£'000	£'000
Balance at 1 August 2020	26,959	1,830	28,789
Charged to comprehensive income and expenditure	(1,140)	(101)	(1,241)
Balance at 31 July 2021	**25,819**	**1,729**	**27,548**

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

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

16. Cash and cash equivalents

	at 1 August 2020	Cashflows	at 31 July 2021
Consolidated	£'000	£'000	£'000
Cash at bank and on deposit	2,497	1,087	3,584

17. Capital commitments

Provision has not been made for the following capital commitments as at 31 July 2021

	Consolidated and College	
	2021	2020
	£'000	£'000
Commitments contracted at 31 July	28,012	20,860

18. Contingent liabilities

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

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

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19. Lease obligations

At 31 July 2021 the College was committed to making the following future minimum lease payments in respect of operating leases on IT equipment

	Consolidated and College	
	2021	2020
	£'000	£'000
Expiring within one year	40	16
Expiring within two and five years	58	-
Expiring in over five years	-	-
	98	16

20. Amounts disbursed as agents

	Consolidated		College	
	2021	2020	2021	2020
Learner support funds	£'000	£'000	£'000	£'000
Balance at 1 August	62	-	62	-
Acquired at 1 February 2019	-	-	-	-
24+ bursary	705	1,129	705	1,129
Disbursed to students	(691)	(1,067)	(691)	(1,067)
Administration costs	20	-	20	-
Balance unspent as at 31 July, included in creditors	96	62	96	62

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

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21 Pension Arrangements

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

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

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

Total pension cost for the year	**2021 £'000**		**2020 £'000**	
Teachers Pension Scheme: contributions paid		1,146		1,141
Local Government Pension Scheme:				
Contributions paid	(703)		(745)	
FRS 102 (28) charge	3,099		2,599	
Charge to the Statement of Comprehensive Income		2,396		1,854
Enhanced pension charge to Statement of Comprehensive Income		101		235
Defined Contribution Scheme		8		7
Total Pension Cost		3,651		3,237

Teachers' Pension Scheme

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

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

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

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

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

Department for Education (the Department in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

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As a result of the valuation, new employer contribution rates were set at 23.68% (2020: 16.48% in August 2019 then 23.68% from September 2019). DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

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

The pension costs paid to TPS in the period amounted to £1,146,345 (2020: £1,140,658).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pensions Fund Authority. The total contribution made for the year ended 31 July 2021 was £980,000 (2020: £819,598), of which employer's contributions totalled £703,000 (2020: £564,902) and employees' contributions totalled £277,000 (2020: £254,697). At 31 July 2021 there were 145 staff in the scheme (2020: 143). Contribution rates during the year were 16.3% (2020: 13.5% until 31st March 2020 then 16.30% from 1st April 2020) for employers and range from 5.5% to 12.5% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.
For UK DB pension schemes it is common to set long term RPI inflation based on long term gilt market-implied expectations (known as "break even RPI"), often less an inflation risk premium to allow for supply/demand factors, and for long term CPI inflation to be set with reference to RPI inflation less a "wedge" reflecting established differences in index construction, as there is no deep-market in CPI-linked instruments. On 4 September 2019, the UK Chancellor and the UK Statistics Authority jointly published correspondence confirming that: a public consultation to amend the flawed RPI index would start in January 2020 (subsequently postponed to March 2020 and ended on 21 August 2020), there would be no change to RPI until 2025 at the earliest, and The UK Statistics Authority could change RPI from 2030 without government consent, and their intention is to align RPI to CPIH (CPIH is CPI with allowance for housing costs; the two are assumed to be similar over the long term). Following these announcements the derivation of the CPI assumption has changed at 31 July 2020. Based on the sensitivity information provided by Fund Actuary, the impact of the chnages on approach when setting the CPI assumption is expected to have a £2,777k increase in the DBO (made up on a reduction of £3,325k from the change in IRP and an increase of £6,102k from the change in RCP-CPI wedge).

	Year ended 31 July 2021	**Year ended 31 July 2020**
Rate of increase in salaries	3.00%	3.00%
Future pensions increases	2.80%	2.25%
Discount rate for scheme liabilities	1.60%	1.50%

Life expectancy

Notes to the accounts
Year ended 31 July 2021

The scheme actuaries have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables have been based on Club Vita analysis. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.
The allowance for future improvements has been updated from the CMI 2018 model to the CMI 2020 model to reflect the latest available industry data at the balance sheet date. Assumption for the long term rate of mortality improvements has been maintained as 1.25% p.a, default smoothing parameter and initial addition parameter of 0.5%. The Fund Actuary has allowed for a weighting of 25% using 2020 mortality experience. The proposed assumption for future mortality improvements is considered as best estimate of the future cashflows that will arise under the plan, consistent with the requirements of FRS 102.28.16.
The Fund Actuary has not provided an impact of this in isolation, but has confirmed that the impact of changes to demographic assumptions was a decrease in the DBO of £847k. As there are no other significant changes to the demographic assumptions, the majority of this will be in respect of the allowance for 25% 2020 weighting factor. Given the inherent uncertainty of the COVID-19 impact, it is too soon to apply an explicit adjustment to the Fund's mortality assumption. In particular, it remains to be seen how this updated approach is applied consistently from period to period, especially once the longer term effects of COVID-19 are known.

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

		Year ended 31 July 2021 (after CMI_2020	**Year ended 31 July 2021** (before CMI_2020	**Year ended 31 July 2020**
		Years	**Years**	**Years**
Retiring today	Males	21.60	21.90	21.80
	Females	24.10	24.30	24.20
Retiring in 20 years	Males	22.80	23.30	23.20
	Females	25.40	25.50	25.40

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

	%	**Fair Value at 31 July 2021 £'000**	**%**	**Fair Value at 31 July 2020 £'000**
Equities	56%	28,237	54%	23,549
Target return portfolio	22%	10,868	23%	10,385
Infrastructure	9%	4,410	7%	3,018
Property	8%	4,198	9%	4,041
Cash	5%	2,604	7%	2,962
Total market value of assets	100%	50,317	100%	43,955

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

	31 July 2021 £'000	**31 July 2020 £'000**
Fair value of plan assets	50,317	43,955
Present value of plan liabilities	(75,702)	(70,453)
Present value of unfunded liabilities	(434)	(461)
Net pensions (liability)/asset (Note 15)	**(25,819)**	**(26,959)**

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

	31 July 2021 £'000	31 July 2020 £'000
Amounts included in staff costs		
Current service cost	1,940	1,394
Past service cost	-	-
	1,940	1,394
Amounts included in investments income		
Net interest income on the defined liability	456	460
Amounts recognised in other comprehensive income		
Return on pension plan assets	6,112	(121)
Experience losses arising on defined benefit obligations	1,439	334
Changes in assumptions underlying the present value of plan liabilities	(5,565)	(5,604)
Changes in demographic assumptions	847	(389)
Other actuarial gains/(losses) on assets		(450)
	2,833	(6,230)

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

	31 July 2021 £'000	31 July 2020 £'000
Surplus/(deficit) in scheme at 1 August	(26,959)	(19,620)
Acquisition of LCC assets and liabilities at 31 January 2019	-	-
Movement in year:		
Current service cost	(1,940)	(1,394)
Employer contributions	703	745
Past service cost	-	-
Unfunded pension payments	31	31
Net interest on the defined (liability)/asset	(456)	(460)
Actuarial gain or loss	2,833	(6,230)
Settlement and curtailments	(31)	(31)
Net defined benefit (liability)/asset at 31 July	(25,819)	(26,959)

Asset and Liability Reconciliation	31 July 2021 £'000	31 July 2020 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	70,914	63,728
Current Service cost	1,940	1,394
Interest cost	1,056	1,325
Contributions by Scheme participants	277	254
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	5,565	5,604
Change in demographic assumptions	(847)	389
Experience loss/(gains) on defined benefit obligations	(1,439)	(334)
Estimated benefits paid	(1,299)	(1,415)
Past Service cost including curtailments	-	-
Unfunded pension payments	(31)	(31)
	76,136	**70,914**

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Defined benefit obligations at end of period

Reconciliation of Assets

Fair value of plan assets at start of period	43,955	44,108
Interest on plan assets	657	922
Return on plan assets	6,112	(121)
Other acturial gains/(losses)		(450)
Employer contributions	703	745
Contributions by Scheme participants	277	254
Estimated benefits paid	(1,330)	(1,446)
Administration expenses	(57)	(57)
Assets at end of period	**50,317**	**43,955**

Sensitivity analysis	**31 July 2021**	**31 July 2021**	**31 July 2021**
	£000s	**£000s**	**£000s**
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	74,651	76,136	77,651
Projected service cost	2,140	2,218	2,298
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	76,216	76,316	76,056
Projected service cost	2,219	2,218	2,216
Adjustment to pension increases and deferred revaluati	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	77,551	76,136	74,747
Projected service cost	2,297	2,218	2,141
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**- 1 Year**
Present value of total obligation	79,719	76,136	72,718
Projected service cost	2,319	2,218	2,120

National Employment Savings Trust (NEST) and AVIVA

London South Bank University Group Defined Contribution Scheme: The College provides a defined contribution pension scheme, through Aviva, for employees of SW4 Catering Ltd and, from 1st April 2021, for new professional services staff employed by South Bank Colleges. At 31 July 2021 the College Group had 20 members participating in the scheme. The College Group's contribution to the Aviva scheme for the year ending 31 July 2021 was £23,952 (2020: £nil) and employer's contribution rates ranged from 8%-10%. Pension contributions payable at 31 July 2021 were £6,918 (2020: £nil).

NEST: The College Group provided a defined contribution scheme through NEST for employees of SW4, a subsidiary of South Bank Colleges. At 31 July 2021 there were no staff in the scheme (2020:13), with members being transferred to the London South Bank University Defined Contribution scheme from 1st April 2021. Employer contribution to the NEST scheme for the year ending 31 July 2021 was £4,637 (2020:£7,448) and employer contributions were 3%. Pension contributions payable at 31 July 2021 were £nil (2020:£1,211).

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22 Related party transactions

The accounts of SW4 Catering Limited, a wholly owned subsidiary, are incorporated into these financial statements. During the year intercompany trading amounted to £577,000 (2020:£583,000).
South Bank Skills Ltd, a wholly owned subsidiary of SBC, was incorporated 23rd March 2021. During the year there were no transactions between the two companies other than the purchase of share capital £1.

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

During the year, two Trustees were also Trustees of London South Bank University, of which South Bank Colleges is a subsidiary. Purchase transactions in commercial terms for the period amounted to £2,056k (2020: £94k) and there was £17,281k (2020: £13,206k) outstanding at period end as shown as amount owed to group undertakings in note 14. During the period the College borrowed £2m (2020: £3.95m) from LSBU, part of a £13.75m funding grant received from the ESFA. A Govenor is a Cabinet Member for Lambeth Council. During the year the College invoiced £1.39m of income in relation to higher needs funding and other support.