

The logo for Stanmore College, featuring the words "stanmore" and "college" in a lowercase, sans-serif font. The text is white and set against a dark, textured rectangular background.

stanmore  
college

**STANMORE COLLEGE**

**Report and Financial Statements for the Year  
Ended 31 July 2018**

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# **Stanmore College**

## **Report of the Members of the Governing Body for the Period from 1 August 2017 to 31 July 2018.**

**The members present their report and the audited financial statements for the year ended 31 July 2018.**

### **NATURE, OBJECTIVES AND STRATEGIES**

The members present their report and the audited financial statements for the year ended 31 July 2018.

#### **Legal status**

The Governing Body was established under the Further and Higher Education Act 1992 for the purpose of conducting Stanmore College. Stanmore College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

#### **Mission**

Governors reviewed the College's mission during for 2017/18 and adopted the mission statement as follows:

*"Our vision is to ensure that all students will develop the skills and knowledge they need to achieve qualifications and progress into higher-level courses or employment.*

*All students and staff will enjoy their time and be proud of being members of the college."*

#### **Public Benefit**

Stanmore College is an exempt charity under the Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 15.

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

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

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

The delivery of public benefit is covered throughout the Members Report.

### **Implementation of strategic plan**

In October 2017, the Board of Governors approved a revised strategic plan, having had an Ofsted inspection. Strategic objectives were reviewed and agreed to deliver:

1. *Ensuring excellent learning, teaching and assessment leading to high student achievement.*
2. *Excellent support providing a high level of satisfaction for students and stakeholders.*
3. *Organisational excellence in all that we do.*
4. *Ensuring a sustainable future for the college through successful and appropriate collaboration.*
5. *Establishing sound financial health.*

### **Financial objectives and performance indicators**

Stanmore College wishes to remain in the financial health category of good or better to achieve the following strategic objectives with the best financial impact possible to:

- maximise student performance on all measures
- develop a high quality, professional workforce
- embrace and use technology effectively in all areas of the College's work
- maximise the College's financial resources in order to invest in change to meet the needs of our learners.

The financial objectives are to maintain long term, sustainable financial viability for Stanmore College. This will enable:

- The delivery of programmes outlined in the College's Strategic Plan;
- The ability to fund further improvement in the quality of accommodation for learners and staff; and
- The improvement of IT and non-IT equipment for learners and staff.

Financial objectives will be measured as follows:

1. Reduce the planned financial deficit for 2017/18 and achieve at least a 'Good' Financial Health rating by the SFA definition
2. Develop accurate financial models that take account of the lagged funding faced by the College in the next academic year.
3. Produce a financial plan for staff cost savings that will account for a projected fall in income.
4. Continue with monthly budget meetings between the Deputy Principal Finance & Planning and budget holders to monitor the budgets. Ensuring the College at least achieves the targets for the seven key financial ratios as shown in the table below:

	<b>College Outturn 2017-18</b>	<b>College Target 2017-18</b>	<b>College Target 2018-19</b>	<b>AoC College Benchmark 2014-15</b>
Current ratio	2.25:1	2.54:1	3.21:1	1.35:1
Cash days in hand	79 days	139 days	128 days	69 days
Operating surplus/(deficit) to income	-9.57%	-8.04%	1.46%	-0.87%
Borrowing to income	25.71%	29.17%	23.19%	23.41%
Staff costs to income	72.73%	75.73%	69.32%	63.54%
Diversity of income	8.55%	7.82%	7.06%	26.96%
Financial Health (SA)	Satisfactory	Good	Outstanding	-

## **FINANCIAL POSITION**

### **Financial results**

The College generated an operating deficit in the year of £862,000 (2016/17 – deficit of £260,000).

The College has accumulated reserves of £10.012 million 2017/18 and £3.715 million - Restated for 2016/17. The cash balances have moved to £1,875,000 from (2016/17: £2,965,000). The College wishes to continue to manage reserves and cash balances in order to manage its solvency through challenging times ahead.

Tangible fixed asset additions during the year amounted to £380,000. This was split between land and buildings £181,000 and equipment purchased of £199,000.

The College has significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2017/18 the funding bodies provided 92% of the College's total income.

### **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.

### **Cash flows**

Cash outflow for operating activities was £381,000 (2016/17: £355,000 - Inflow). The net cash outflow resulted from capital expenses of £373,000 (2016/17: £286,000).

## **Liquidity**

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow.

## **Reserves Policy**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. The College reserves include £nil held as restricted reserves. As at the balance sheet date the Income and Expenditure reserve stands at £2,281,000 (2017: £1,665,000 - Restated). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Financial health**

The College had planned to at least maintain the self-assessed Financial Health of 'Good' for 2017-18. This rating has been confirmed as 'Satisfactory' by the ESFA and is in line with loan covenants.

### **Student numbers**

In 2017/18 the College has delivered activity that has produced £8.72 million in funding body main allocation funding (2016/17 – £8.84 million). The College had approximately 2,530 (2016/17 – 2321) funded and non-funded students.

### **Student achievements**

The majority of students do well at the College and achievement rates rose by 6.1% to 87.1% in 2017/18 showing a continued improvement trend. Plans are in place for some areas where further action is required, particularly in the achievement of Maths and English qualifications.

### **Curriculum developments**

The College has a 16-18 learner base and EFA funding accounted for 80% of the total grant in 2017/18. The majority of provision for 16-19 year olds is vocational and of that, the majority is at level 3.

Adult provision breaks down into English, Maths and ESOL, professional updating and Access to HE as well as a significant offer for job seekers in 17/18.

The College also offers foundation degrees and BA Honours in Integrated Childcare in conjunction with the University of West London and degree programmes from the University of Portsmouth.

## **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2017 to 31 July 2018, the College paid 96.1 per cent of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

## **Events after the end of the reporting period**

There are no significant events to report on after the end of the reporting period.

## **Future projects**

The College has consolidated its efforts on the improvement of the quality of delivery for learners which is proving very successful. The College will continue to invest in the maintenance and minor refurbishments for both learners and staff of the College but has no major capital plans to engage for the future at the end of the financial year.

## **RESOURCES:**

The College has various resources that can be deployed in pursuit of its strategic objectives.

### Resources

Tangible resources include the re-furbished and new buildings with state of the art technology.

### Financial

The College has £10,012,000 of net assets (including £1.083 million pension liability) and long term debt of £1.99 million. The net assets figures have been stated in accordance with FRS102.

### People

The College employs 141 people (expressed as full time equivalents), of whom 71 are teaching staff. The College completed a restructuring exercise in the summer of 2016 as part of the drive to improve efficiency of delivery. A further restructure of the College was carried out in Easter of 2017 which focussed on accountability and responsibility.

### Reputation

The College has a good reputation locally and nationally and several partnerships which positively impact on college provision. These include many local companies and charities. Maintaining a quality brand is essential for the College's success in attracting students and external relationships.



## **PRINCIPAL RISKS AND UNCERTAINTIES:**

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The College intends to develop further its capacity to manage risk during the forthcoming financial year.

~~A risk register is maintained at the College level which is reviewed termly by the Audit Committee and the Board of Governors. The risk register identifies the key 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. This is supported by a risk management training programme to raise awareness of risk throughout the College.~~

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

### **1. Government funding**

The College has considerable reliance on continued government funding through the further education sector funding bodies. In 2017/18, over 91% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding:

- Reductions in the funding rate or other methods of determining 16-18 allocations as a result of Comprehensive spending review
- Lower than expected recruitment of 16-18 students
- 19+ funding reducing every year and the Devolution of 19+ funding
- Focus on apprenticeships

These risks are in part mitigated in a number of ways:

- By putting into place strategies to improve the quality of education and training at the college
- Curriculum changes to respond to national priorities and labour market intelligence
- Impact assessment of national policies and influencing strategy
- Development of Strategic Business Intelligence

## **2. Tuition fee policy**

Ministers have confirmed that the fee assumption remains at 50%. In line with the majority of other colleges, Stanmore College will seek to increase tuition fees in accordance with the fee assumptions. The risk for the College is that demand falls off as fees increase. This will impact on the growth strategy of the College.

This risk is mitigated in a number of ways:

- By ensuring the College is rigorous in delivering high quality education and training, thus ensuring value
- for money for students
- Close monitoring of the demand for courses as prices change

## **3. Maintain adequate funding of pension liabilities**

The financial statements report the share of the Local Government Pension Scheme deficit on the College's balance sheet in line with the requirements of FRS 102.

This risk is mitigated by an agreed deficit recovery plan with the London Borough of Harrow LGPS.

## **4. Failure to maintain the financial viability of the College**

The College's current financial health grade is classified as "Satisfactory" as described above. The continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing cuts in public sector spending whilst maintaining the student experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies

The College's financial health is expected to return to "Good" in 2018-2019 following implementation of approved efficiency plans.

## **Stakeholder Relationships**

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

- Students;
- Education sector funding bodies;
- Staff;
- Local employers;
- Local authorities;
- Government Offices/ Regional Development Agencies/LEPs/ Professional bodies;

- The local community;
- Other FE institutions;
- Trade unions;

The College recognises the importance of these relationships and engages in regular communication with them through a number of channels, such as College web site, employer forums, contract/bidding sessions, 1-2-1 meetings with key personnel and plans on engendering more collaboration with stakeholders in future.

## **Equality**

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. This policy is resourced, implemented and monitored on a planned basis. The College's Equal Opportunities Policy is published on the College's Intranet site.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College is a 'Positive about Disabled' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees. The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff.

The College has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

## **Disability statement**

Stanmore College seeks to achieve the objectives set down in the Disability Discrimination Act 2000 and in particular has addressed the following:

- a) as part of the redevelopment of the buildings it has installed lifts and ramps and most of the facilities allow access to people with a disability;
- b) there is a list of specialist equipment, such as lighting for audio facilities, which Stanmore College can make available for use by students;
- c) the admissions policy for all students is described in the Admissions Policy. Appeals against a decision not to offer a place are dealt with under the complaints procedure;
- d) Stanmore College has made a significant investment in the appointment of specialist staff to support students with learning difficulties and/or disabilities.

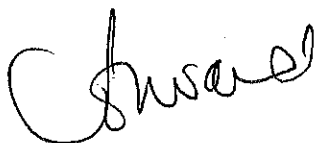
There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities;

- e) Counselling and welfare services are described in the student charter.

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

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

Approved by order of the members of the Governing Body on 18 December 2018 and signed on its behalf by:



J Howard

Chairman

18 December 2018

## **Professional Advisers**

### **Financial Statement Auditors:**

MHA MacIntyre Hudson  
New Bridge Street House  
30 – 34 New Bridge Street  
London  
EC4V 6BJ

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### **Internal Auditors:**

RSM Risk Assurance Services LLP  
25 Farringdon St,  
London  
EC4A 4AB

### **Bankers:**

Barclays Bank PLC  
One Churchill Place  
London  
E14 5HP

### **Solicitors:**

Doyle Clayton  
Level 10  
1 Canada Square  
London E14 5AA

## **Statement of Corporate Governance and Internal Control**

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code ("the Code") issued by the FRC in June 2010. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);  
in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- ii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College has adopted and complied with the Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2018. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

At its meeting of 30 June 2015, the Board agreed to adopt the new Code of Good Governance and an action plan to ensure full compliance was formulated.

### **The Corporation**

The members, who served the Corporation during the year and up to the date of signature of this report, were as follows:

#### **Committees**

1 RESOURCES  
2 CURRICULUM & QUALITY  
3 GOVERNANCE & SEARCH

4 REMUNERATION  
5 AUDIT & ASSURANCE

Name of member	Date of current Appointment	Term of Office	Date of Resignation/ expiry of term of office	Status of Appointment	Committees Served In 2017/18	Attendance %
Mr J Howard	July 2017	4 Years		Independent Governor	1,3,4 Chair from 01.08.15	100
Mr T Awofolaju	March 2015	4 Years		Independent Governor	1	88
Mrs D Barratt	July 2016	4 Years		Independent Governor	2,3,4	91
Mrs S Noonan	Principal	N/A		N/A	1,2,3	100
Dr T Butland	July 2017	4 Years		Independent Governor	2,3,4	91
Cllr J Lammiman	July 2018	4 Years		Independent Governor	5	86
Rabbi G Schulman	May 2017	4 years		Independent Governor	2	57
Mr V Paul	July 2018	4 years		Independent Governor	1,3	73
Cllr M Ashton	March 2018	4 years		Independent Governor	5	75
Mr S Bhandari	July 2018	4 years		Independent Governor		100
Mr M Cooper	July 2018	4 years		Independent Governor		100
Ms S Starkie	Oct 2014	4 Years		Staff Governor	5	100
Mr A Azum	July 2018	4 years		Staff Governor		100
Ms N Cudjoe-Jones	Dec 2017	1 year		Student Governor		
Ms A Hall	Dec 2017	1 year		Student Governor		
Cllr C Bednell	July 2016	4 Years	Dec 2017	Independent Governor	1	0
Mr S Gerver	August 2015	4 years	March 2018	Independent Governor	3,5	100
Mr R Lutaaya	July 2014	4 Years	July 2018	Independent Governor	2	16
Mrs A Woolcock	Sept 2013	4 years	May 2018	Staff Governor	2	71
Mrs Dawn Brown acted as Clerk to the Corporation (resigned July 2018) Naomi Shoffman was appointed as Clerk to the Corporation in August 2018						
Overall Attendance 2017-18 = 82%						

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

The Board of Governors 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 of Governors meets each term. Chairs of all committees receive management accounts on a monthly basis.

The Board of Governors conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Board. These committees are Resources, Curriculum and Quality, Remuneration, Governance and Search and Audit and Assurance. Full minutes of all meetings, except those deemed to be confidential by the Board of Governors, are available from the Clerk to the Board of Governors at:

Stanmore College  
Elm Park  
Stanmore  
Middlesex  
HA7 4BQ

The Clerk to the Board of Governors maintains a register of financial and personal interests of the governors, which is updated annually. Gifts and hospitality, where offered above the amount of £40 are recorded on the register. The register is available for inspection at the above address.

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

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

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

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



## **Appointments to the Governing Body**

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

External members of the Board of Governors are appointed for a term of office not exceeding four years.

## **Corporation performance**

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2018 and graded itself as "Good" on the Ofsted scale.

## **Remuneration Committee**

Throughout the year ending 31 July 2018 the College's Remuneration Committee comprised three external members of the Board. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post-holders and the Clerk. Details of remuneration for the year ended 31 July 2018 are set out in note 7 to the financial statements.

## **Audit and Assurance Committee**

The Audit and Assurance Committee comprises four members of the Board (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference, reviewed annually and approved by the Board.

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

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit and Assurance Committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

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

## **Curriculum and Quality Committee**

The Curriculum and Quality Committee comprises six members of the Board of Governors. The Committee's responsibilities are to monitor curriculum, quality and student affairs. It meets three times a year.

## **Resources Committee**

The Resources Committee comprises five members of the Governing Body and one co-opted member. The Committee's responsibilities are to monitor all resources including staff issues. It meets four times a year.

## **Governance & Search Committee**

The Governance Committee comprises six members of the Governing Body. The Committee's responsibilities are to undertake recruitment of members of the Board, ensure that the Board keeps up to date with governance issues and review the work of the committees and the Board during the year. It meets four times a year.

## **Internal control**

### **Scope of responsibility**

The Board of Governors 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 Board of Governors has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Stanmore College and the funding bodies. She is also responsible for reporting to the Board of Governors 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 Stanmore College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

### **Capacity to handle risk**

The Board of Governors has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Governors 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 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board of Governors.

## **The risk and control framework**

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

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

The College has 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 endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

## **Review of effectiveness**

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her 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 auditors, the regularity auditors, the appointed funding auditors (for colleges subject to funding audit) in their management letters and other reports.

The Principal has been advised on the implications of the result of her review of the effectiveness of the system of internal control by the Audit and Assurance Committee, which oversees the work of the internal auditor and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit and Assurance Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit and Assurance Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Governors' agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not

merely reporting by exception. At its December 2017 meeting, the Governing Body carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2017.

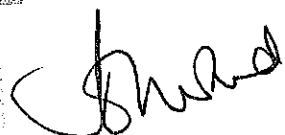
Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources,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

### **Going concern**

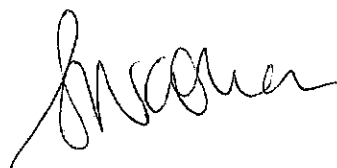
After making appropriate enquiries, the Board of Governors considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The College has developed a robust Strategic Plan to improve the College's financial position and further enhance the College's academic performance. Detailed action plans are also in place to ensure improvements are made and risks are mitigated.

Approved by order of the members of the Board of Governors on 18 December 2018 and signed on its behalf by:



J Howard  
Chair  
18 December 2018



S Noonan  
Principal  
18 December 2018

## Statement of Regularity, Propriety and Compliance

The Corporation 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/funding agreement. As part of our consideration we have had due regard to the requirements of the financial memorandum/funding agreement.

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

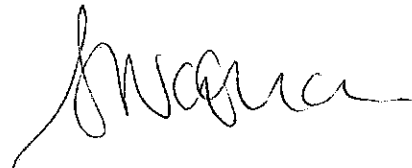
We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.



John Howard

Chair

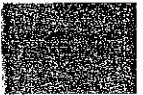
18 December 2018



Sarbdip Noonan

Principal

18 December 2018



## **Statement of Responsibilities of the Members of the Corporation**

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

Within the terms and conditions of the College's Financial Memorandum/Funding Agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2017 to 2018* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

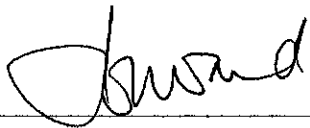
The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including information about the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the 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 College and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 18 December 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read "Howard". The signature is written in a cursive style with a large, looped initial "H".

John Howard

Chair

18 December 2018

## **Independent auditor's report to the Corporation Body of Stanmore College**

The form of the audit report on the financial statements, which should appear here, is governed by International Standards on Auditing (UK and Ireland) (ISA's). The particular standard is '*ISA (UK) 700 (Revised June 2016): Forming and Opinion and Reporting on Financial Statements*' and the examples in the supporting guidance published by the FRC in October 2016.

The auditor's opinion (which is now at the commencement of the report) must address whether the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2018 and of the College's deficit of income over expenditure for the year then ended;

The auditor must also give their opinion on other matters prescribed by the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency, reporting by exception specifically if:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- all the information and explanations required for the audit were not received.;
- conclusions relating to appropriateness of the use of the going concern basis of accounting and disclosures of material uncertainties, subject to the requirements of ISA 570 Going Concern, and whether the auditor has concluded that there is a material misstatement in other information, subject to the requirements of ISA 720 the Auditor's Responsibilities Relating to Other Information.

## **Respective Responsibilities of the Board of Governors of Stanmore College and Auditor**

As explained more fully in the Statement of the Board of Governors' responsibilities set out on pages 19 and 20, the Board of Governors is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with



the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 July 2018 and of the College's surplus of expenditure over income for the year then ended;
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education  
Opinion on other matters prescribed by the revised Joint Audit Code of Practice (Part 1) issued jointly by the Skills Funding Agency and the EFA and the Audit Code of Practice issued by the Learning and Skills Council.

In our opinion:

- proper accounting records have been kept, and
- the financial statements are in agreement with the accounting records.

*MHA MacIntyre Hudson*

**MHA MacIntyre Hudson, Statutory Auditor**

Chartered Accountants

New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V6BJ

*19/12/18*

## **Reporting accountants' assurance report on regularity to Stanmore College and the Secretary of State for Business Innovation and Skills acting through the Skills Funding Agency**

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum with Skills Funding Agency and Education Funding Agency 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 Stanmore College during the period 1 August 2017 to 31 July 2018 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 Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. 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 Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Stanmore College and the reporting accountant

The corporation of Stanmore College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received 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 Joint 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 2017 to 31 July 2018 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 Joint Audit Code of Practice issued jointly by the Skills Funding Agency and Education Funding Agency. 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 to our conclusion includes:

- Reviewing the Minutes of the meetings of the Governing Body and other evidence made available to us,
- Review of the objectives and activities of the College, with reference to the income streams and other information available to us as auditors of the College
- Testing of a sample of payroll payments to staff
- Testing of a sample of payments to suppliers and other third parties
- Testing of a sample of grants received and other income streams

### **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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*MHA MacIntyre Hudson*

Signed:

**MHA MacIntyre Hudson Statutory Auditor**

Chartered Accountants

New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V6BJ

*19/12/18*

## Statement of Comprehensive Income

	Notes	Year ended 31 July 2018		Restated Year ended 31 July 2017	
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2		8,133		8,049
Tuition fees and education contracts	3		604		717
Other grants and contracts	4		13		72
Other income	5		122		153
Endowment and investment income	6		7		12
<b>Total income</b>			<b>8,879</b>		<b>9,003</b>
<b>EXPENDITURE</b>					
Staff costs	7	6,664		6,134	
Fundamental restructuring costs	7	32		73	
Other operating expenses	8	2,214		2,001	
Depreciation	11	689		847	
Interest and other finance costs	9	142		208	
<b>Total expenditure</b>			<b>9,741</b>		<b>9,263</b>
<b>Deficit for the year</b>	10		<b>(862)</b>		<b>(260)</b>
Actuarial gain/(loss) in respect of pensions schemes	24		1,347		4,009
<b>Total comprehensive Income for the year</b>			<b>485</b>		<b>3,749</b>

## Statement of Change in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Designated reserve £'000	Total £'000
<b>Balance at 1st August 2016</b>	<b>(2,217)</b>	<b>2,183</b>	<b>233</b>	<b>199</b>
Deficit from the income and expenditure account	(260)	-	-	(260)
Other comprehensive income	4,009	-	-	4,009
Transfers between revaluation and income and expenditure reserves	132	(132)	-	-
Transfer between maintenance and income and expenditure reserve	-	-	(233)	(233)
	<u>3,881</u>	<u>(132)</u>	<u>(233)</u>	<u>3,516</u>
<b>Balance at 31st July 2017</b>	<b>1,664</b>	<b>2,051</b>	<b>-</b>	<b>3,715</b>
Deficit from the income and expenditure account	(862)	-	-	(862)
Other comprehensive income	1,347	-	-	1,347
Transfers between revaluation and income and expenditure reserves	132	(132)	-	-
Revaluation of land	-	5,812	-	5,812
<b>Total comprehensive income for the year</b>	<u>617</u>	<u>5,680</u>	<u>-</u>	<u>6,297</u>
<b>Balance at 31st July 2018</b>	<b>2,281</b>	<b>7,731</b>	<b>-</b>	<b>10,012</b>

## Balance sheets as at 31 July

	Notes	2018 £'000	Restated 2017 £'000
<b>Fixed assets</b>			
Tangible assets	11	12,804	7,301
<b>Total fixed assets</b>		<b>12,804</b>	<b>7,301</b>
<b>Current assets</b>			
Trade and other receivables	12	403	329
Cash and cash equivalents		1,875	2,965
<b>Total current assets</b>		<b>2,278</b>	<b>3,294</b>
<b>Less: Creditors – amounts falling due within one year</b>	13	<b>(993)</b>	<b>(1,216)</b>
<b>Net current assets</b>		<b>1,286</b>	<b>2,078</b>
<b>Total assets less current liabilities</b>		<b>14,089</b>	<b>9,379</b>
Less: Creditors – amounts falling due after more than one year	14	(2,705)	(3,155)
<b>Provisions</b>			
Defined benefit obligations	16	(1,083)	(2,220)
Other provisions	16	(289)	(289)
<b>Total net assets</b>		<b>10,012</b>	<b>3,715</b>
<b>Unrestricted Reserves</b>			
Income and expenditure account	21	2,282	1,665
Revaluation reserve	19	7,730	2,050
<b>Total unrestricted reserves</b>		<b>10,012</b>	<b>3,715</b>
<b>Total reserves</b>		<b>10,012</b>	<b>3,715</b>

The financial statements on pages 28 to 55 were approved by the Corporation on 18 December 2018 and were signed on its behalf on that date by:



John Howard

Chair

## Statement of Cash Flows

	2018 £'000	2017 £'000
<b>Cash inflow/(outflow) from operating activities</b>		
(Deficit)/surplus for the year	(862)	(260)
<b>Adjustment for non cash items</b>		
Depreciation (notes 11)	689	847
FRS102 pension costs (note 24)	144	150
FRS102 pension finance cost / (income) (note 24)	66	144
Deferred capital grants released to income (note 18)	(190)	(190)
Maintenance Reserve released to I & E (note 20)	-	(233)
(Increase)/decrease in debtors	(74)	(154)
Increase/(decrease) in creditors due within one year	(223)	(1)
<b>Adjustment for investing or financing activities</b>		
Interest payable (note 9)	76	64
Interest receivable (note 6)	(7)	(12)
<b>Net cash inflow/(outflow) from operating activities</b>	<u><u>(381)</u></u>	<u><u>355</u></u>
<b>Cash flows from investing activities</b>		
Interest receivable (note 6)	7	12
Payments made to acquire fixed assets	(380)	(298)
	<u><u>(373)</u></u>	<u><u>(286)</u></u>
<b>Cash flows from financing activities</b>		
Interest paid	(76)	(65)
Repayments of amounts borrowed	(260)	(260)
	<u><u>(336)</u></u>	<u><u>(325)</u></u>
<b>Increase/(decrease) in cash and cash equivalents in the year</b>	<u><u>(1,090)</u></u>	<u><u>(256)</u></u>
Cash and cash equivalents at beginning of the year	<b>2,965</b>	<b>3,221</b>
Cash and cash equivalents at end of the year	<b>1,875</b>	<b>2,965</b>

## **Notes to the Accounts**

### **1. Statement of accounting policies and estimation techniques**

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

#### **Equipment**

Equipment costing less than £500 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost.

All assets are depreciated over their useful economic life as follows:

Plant	-	15 years
Computer equipment	-	4 years
Furniture and Fittings	-	4 years
Consumable Assets	-	3 years

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

#### **Taxation**

The College is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Governing Body Taxes Act (ICTA) 1988.

Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. For this reason the college is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

#### **Liquid resources**

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

#### **Provisions**

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



## **Notes to the Accounts continued**

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

### **Enhanced Pensions**

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 Statement of Comprehensive Income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the pension advisors.

### **Agency Arrangements**

The College acts as an agent in the collection and payment of Learner Support Funds and Education Maintenance Allowances. Related payments received from the Skills Funding Agency and subsequent disbursements to students are excluded from the Statement of Comprehensive Income and are shown separately in Note 27, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs one member of staff dedicated to the administration of Learner Support Fund applications and payments.

### **Tangible fixed assets**

#### **Land and buildings**

Land and buildings inherited from the Local Education Authority and buildings acquired since 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. Land and buildings acquired since 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 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

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 Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

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

### **Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2017 to 2018 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

### **Going concern**

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

The College has developed a robust Strategic Plan to improve the College's financial position and further enhance the College's academic performance. Detailed action plans are also in place to ensure improvements are made and risks are mitigated.

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

The College currently has £1.99m of loans outstanding with bankers on terms negotiated in 2010. The terms of the existing agreement are for 25 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

### **Recognition of income**

#### **Revenue grant funding**

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive

funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

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

### **Capital grant funding**

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

### **Fee income**

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

### **Investment income**

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

### **Agency arrangements**

The College acts as an agent in the collection and payment of certain discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### **Accounting for post-employment benefits**

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

### **Teachers' Pension Scheme (TPS)**

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

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and

the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

### **London Borough of Harrow Local Government Pension Scheme (LGPS)**

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

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

### **Short term Employment benefits**

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

### **Enhanced Pensions**

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

### **Non-current Assets - Tangible fixed assets**

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

### **Land and buildings**

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Buildings – 50 years

Freehold land is not depreciated as it is considered to have an infinite useful life.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

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

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

### **Subsequent expenditure on existing fixed assets**

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

### **Equipment**

Equipment costing less than £500 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

Plant	-	15 years
Computer equipment	-	4 years
Furniture and Fittings	-	4 years
Consumable Assets	-	3 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Comprehensive Income and Expenditure.

### **Borrowing costs**

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

### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as finance leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

## **Investments**

### **Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements. There are no investments to report.

### **Other investments**

Listed investments held as non-current assets and current asset investments, which may include listed investments, are stated at fair value, with movements recognised in Comprehensive Income. Investments comprising unquoted equity instruments are measured at fair value, estimated using a valuation technique.

### **Inventories**

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

### **Cash and cash equivalents**

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

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

### **Financial liabilities and equity**

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

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

### **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 income in the period in which they arise.

### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation

Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 3% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

#### Provisions and contingent liabilities

Provisions are recognised when

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

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

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

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

#### 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 College's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

#### Other key sources of estimation uncertainty

- **Tangible fixed assets**

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation

and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- **Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2018 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.



## Notes to the Accounts (continued)

### 2 Funding council income

	2018 £'000	2017 £'000
ESFA recurrent grant (19+)	1,681	1,538
ESFA recurrent grant (16-18)	6,262	6,321
Releases of government capital grants (note 18)	190	190
<b>Total</b>	<b><u>8,133</u></b>	<b><u>8,049</u></b>

### 3 Tuition fees and education contracts

	2018 £'000	2017 £'000
Tuition fees	464	599
Apprenticeship Fees and Contract	4	
Education contracts	136	118
<b>Total</b>	<b><u>604</u></b>	<b><u>717</u></b>

### 4 Other grants and contracts

	2018 £'000	2017 £'000
European Commission	0	49
Other grants and contracts	13	23
<b>Total</b>	<b><u>13</u></b>	<b><u>72</u></b>

### 5 Other income

	2018 £'000	2017 £'000
Miscellaneous income	122	153
<b>Total</b>	<b><u>122</u></b>	<b><u>153</u></b>

### 6 Endowment and investment income

	2018 £'000	2017 £'000
Other interest receivable	7	12
Pension finance income (note 24)	-	-
<b>Total</b>	<b><u>7</u></b>	<b><u>12</u></b>

## Notes to the Accounts (continued)

### 7 Staff costs

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	71	64
Non teaching staff	<u>70</u>	<u>71</u>
	<b><u>141</u></b>	<b><u>135</u></b>

#### Staff costs for the above persons

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	5,027	4,466
Social security costs	498	438
Other pension costs (including FRS 102 adjustments of £144,000 – 2017 £150,000)	<u>975</u>	<u>903</u>
Payroll sub total	6,500	5,807
Contracted out staffing service	<u>164</u>	<u>327</u>
	6,664	6,134
Fundamental restructuring costs - contractual	<u>32</u>	<u>73</u>
Total	<b><u>6,696</u></b>	<b><u>6,207</u></b>

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Leadership Team which comprises the Principal, Deputy Principal Finance & Planning, Vice Principal, Heads of Schools and Directors of HR, MIS, Marketing & Admin. Staff costs include compensation paid to key management personnel for loss of office.

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel including the Accounting Officer was:	<u>10</u>	<u>11</u>

## Notes to the Accounts (continued)

### 7 Staff costs

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

	Key management		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,001 to £70,000 p.a.	1	0	0	0
£70,001 to £80,000 p.a.	0	1	0	0
£80,001 to £90,000 p.a.	0	1	0	0
£90,001 to £100,000 p.a.	1	1	0	0
£110,001 to £120,000 p.a.	0	0	0	0
£120,001 to £130,000 p.a.	1	1	0	0
	<u>3</u>	<u>4</u>	<u>0</u>	<u>0</u>

The Principal and Deputy Principal Finance and Planning roles were each occupied by 2 individuals during 2017-:

Key management personnel emoluments is made up as follows:

	2018 £'000	2017 £'000
Salaries - Gross of Salary sacrifice and waived emoluments	695	526
Employers National Insurance	83	67
Fees	-	114
	<u>778</u>	<u>707</u>
Pension contributions	110	96
<b>Total emoluments</b>	<u><b>888</b></u>	<u><b>803</b></u>

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

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

	2018 £'000	2017 £'000
Salaries	141	164
	<u>141</u>	<u>164</u>
Pension contributions	<u>21</u>	<u>21</u>

#### Compensation for loss of office paid to former key management personnel

	2018 £	2017 £
Compensation paid to the former post-holders - contractual	-	30
	<u>-</u>	<u>30</u>

The severance payment was approved by the College's remuneration committee.

The members of the Corporation other than the Accounting Officer and the staff member 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 (continued)

### 8 Other operating expenses

	2018 £'000	2017 £'000
Teaching costs	767	462
Non teaching costs	1,061	1,226
Premises costs	<u>386</u>	<u>313</u>
<b>Total</b>	<b><u>2,214</u></b>	<b><u>2,001</u></b>

### Other operating expenses include:

	2018 £'000	2017 £'000
Auditors' remuneration:		
Financial statements audit	20	24
Internal audit	<u>17</u>	<u>23</u>

### 9 Interest payable

	2018 £'000	2017 £'000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	76	64
Pension finance costs (note 24)	<u>66</u>	<u>144</u>
<b>Total</b>	<b><u>142</u></b>	<b><u>208</u></b>

### 10 Surplus on continuing operations for the period

The deficit on continuing operations for the year is made up as follows:

	2018 £'000	2017 £'000
College's deficit for the period	(862)	(260)
<b>Total</b>	<b><u>(862)</u></b>	<b><u>(260)</u></b>

## Notes to the Accounts (continued)

### 11 Tangible fixed assets

	Land and buildings Freehold £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 August 2017	11,700	2,139	13,839
Additions	181	199	380
Disposals	(3)	(1,117)	(1,120)
Revaluation of land	5,812	-	5,812
<b>At 31 July 2018</b>	<b>17,690</b>	<b>1,221</b>	<b>18,911</b>
<b>Depreciation</b>			
At 1 August 2017	5,028	1,510	6,538
Charge for the year	305	384	689
Disposals	(3)	(1,117)	(1,120)
<b>At 31 July 2018</b>	<b>5,330</b>	<b>777</b>	<b>6,107</b>
<b>Net book value at 31 July 2018</b>	<b>12,360</b>	<b>444</b>	<b>12,804</b>
Net book value at 31 July 2017	6,672	629	7,301

During the year valuation of Land was carried out by Gerald Eve LLP, a firm of independent chartered surveyors.

## Notes to the Accounts (continued)

### 12 Trade and other receivables

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	105	79
Prepayments and accrued income	298	250
<b>Total</b>	<b><u>403</u></b>	<b><u>329</u></b>

### 13 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	260	260
Trade creditors	88	170
Other creditors	102	306
Other taxation and social security	236	123
Accruals and deferred income	117	167
Deferred income - government capital grants	190	190
<b>Total</b>	<b><u>993</u></b>	<b><u>1,216</u></b>

### 14 Creditors: amounts falling due after one year

	2018 £'000	2017 £'000
Bank loans	1,990	2,250
Deferred income - government capital grants	715	905
<b>Total</b>	<b><u>2,705</u></b>	<b><u>3,155</u></b>

## Notes to the Accounts (continued)

### 15 Borrowings

#### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
In one-year or less	260	260
Between one and two years	260	260
Between two and five years	780	780
In five years or more	950	1,210
<b>Total</b>	<b><u>2,250</u></b>	<b><u>2,510</u></b>

### 16 Provisions

	<b>Defined benefit Obligations £'000</b>	<b>Other pension Obligations £'000</b>	<b>Total £'000</b>
At 1 August 2017 (Restated)	(2,220)	(289)	(2,509)
Expenditure in the period	439	24	463
Transferred from income and expenditure account	698	(24)	674
<b>At 31 July 2018</b>	<b><u>(1,083)</u></b>	<b><u>(289)</u></b>	<b><u>(1,372)</u></b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 24.

The other pension obligations are in relation to the cost of premature retirement compensation for a number of ex staffs. This provision has been provided for in accordance with the relevant pension bodies guideline.

### 17 Cash and cash equivalents

	<b>At 1 August 2017 £'000</b>	<b>Cash flows £'000</b>	<b>At 31 July 2018 £'000</b>
Cash and cash equivalents	2,965	(1,090)	1,875
Overdrafts	-	-	-
<b>Total</b>	<b><u>2,965</u></b>	<b><u>(1,090)</u></b>	<b><u>1,875</u></b>

## Notes to the Accounts (continued)

### 18 Deferred capital grants

	Funding body £'000	Total £'000
At 1 August 2017	1,095	1,095
Released to income and expenditure account	(190)	(190)
<b>Total</b>	<b><u>905</u></b>	<b><u>905</u></b>

### 19 Revaluation reserve

	2018 £'000	2017 £'000
At 1 August	2,050	2,182
Valuation of Land	5,812	-
Depreciation on revalued assets	(132)	(132)
<b>At 31 July</b>	<b><u>7,730</u></b>	<b><u>2,050</u></b>

### 20 Designated/Maintenance reserve

	2018 £'000	2017 £'000
At 1 August	-	233
Transfer to I & E Account	-	(233)
<b>At 31 July</b>	<b><u>-</u></b>	<b><u>-</u></b>

### 21 Movement on general reserves

	2018 £'000	Restated 2017 £'000
<b>Income and expenditure account reserve</b>		
At 1 August	1,665	(2,216)
(Deficit) / Surplus retained for the year	(862)	(260)
Transfer from revaluation reserve	132	132
Actuarial loss in respect of pension scheme	1,347	4,009
<b>At 31 July</b>	<b><u>2,282</u></b>	<b><u>1,665</u></b>
Balance represented by:		
Pension reserve	(1,083)	(2,220)
Income and expenditure account reserve excluding pension reserve	3,365	3,885
<b>At 31 July</b>	<b><u>2,282</u></b>	<b><u>1,665</u></b>



## Notes to the Accounts (continued)

### 22 Lease Obligations

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

	2018 £'000	2017 £'000
<b>Future minimum lease payments due</b>		
Not later than one year	7	14
Later than one year and not later than five years	-	7
later than five years	-	-
	<u>7</u>	<u>21</u>

### 23 Restatement of Financial Statement for the Year Ended 31st July 2017

Following the auditors' advice, the College has asked its pension advisors for alternative pension assumptions that have been applied to valuations for the year ended 31st July 2018 and which consequently requires a restatement of 31st July 2017 pension obligations.

College has adjusted the recognition of learner support fund in respect of financial year ending 31st July 2017 which has increase income and expenditure by £159,000. This adjustment has had no impact on the operating position for the year.

## Notes to the Accounts (continued)

### 24 Pension and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by London Borough of Harrow. Both are defined-benefit schemes.

Total pension cost for the year	2018 £'000	2017 £'000
Teachers Pension Scheme: contributions paid	392	361
Local Government Pension Scheme:		
Contributions paid	439	392
FRS 102 (28) charge	<u>144</u>	<u>150</u>
Charge to the Income and Expenditure Account (staff costs)	583	542
<b>Total Pension Cost for Year</b>	<b><u>975</u></b>	<b><u>903</u></b>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

**There were no outstanding or prepaid contributions at either the beginning or end of the financial year. Contributions amounting to £87,233 (2017: £92,524) were payable to the scheme and are included in creditors.**

#### Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

#### The Teachers' Pension Budgeting and Valuation Account

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

## Notes to the Accounts (continued)

### 24 Pension and similar obligations (continued)

#### Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.48% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS will be implemented in April 2019

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

#### Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £392,000 (2017: £362,000)

## Notes to the Accounts (continued)

### 24 Pension and similar obligations (continued)

#### **FRS 102**

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

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.

#### **Local Government Pension Scheme**

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by London Borough of Harrow Local Authority. The total contribution made for the year ended **31 July 2018 was £497,000** of which employer's contributions totalled **£574,000** and employees' contributions totalled **£135,000**. The agreed contribution rates for future years are 20 per cent for employers and from 5.5% to 10.5% for employees, depending on salary.

#### **FRS 102**

<b>Principal Actuarial Assumptions</b>	<b>At 31 July</b>	<b>Restated At 31 July</b>
	<b>2018</b>	<b>2017</b>
Rate of increase in salaries	2.4%	2.5%
Rate of increase for pensions in payment / inflation	2.1%	2.2%
Discount rate for scheme liabilities	3.0%	2.9%
Inflation assumption	0.0%	0.0%
Commutation of pensions to lump sums	0.0%	0.0%

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

	<b>At 31 July</b>	<b>At 31 July</b>
	<b>2018</b>	<b>2017</b>
<i>Retiring today</i>		
Males	22.20	22.20
Females	24.40	24.40
<i>Retiring in 20 years</i>		
Males	24.00	24.00
Females	26.40	26.40

## Notes to the Accounts (continued)

### 24 Pension and similar obligations

#### Local Government Pension Scheme (Continued)

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

	2018	Restated 2017
	£'000	£'000
Fair value of plan assets	16,232	14,994
Present value of plan liabilities	(17,315)	(17,214)
<b>Net pensions (liability)/asset (Note 21)</b>	<u><u>(1,083)</u></u>	<u><u>(2,220)</u></u>

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

	2018	2017
	£'000	£'000
<b>Amounts included in staff costs</b>		
Current service cost	583	541
<b>Total</b>	<u><u>583</u></u>	<u><u>541</u></u>

**Amounts included in investment income / (Pension finance costs)**

Net interest income / (Expense)	(66)	(144)
	<u><u>(66)</u></u>	<u><u>(144)</u></u>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	721	178
Experience losses arising on defined benefit obligations	-	2,443
Changes in assumptions underlying the present value of plan liabilities	626	1,388
<b>Amount recognised in Other Comprehensive Income</b>	<u><u>1,347</u></u>	<u><u>4,009</u></u>

## Notes to the Accounts (continued)

### 24 Pension and similar obligations

#### Local Government Pension Scheme (Continued)

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

	<b>2018</b>	<b>Restated</b>
	<b>£'000</b>	<b>2017</b>
		<b>£'000</b>
Surplus/(deficit) in scheme at 1 August	(2,220)	(5,935)
Movement in year:		
Current service cost	(583)	(541)
Employer contributions	439	391
Past service cost	-	-
Net interest on the defined (liability)/asset	(66)	(144)
Actuarial gain or loss	1,347	4,009
<b>Net defined benefit (liability)/asset at 31 July</b>	<b><u>(1,083)</u></b>	<b><u>(2,220)</u></b>

##### Asset and Liability Reconciliation

	<b>2018</b>	<b>Restated</b>
	<b>£'000</b>	<b>2017</b>
		<b>£'000</b>
<b>Reconciliation of Liabilities</b>		
<b>Liabilities at start of period</b>	17,214	20,290
Service cost	583	541
Interest cost	503	490
Employee contributions	118	106
Actuarial (gain)/loss	(721)	(3,831)
Benefits paid	(382)	(382)
<b>Liabilities at end of period</b>	<b><u>17,315</u></b>	<b><u>17,214</u></b>
<b>Reconciliation of Assets</b>		
<b>Assets at start of period</b>	14,994	14,355
Expected return on assets	437	346
Actuarial gain/(loss)	626	178
Employer contributions	439	391
Employee contributions	118	106
Benefits paid	(382)	(382)
<b>Assets at end of period</b>	<b><u>16,232</u></b>	<b><u>14,994</u></b>

## Notes to the Accounts (continued)

### 26 Related Party Transactions

Due to the nature of the College's operations and the composition of the Members of the Corporation (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No transactions were identified which should be disclosed under the Related Party Disclosures requirements included in FRS 102.

The total expenses paid to or on behalf of the Governors during the year was **£2,733; 14 governors (2017: £2,356; 13 governors)**. This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2017: None).

During the year the college engaged the services of Noonan Consultancy Limited for audit and review of Curriculum plans for £12,000. The Accounting Officer held the directorship in this company from October 2014 to November 2016. The accounting officer spouse currently holds the directorship in this company.

The college also engaged the services of Edge Hill Associates Limited in relationship to consultancy for Strategic Prospects Appraisal for the college for £6,600 of which Deputy Principal - Finance and Planning is a director.

