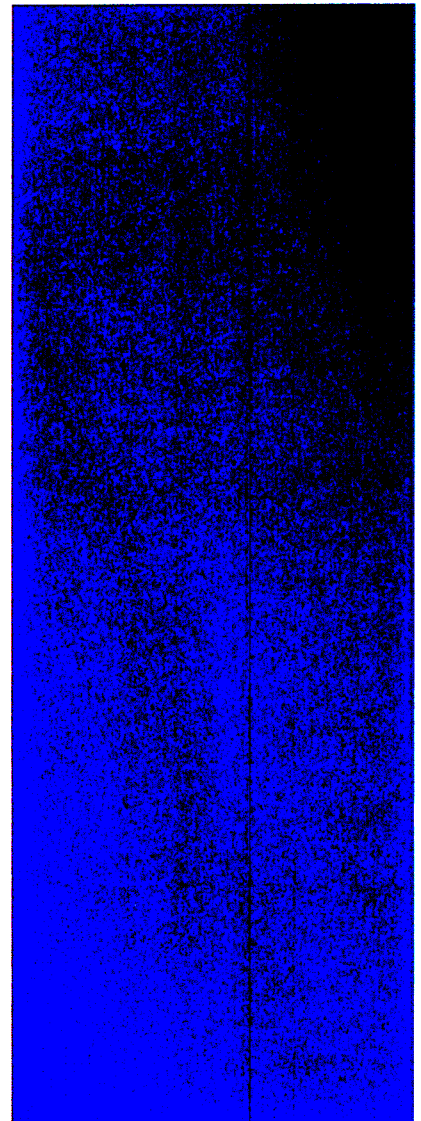


Report and Financial Statements

31 July 2015

Sir George
Monoux
College



“To provide high quality education with the power to change lives”

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NATURE, OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2015.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Sir George Monoux College. The Corporation was incorporated as Sir George Monoux College on 30 September 1992.

The College is an exempt charity for the purposes of part 3 the Charities Act 2011.

Mission

“To provide high quality education with the power to change lives.”

We aim to raise levels of attainment to promote better prospects of long term success for our students and to enhance progression rates to university and / or employment and thus to improve the life chances of young people from north and east London.

Public Benefit

Sir George Monoux College is an exempt charity under part 3 of the Charities Act 2011 and from 1 September 2013, is regulated by the Secretary of State for Education as Principal Regulator for all Sixth Form Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page **Error! Reference source not found.****Error! Bookmark not defined.**

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 in 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 the advancement of education:

- ◆ High-quality teaching;
- ◆ Widening participation and tackling social exclusion;
- ◆ High levels of Value added;
- ◆ High progression rates to Higher Education;
- ◆ Excellent employment rates for students;
- ◆ Strong student support systems;
- ◆ Links with employers, industry and commerce.

NATURE, OBJECTIVES AND STRATEGIES (continued)

Our approach and core values

We are committed to being a dynamic, innovative, multicultural sixth form college, which places the interests of the learners at the centre of its activity. At all times we will promote the values of:

- ◆ Putting the student first in all we do.
- ◆ Enabling students and staff to be the best they can be.
- ◆ Building a learning community, based on trust, mutual respect, support and fairness.

Implementation of Strategic Plan

During 2015, the College undertook a fundamental review of its Strategic Plan; it consulted with students, staff and governors.

The major outcomes of this review and subsequent 6 key aims of the new three year 2015 – 2018 Strategic Plan are outlined below:

Staff Expectations

Putting the students first in all we do.

This will be demonstrated by:

- ⇒ Responding positively to own needs and the needs of others
- ⇒ Promoting a sense of pride and belonging
- ⇒ Delivering to the highest standards whilst working tirelessly to improve
- ⇒ Recognising and celebrating effort and achievement
- ⇒ Focussing on the highest standards of teaching and learning

Enabling students and staff to be the best they can be.

This will be demonstrated by:

- ⇒ Making learning challenging
- ⇒ Communicating effectively and openly and making information accessible
- ⇒ Being open to new ideas and sharing our own thinking
- ⇒ Acknowledging and appreciating everyone we work with
- ⇒ Instilling high expectations by leading by example

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

Staff Expectations

Building a learning community based on trust, mutual respect, support and fairness

This will be demonstrated by:

- ⇒ Respecting other's beliefs and values, even if they contradict your own
- ⇒ Creating a safe and fulfilling place to work and study
- ⇒ Updating one's own practice and knowledge, and those of others

1) Excellent Learner Experience

a) Teaching, Learning and Assessment

➤ **Vision**

Outstanding Teaching, Learning and Assessment will be the essence of the College.

SGM students will be consistently fully engaged by teaching that creates a rich dialogue with students. They will learn and retain the maximum amount and will have the motivation to become active and independent learners. The reputation for great quality teaching and learning will lead us to be regarded by learners, the community and businesses as an outstanding, inclusive Sixth Form College.

➤ **We will achieve this by:**

- ◆ Developing student skills to allow them to become inquisitive, independent and autonomous learners of their subjects, for example through skill-building induction programmes.
- ◆ Developing an improved timetable that balances the needs of students on all courses.
- ◆ Providing a robust lesson monitoring system which includes teachers and managers. We will ensure that all observers are suitably trained.
- ◆ Harnessing a culture of sharing the best practice in which teams take responsibility for improving the quality of teaching, and listen and act on student feedback.

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

1) Excellent Learner Experience (continued)

a) Teaching, Learning and Assessment (continued)

- **We will achieve this by:** (continued)
 - ◆ Exploring a number of possible developments for the future, including whether SGM should become a teaching school to prepare outstanding teachers for the future.
 - ◆ Appointing specialist teachers and developing our staff: we will improve the learning experience by supporting professional practice through, for example, Advanced Practitioners and Assessment for Learning (AfL) training.
 - ◆ Ensuring our managers' focus is the improvement of teaching and learning until all teaching is good or better. Including teaching, learning and assessment as standing agenda items in all curricular meetings.
 - ◆ Recognising and celebrating outstanding teaching, and those who 'go the extra mile' to support our students.

b) Dynamic curriculum

- **Vision**

We will maintain and develop a broad, responsive, relevant and inclusive curriculum offer.
- **We will achieve this by:**
 - ◆ Embedding English, maths and employability skills across all areas of provision, and offering opportunities to develop character and resilience.
 - ◆ Providing a comprehensive, accessible, attractive and engaging academic and vocational curriculum for 16-19 year olds, meeting the challenges of the curriculum changes.
 - ◆ Regularly reviewing the curriculum offer to ensure that it supports the growth in student numbers.
 - ◆ Ensuring at enrolment that all students are interviewed and assessed with integrity and that they are directed to the right programmes of study.

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

1) Excellent Learner Experience (continued)

b) Dynamic curriculum (continued)

- **We will achieve this by:** (continued)
 - ◆ Ensuring that all students are on a programme of study that provides opportunities to prepare them for progression to further education or employment after College.
 - ◆ Developing systems which effectively identify and monitor at-risk students, and which deliver targeted and effective support to enable them to achieve.
 - ◆ Investing in training and resources in new technologies to facilitate more flexible modes of curriculum delivery.
 - ◆ Enriching the wider curriculum with opportunities that will enhance all students' chances to succeed.

c) Tutorial and wider learning experience (Enrichment)

- **Vision**

All students will have an excellent holistic College experience to enable them to be fully prepared for progression within a safe, welcoming and inclusive environment. This will require an outstanding tutorial system.

Students will look beyond the classroom and College to develop a passion for the subject and develop personal skills needed to be successful in their chosen path.
- **We will achieve this by:**
 - ◆ Providing a tutorial system which fully supports and develops our students, with more 1:1 time and regular inspirational guest speakers to nurture and stretch the aspirations of our students.
 - ◆ Appointing enthusiastic and passionate tutors.
 - ◆ Training and monitoring tutorial staff.
 - ◆ Using youth workers where appropriate.
 - ◆ Offering varied enrichment activities that support curriculum subjects and promote deeper understanding of wider commercial and industrial contexts.

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

1) Excellent Learner Experience (continued)

c) Tutorial and wider learning experience (Enrichment) (continued)

➤ **We will achieve this by:**

- ◆ Assessing and guiding all students prior to enrolment to ensure they are enrolled onto an appropriate study programme and provided with appropriate support.
- ◆ Reviewing tutorial schemes of work, ensuring that they are designed by tutors and teachers with input from students. Safeguarding is well embedded.

2) Leadership and Management

➤ **Vision**

All leaders and managers will inspire our learning community, ensuring we provide high quality education with the power to change lives.

Leaders and managers will be empowered to effectively manage and support their staff developing a culture of excellence, high performance and reflective practice.

Leaders and managers will act decisively, consistently and swiftly to support best practices, provide regular feedback to staff and tackle under performance.

➤ **We will achieve this by:**

- ◆ Recruiting and retaining strong, committed managers and embedding a culture of management ownership and responsibility. Improving performance management.
- ◆ Having a set of transparent practices and behaviours for all our managers that enables them to support improvement and celebrate high standards of success in all college practices.
- ◆ Developing drop-in workshops, support groups and surgeries for managers; encouraging external and internal training; providing feedback to staff and opportunities to reflect.
- ◆ Continuing to offer opportunities for accredited management courses to all line managers and aspiring managers.

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

2) Leadership and Management (continued)

- **We will achieve this by:** (continued)
 - ◆ Developing among staff a shared sense of ownership and success, by being clear about both responsibilities and accountabilities for all our staff throughout the organisation.
 - ◆ Developing a self-critical, thoughtful and caring culture that promotes respect for each other as we work together to improve all services.

3) Engagement: engage actively with our community (internal and external)

- **Vision**

Marketing and communications will raise the College profile and strengthen our reputation as the provider of choice, differentiating ourselves from the competition with bold messaging that positions SGM as an outstanding Sixth Form College. All staff and governors of SGM will have a clear understanding, input and ownership of the College's strategic vision and objectives to ensure the delivery of outstanding teaching and learning.
- **We will achieve this by:**
 - ◆ Developing a marketing, school liaison, public relations and communications strategy which promotes the College as the provider of choice.
 - ◆ Providing and maintaining robust information for all internal and external communications. Having a clear and effective mechanism for communicating with staff with a culture of openness, honesty and transparency.
 - ◆ Developing and implementing a new Schools Liaison Strategy to capture school leavers.
 - ◆ Establishing a range of partnership and community activities to increase local awareness, and use, of the College.
 - ◆ Tracking student destinations and using this information to underpin key messages and enhance the College's reputation.
 - ◆ Reviewing and improving the interview experience in the light of the above changes.

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

4) Partnership and collaborative working (including employers, universities ...)

➤ **Vision**

An Engagement Strategy that develops students' resilience and employability skills, supporting progression to Higher Education, Further Study and Employment.

➤ **We will achieve this by:**

- ◆ Promoting a culture of employer and community responsiveness, which meets the needs of our students and, by providing the qualifications and skills for higher education, also meets those of employers and the wider community.
- ◆ Providing complementary learning experiences in conjunction with partner organisations (including those in business, commerce and industry) which develop the skills and character traits our students and staff will need over the next 10 years.
- ◆ Building even stronger links with both Russell group and wider university institutions outside London.

5) Investing in People

➤ **Vision**

The College is committed to achieving successful outcomes to our students and recognise that our staff are at the heart of ensuring success. The College must have effective recruitment, selection and retention strategies in place which will enable it to recruit and retain the right calibre of staff to achieve its vision.

➤ **We will achieve this by:**

- ◆ Recruiting and retaining the right people with the right skills, competences and behaviours which align with the College's Strategic aims and objectives.
- ◆ Improving employee engagement within the College.
- ◆ Having clear and effective mechanisms for communicating with staff with a culture of openness, honesty and transparency.
- ◆ Recognising what we do well and stretching ourselves to gain competitive advantage demonstrating why are an employer of choice.
- ◆ Analysing equalities monitoring data and take any necessary remedial action.

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

6) Investing in Learning

➤ **Vision**

To ensure the long term future viability of the College.

➤ **We will achieve this by:**

- ◆ Using the College resources to achieve excellence in the learning environment, so that all in the College community can meet their potential.
- ◆ Ensuring that all staff are employed in the most appropriate roles and providing excellent training and support - continuing to invest in our staff to enable all to perform to the best of their ability.
- ◆ Maximising financial resources via income diversification, efficiency and cost control.

The College's specific objectives for 2014/15 and achievement of those objectives is addressed below.

The College's financial health remained in the outstanding category for financial health. There are expected to be changes to the methodology of computation of College financial health scores in 2015/16.

Performance indicators

Academic targets:

Success rates were on target 85% in 2013/14. In 2014/15 they fell to 78%, below the target set, though some courses and areas continued to perform well;

Retention exceeded the target of 95%;

Progression to Higher Education, including to Russell Group Universities was on target.

NATURE, OBJECTIVES AND STRATEGIES (continued)

Performance indicators (continued)

Academic targets (continued)



NATURE, OBJECTIVES AND STRATEGIES (continued)

Performance indicators (continued)

Financial targets (continued)

The College remained in outstanding financial health;

The College significantly exceeded its recruitment target of 1,964 students, having 2,071 fundable students on roll at the census date;

The surplus exceeded the target of 0.5% of income;

Cash flow from operating activities was positive;

Payroll costs at 69% was below the target of 70%; payroll includes subcontracted cleaning and security services.

Solvency was maintained at an efficient level.

FINANCIAL POSITION

Financial results

The College generated an operating surplus in the year of £29,000 (after £104,000 of FRS 17 related pension costs) (2013/14 – surplus of £286,000).

The College has accumulated reserves of £9.165 million (after pension fund deficit) and cash balances of £1.676 million. The College aims to make surpluses before FRS 17 costs of at least 0.5% of income.



Tangible fixed asset additions during the year amounted to £522,297. The largest part of this was the building of new sports facilities funded by the Building Condition Improvement Fund; the remainder was continued improvements to the IT network.

FINANCIAL POSITION (continued)

Financial results (continued)

The College has significant reliance on the education sector funding bodies and its successor bodies for its principal funding source, largely from recurrent grants. In 2014/15 the funding bodies provided 99% of the College's total income.

The College recruited well in September 2014, having fundable students of 2,071 – significantly better than the 1,974 it was funded for. The College managed to stay within budget at this higher delivery level.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

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 cashflow. During the year this margin was comfortably exceeded.

Cash flows

At £935,000 inflow (2013/14 £891,000 inflow), operating cash inflow was strong. The net cash flow was an inflow of £64,000.

Liquidity

The College has two loans that were taken out to fund capital programs that were completed in 2005. The senior debt of £1.196 million is at a fixed interest rate and additionally there is a floating rate loan of £0.137 million.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2014/15 the College has delivered activity that has produced £10,844,000 in funding body main allocation funding (2013/14 – £10,585,000). The College had 2,071 funding body funded students.

Student achievements

Students continue to prosper at the College. Success rates were 85% in 2013/14, but have declined in 2014/15.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Student achievements (continued)

Ofsted

The College was one of the first to be inspected under the new Ofsted framework, with just 2 days' notice.

The College was gratified that the Inspection received a positive outcome with the following grades:

<i>Aspect Grades</i>	
Overall Effectiveness of Provision	2
Outcomes for Learners	2
Quality of teaching, learning and assessment	2
Effectiveness of leadership and management	2
<i>Sector Subject Area Grades</i>	
ICT	2
Visual Arts and Media	2
Humanities and Social Sciences	1
English	2

Ofsted stated that Sir George Monoux is good because:

- ◆ the quality of teaching, learning and assessment, outcomes for learners and the effectiveness of leadership and management are all good. Most learners attain their learning goals and many make good or better progress;
- ◆ equality and diversity are promoted well and the college provides a harmonious and purposeful environment for learning. A high proportion of students from almost all groups achieve successful outcomes;
- ◆ students are well prepared for progression onto higher learning or into employment. Overall quality and performance have improved greatly, and
- ◆ governors, leaders and managers have shaped an ambitious vision to provide high quality education which changes and improves lives. They created an environment which stimulates improvement and enables higher performance.

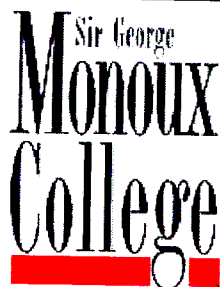
CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum developments

The College has continued to develop in many areas to improve the opportunities and environment for our students.



The new funding regime emphasised the importance of sport and enrichment as part of Study Programs. Significant progress has been made in the first full year of focus on this area. The BCIF funded fitness/ weights facility was completed in the summer. The Sport England project significantly exceeded its target delivery. Many links have been made with other sports organisations, including becoming an Academy for Essex County Cricket Club. A non-turf pitch for all year round use has been secured from the English Cricket Board and will be installed in 2016.



CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum developments (continued)

The College received STEM assured status for its high standards in the delivery of science, maths, computing and technology. This has led to funding from the University of York to widen the participation of women in science.



The College received bronze Investors In People status. This demonstrates the College's commitment to its employees and work will continue towards achieving silver and then gold status.



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 2014 to 31 July 2015, the College has aimed to pay all of its undisputed invoices within 30 days. Over 99% of all invoices (by value) were paid within 30 days. The College incurred no interest charges in respect of late payment during this period.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Post-balance sheet events

Paolo Ramella stepped down as Principal on 23 November 2015 and will leave the College on 31 December 2015. The Corporation have appointed David Ball as Acting Principal.

Future developments

The College funding income has been set at £10.63m from the EFA. The cuts to funding for third year post 16 students and the necessity to provide all students without a minimum of grade C in English and/ or mathematics access to those qualifications puts strains on college resources.

The College has significantly improved its recruitment in 2014/15, which has increased funding in 2015/16. However increases in employer pension contribution rates and changes to the rules on contracting out of National Insurance mean that despite this increase the College will be in no better position than in 2014/15. The College budgets carefully over periods of one, two and five years, though uncertainty about future funding policy will always make this speculative beyond two years. However this process is used to identify potential financial weaknesses and give time to implement solutions to achieve the long term strategic aims of the College. The College needs to continue to grow to enable it to deliver more efficiently and thrive in a time of continued austerity.

RESOURCES

The College has 4 buildings set in 17 acres of London; the College has plans for the site that include additional building and sports development.

The College's main resource is its staff. The College invests strongly in training and development to ensure that staff remain up to date and are able to continue improvement.

Financial

The College has £9.165 million of net assets (including £2.378 million pension liability) and long term debt of £1.333 million.

FRS 17

The College has fully implemented the provisions of FRS17, although the corporation remains extremely concerned about the impact of FRS 17 on the future finances of the College.



RESOURCES (continued)

FRS 17 (continued)

The corporation believes that the principle upon which FRS 17 is based is fundamentally flawed and is not (nor is ever likely to be) capable of providing an accurate or equitable method to enable determination of the value of a pension scheme. The corporation also remains very unhappy with the current legal arrangements for the management of college pension schemes imposed, apparently unilaterally and without recourse to sensible debate, by Statute.

With specific reference to London Borough of Waltham Forest Pension Scheme the corporation has no control over the management of the fund, its financial arrangements and investment profile. In the corporation's opinion this needs to be recognised and acknowledged by the Trustees of the fund and resolved by the appointment of at least one of the Waltham Forest Colleges' corporation members to the Board of Trustees.

The basis of valuation used by FRS 17 relies on an actuarial assessment which is analytically unverifiable and is based on assumptions which in the medium to long term may prove to be unreliable.

People

The College employs 151 people (expressed as full time equivalents), 91 of whom are teaching staff.

Reputation

The College has a good reputation locally and across the whole of East London. It is ranked as the second best college in London by value added. Maintaining a quality brand is essential for the College's success at 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.

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

RESOURCES (continued)

Principal Risks and Uncertainties (continued)

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. 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.

Government funding

The College has considerable reliance on continued government funding through the EFA. In 2014/15, 99% of the College's revenue was ultimately public funded and this level of requirement is expected to continue.

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

- ◆ The new funding system has cut the third year funding for students who do a one year level 2 vocational program and a two year level 3 vocational program.
- ◆ The ongoing poor condition of the British economy, combined with the government's desire to eliminate the deficit by the end of this Parliament, will mean funding rates are unlikely to rise and may even fall for the same delivery. Other changes that reduce funding remain possible.
- ◆ The Area Reviews that were announced in the summer of 2015 also may mean less funding if organisations do not comply with the recommended outcomes.

This risk is mitigated in a number of ways:

- ◆ By ensuring the College is rigorous in delivering high quality education and training
- ◆ Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies
- ◆ Ensuring the College is focused on those priority sectors which will continue to benefit from public funding.
- ◆ Regular dialogue with the EFA and the local authority.
- ◆ Aiming to over recruit, using the additional numbers to mitigate any fall in funding.

RESOURCES (continued)

Principal Risks and Uncertainties (continued)

The possibility of strike action

The ongoing national situation where the pay and conditions of teachers and support staff have either been directly held down, or amended negatively, as well as indirect control via funding reductions have led to a situation where staff have had their real terms pay reduced and their pensions cut. This will be exacerbated in 2015/16 with the removal of the contracting out rebate for National Insurance.

Unions are now considering more industrial action due to this.

The College attempts to mitigate this by regularly meeting and consulting unions at the College, however it has no control over national issues.

Growing Competition

There is growing competition from free schools and academies as well as school sixth forms. It is vital for the College to work collaboratively to ensure that the education market provides for the needs of students (and potential students) in the area.

The College has increased resources for links with schools and marketing.

The quality of provision and the success rates/ value added remain the best ways of dealing with competition.

Community Tension

The location of the College means that there is the danger of local religious or community tension being brought into the College. This has been exacerbated by the civil unrest prevalent in London during the summer of 2011 and remains a growing problem as the funding for social initiatives in the local area remain under constant pressure.

This risk is mitigated in a number of ways:

- ◆ Regular meetings with the local residents association
- ◆ Strong, but low key, campus security
- ◆ Strong tutorial system
- ◆ Strong and regular links with the police at a number of levels
- ◆ Communication between local colleges on incidents and troublemakers.

RESOURCES (continued)

Stakeholder Relationships

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

- ◆ Students,
- ◆ Funding Councils,
- ◆ Staff,
- ◆ Local employers (with specific links),
- ◆ Local Authorities,
- ◆ Government Offices/ Regional Development Agencies,
- ◆ The local community,
- ◆ Other FE institutions,
- ◆ Trade unions, and
- ◆ Professional bodies.

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

Equal opportunity and employment of disabled persons

The College celebrates and values the diversity brought to its workforce by individuals. It believes that the College will benefit from employing both disabled and non-disabled people at all levels of responsibility, and across all areas of work. This will also provide role models for a variety of students. The College is committed to equality of treatment for all employees regardless of whether they have a physical or mental impairment. This will apply to the operation and implementation of all its employment policies. The College will treat all employees with respect and dignity, and seeks to provide a positive working environment free from disability discrimination, harassment or victimisation.

The College will work towards the elimination of prejudice and discrimination and will seek to ensure that all staff have equal access to the full range of College facilities.

There will be no discrimination against staff on grounds of disability in access to employment, training, working conditions, terms of employment, treatment at work, promotion or dismissal. The College undertakes to fulfil its duty to make reasonable adjustments to enable staff to do their work, and not to treat staff with a disability less favourably than those without.

Disability Statement

The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005, which places a general duty on the College to:

RESOURCES (continued)

Disability Statement (continued)

- ◆ promote equality of opportunity between disabled persons and other persons
- ◆ seek to eliminate discrimination that is unlawful under the Act
- ◆ seek to eliminate harassment of disabled persons that is related to their disabilities
- ◆ promote positive attitudes towards disabled persons
- ◆ encourage participation by disabled persons in public life
- ◆ take steps to take account of disabled persons' disabilities, even where that involves treating disabled persons more favourably than other persons.

In particular the College makes the following commitments:

- ◆ all improvements to the site recognise the need for compliance with the DDA;
- ◆ the admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the Complaints Procedure;
- ◆ the College has made a significant investment in Learning Support by the appointment of specialist staff and the provision of dedicated resource areas. There is a continuing programme of staff development to ensure a high level of appropriate support for students who have learning difficulties and/or disabilities, and
- ◆ counselling and welfare services are described in the Student Charter and are available to all students.

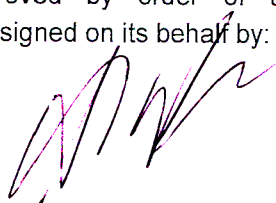
Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are 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

Professional advisors

External Financial Auditors	Buzzacott LLP
Internal Auditors	MacIntyre Hudson
Bankers	Lloyds Bank Plc
Solicitors	Birketts
Insurance Advisers/Brokers	Zurich Insurance
Payroll Bureau	Cintra

Approved by order of the members of the Corporation on 8 December 2015 and signed on its behalf by:



Alan Wells OBE
Chair

Statement of Corporate Governance and Internal Control 31 July 2015

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

The College endeavours to conduct its business:

- i) in accordance with the seven principals identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability openness, honesty and leadership);
- ii) having due regard to the UK Corporate Governance Code ("the Code) insofar as it is applicable to the further education sector.

The College is committed to exhibiting the best practice in all aspects of corporate governance and in particular the College/Board has adopted and complied with the Foundation 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 the 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 Foundation Code, and it has complied throughout the year ended 31 July 2015. 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.

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

Statement of Corporate Governance and Internal Control 31 July 2015

The Corporation

The composition of the Corporation is set out in the table below. It is the Corporation's responsibility to bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

The members who served the Corporation (and its Committees) during the period and up to the date of signature of this report were as follows:

Name	Status of appointment	Date of appointment	Date of resignation	Term of office	Committees served	Attendance*
Mrs. S Arif	Independent	7.7.14		4 years	P, R	58%
Ms. C Benefo	Student	1.8.15		1 year		N/A
Ms. R Bhalla	Independent	1.8.13		4 years	P(Ch)	89%
Mr. C Bond	Staff	21.10.13		4 years	Q	56%
Mr. Jeremy Bromfield MBE	Independent	11.12.12	30.6.15	4 years	V(Ch), G(Ch)	75%
Mr. J Bush	Independent	10.12.13		4 years	V(Ch),R(Ch)	88%
Mr. T Ellis	Staff	12.12.11		4 years	G, R	83%
Mr. T Foakes	Independent	7.7.15		4 years		100%
Ms. M Greaves	Parent	9.12.14		1 year	Q	43%
Ms. J Holmes	Independent	9.5.15		4 years	A, Q	100%
Mr. M Hone	Independent	7.7.14	3.4.15	4 years	A, P	71%
Mr. D Johnston	Independent	22.10.12		4 years	P, Q	78%
Ms. U Kalla	Student	1.8.15		1 year		N/A
Ms. M King	Independent	7.7.14	18.3.15	4 years	A, Q	50%
Mr. S McLean	Independent	7.7.14		4 years	Q, R	42%
Mr. R Moore	Independent	9.5.15		4 years	R	67%
Ms. V Neal	Student	1.8.14	31.7.15	1 year	Q	56%
Mr. A Owens	Independent	7.7.14		4 years	A, G, Q	92%
Mr. P Ramella	Principal	1.1.11	23.11.15		G, Q, R	94%
Ms. K Sutherland-Campbell	Student	1.8.14	31.7.15	1 year	Q	56%
Mr. A Wells OBE	Independent	1.8.13		4 years	Ch, G(Ch), P	100%
Mr. B Westbury	Independent	15.2.15		4 years	VCh, A(Ch)	86%
Mr R Smith	Clerk	1.1.11				

Key to sub-committees

A = Audit

P = Personnel, Appraisal and Remuneration

Q= Quality and Performance Monitoring

Ch= Chair

G = Governance & Nominations

R = Resources

VCh= Vice Chair

Statement of Corporate Governance and Internal Control 31 July 2015

Committee	Overall attendance
Audit	83%
Governance and Nomination	94%
Personnel, Appraisal and Remuneration	80%
Quality and Performance	68%
Resources	63%

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Personnel, Appraisal and Remuneration; Resources; Governance and Nominations; Quality and Performance Monitoring, and Audit. Full minutes of all meetings are available from the Clerk to the Corporation at:

Sir George Monoux College
190 Chingford Road
Walthamstow
London
E17 5AA

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

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

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

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

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

Statement of Corporate Governance and Internal Control 31 July 2015

Appointments to the Corporation

Any new appointments to the Corporation are a matter for consideration of the Corporation as a whole. The Corporation has a Governance and Nominations Committee, which in the year ended 31 July 2015, consisted of four members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Personnel, Appraisal and Remuneration Committee

Throughout the year ending 31 July 2015, the College's Personnel, Appraisal and Remuneration Committee comprised four members of the Corporation, until a resignation reduced it to three members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders and it also exercises oversight of the HR function and sets the framework of terms and conditions for the generality of staff.

Details of remuneration for the year ended 31 July 2015 are set out in note 5 to the financial statements.

Audit Committee

The Audit Committee comprises of four members of the Corporation (excluding the Principal and Chair), until resignations reduced it temporarily to two members. Further appointments will be made to the Committee following the recent recruitment of new governors. The committee operates in accordance with written terms of reference approved by the Corporation. Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's internal and financial statement 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 review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management 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 Corporation on the appointment of internal and financial statement auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Statement of Corporate Governance and Internal Control 31 July 2015

Internal Control

Scope of responsibility

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

The Corporation 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 he is personally responsible, in accordance with the responsibility assigned to him in the Financial Memorandum between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or break-downs 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 it be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Sir George Monoux College for the year ended 31 July 2015 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Corporation 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 Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ended 31 July 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The system of internal financial 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 forecast
- ◆ setting targets to measure financial and other performance
- ◆ clearly defined capital investment control guidelines

Internal Control (continued)

Capacity to handle risk (continued)

- ◆ 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 Interim 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 of the College 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 within 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.

The College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's 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 Council on the recommendation of the Audit Committee. As a minimum, annually, the Head of Internal Audit (HIA) provides the Council 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. The Principal's 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 and the appointed funding auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, risk committee and other sources of assurance, 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.

Statement of Corporate Governance and Internal Control 31 July 2015

Review of effectiveness (continued)

The senior management team and the audit committee also receive regular reports from internal audit and other areas of assurance, which include recommendations for improvements. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

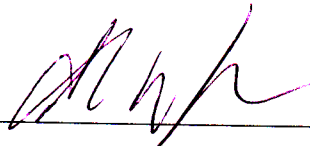
The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2015 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2015 by considering documentation from the senior management team and internal audit, including a review of the key risks to the college and a review of the risk management process, and taking account of events since 31 July 2015.

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

Going Concern

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

Approved by order of the members of the corporation on 8th December 2015 and signed on its behalf by:

Signed 

Date 8 December 2015

Chair

Signed 

Date 8 December 2015

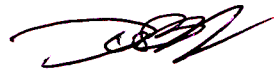
Acting Principal

Governing Body's Statement on the College's regularity, propriety and compliance with the Funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Education Funding Agency of material irregularity, impropriety and non-compliance with Education Funding Agency terms and conditions of funding, under the funding agreement in place between the College and the Education Funding Agency. As part of its consideration the Corporation has due regard to the requirements of the funding agreement.

We confirm, on behalf of the Corporation, and that to the best of its knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Education Funding Agency's terms and conditions of funding under the College's 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 to date have been notified to the Education Funding Agency.



Statement of the Responsibilities of the Members of the Corporation

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

Within the terms of and conditions of the Financial Memorandum agreed between the EFA and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction issued jointly by the Skills Funding Agency and the EFA, 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 then 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 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 to safeguard 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 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 Skills Funding Agency and EFA are used only in accordance with the Financial

Statement of Corporate Governance and Internal Control 31 July 2015

Memorandum with the Skills Funding Agency and the EFA 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 to safeguard public and other funds and 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 Skills Funding Agency and the EFA are not put at risk.

Approved by order of the members of the corporation on the 8 December 2015 and signed on its behalf by:

Signed  _____

Date: 8 December 2015

Chair

Independent Auditor's Report to the Corporation of Sir George Monoux College

31 July 2015

Independent Auditors' Report to the Corporation of Sir George Monoux College

We have audited the College financial statements ("the financial statements") of Sir George Monoux College for the year ended 31 July 2015 set out on pages 38 to 62. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Corporation of Sir George Monoux College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 32, the Corporation 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 Corporation; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Corporation 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.

Independent Auditor's Report to the Corporation of Sir George Monoux College
31 July 2015

Opinion on financial statements

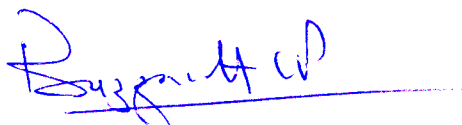
In our opinion the financial statements:

- ◆ 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 2015 and of the College's surplus of income over expenditure for the year then ended; and
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the revised Joint Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency requires us to report to you if, in our opinion:

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



Buzzacott LLP
Chartered Accountants and
Registered Auditors
130 Wood Street
London
EC2V 6DL

16 December 2015

Reporting Accountant's assurance report on regularity to the Corporation of Sir George Monoux College and Secretary of State for Education acting through the Education Funding Agency

In accordance with the terms of our engagement letter dated 13 May 2014 and further to the requirements of the funding agreement with 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 Sir George Monoux College during the period 1 August 2014 to 31 July 2015 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 Education Funding Agency has other assurance arrangements in place.

This report is made solely to the corporation of Sir George Monoux College and the 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 Sir George Monoux College 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 Sir George Monoux College and Education Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Sir George Monoux College and the reporting accountant

The corporation of Sir George Monoux 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 2014 to 31 July 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Independent Auditor's Report on Regularity to the Corporation of Sir George Monoux
31 July 2015

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by 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:

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

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2014 to 31 July 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP

Date 16 December 2015

Chartered Accountants

Income and expenditure account 31 July 2015

	Notes	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Income			
Funding body grants	1	10,512	11,003
Tuition fees and education contracts	2	6	10
Grants	3	15	—
Other income		91	63
Investment income	4	6	5
Total income		10,630	11,081
Expenditure			
Staff costs	5	7,360	7,721
Other operating expenses	7	2,547	2,326
Interest and other finance costs		115	155
Depreciation	9	579	593
Total expenditure		10,601	10,795
Surplus on continuing operations after depreciation of assets at valuation, disposal of assets and tax		29	286

The income and expenditure account is in respect of continuing activities.

Statement of historical cost surpluses and deficits Year to 31 July 2015

	Notes	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Surplus on continuing operations before taxation		29	286
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	17	54	55
Historical cost surplus for the period before and after taxation		83	341

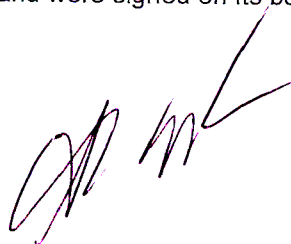
Statement of total recognised gains and losses Year to 31 July 2015

	Notes	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Surplus on continuing operations after depreciation of assets at valuation and tax		29	286
Actuarial gain in respect of pension scheme	24	(445)	136
Additional payment into pension scheme from I&E reserve		—	(210)
Receipt of additional pension scheme payment into pension reserve		—	210
Other reserve movements		4	1
Total recognised gains relating to the period		(412)	423
		Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Reconciliation			
Opening reserves		6,463	6,040
Total recognised gains for the year		(412)	423
Closing reserves		6,051	6,463

Balance sheet 31 July 2015

	Notes	31 July 2015 £'000	31 July 2014 £'000
Fixed assets			
Tangible assets	9	11,634	11,691
Investments	10	45	41
		<u>11,679</u>	<u>11,732</u>
Current assets			
Debtors	11	34	32
Cash at bank and in hand		1,676	1,612
		<u>1,710</u>	<u>1,644</u>
Creditors: amounts falling due within one year	12	(802)	(810)
Net current assets		<u>908</u>	<u>834</u>
Total assets less current liabilities		<u>12,587</u>	<u>12,566</u>
Creditors: amounts falling due after one year	13	(1,044)	(1,368)
Provisions for liabilities and charges	15	—	(70)
Net assets excluding pension liability		<u>11,543</u>	<u>11,128</u>
Pension liability	24	(2,378)	(1,829)
Net assets		<u>9,165</u>	<u>9,299</u>
Deferred capital grants	16	3,114	2,836
Restricted reserve		45	41
Income and expenditure account excluding pension reserve		4,710	4,523
Pension reserve	24	(2,378)	(1,829)
Income and expenditure account including pension reserve	18	2,332	2,694
Revaluation reserve	17	3,674	3,728
Total reserves		<u>6,051</u>	<u>6,463</u>
TOTAL		<u>9,165</u>	<u>9,299</u>

The financial statements on pages 38 to 62 were approved by the corporation on 8 December and were signed on its behalf by:



Chair of the Corporation



Acting Principal

Cash flow statement 31 July 2015

	Notes	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Cash inflow from operating activities	19	935	891
Returns on investments and servicing of finance	20	(74)	(91)
Capital expenditure and financial investment	21	(522)	(234)
Financing	22	(275)	(260)
Increase in cash in the period		64	306
Reconciliation of net cash flow to movement in net debt.			
Increase in cash in the period		64	306
Repayment of amounts borrowed		275	260
Movement in net debt in the period		339	566
Net debt at 1 August		4	(562)
Net debt at 31 July		343	4

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education 2007 (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published jointly by the Skills Funding Agency and the EFA in the 2014/15 Accounts Direction Handbook.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom Accounting Standards.

Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the adult learner responsive funding element is normally adjusted for in year and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body at the end of November following the year end. Employer Responsive funding is receivable based on latest ILR returns in respect of the current financial year, but subject to consideration of the College's performance relative to maximum contract values. 16-18 learner responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

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

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from income and expenditure account to specific endowments.

Expenditure categorisation

The subcategories of expenditure have been modified to bring them into line with funding body categorisation.

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the London Borough of Waltham Forest Pension Fund (LBWFPPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS).

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is substantially a level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a perspective benefit method. As stated in note 24 the TPS is a multi employer scheme and the College is unable to identify its share of the assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LBWFPPF 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 gains and losses.

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 and expenditure financial statement 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.

Tangible Fixed Assets

Land and Buildings

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

Refurbishment works that improve the value of the buildings are included in the balance sheet at cost less accumulated depreciation. Freehold land is not depreciated. Freehold buildings are depreciated on a straight-line basis over their expected useful life of up to 50 years. Where building refurbishments are undertaken with the aid of specific grants, they are capitalised and depreciated as above.

Tangible Fixed Assets (continued)

Land and Buildings (continued)

The related grants are credited to a deferred capital grant account and are released to the income and expenditure financial statement over the useful expected life of the related asset on a basis consistent with the depreciation policy. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

On adoption of the FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1993, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Equipment

Equipment costing less than £3,000 per individual item is written off to the income and expenditure account in the period of acquisition. Equipment costing more than £3,000 is capitalised at cost. Equipment is depreciated on a straight-line basis over its expected life, which for computer equipment is 3 years, and for other equipment up to 8 years. Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy; the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful life of the related equipment.

Subsequent expenditure on existing fixed assets

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

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of assets life beyond that conferred by repairs and maintenance

Maintenance of Premises

The cost of all corrective maintenance is charged to the income and expenditure account in the accounting period in which it occurs. It will be evident from the Members Report that there is a commitment to planned maintenance and improvements to the premises generally.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

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.

Agency Arrangements

The College acts as an agent in the collection and payment of Bursary Funds. Related payments received from the EFA or its successor organisations and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 30 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 two members of staff dedicated to the administration of Bursary applications and payments.

Notes to the financial statements 31 July 2015

1 Funding body grants

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Funding body grant	10,390	10,880
Release of deferred capital grants (note 15)	122	123
	10,512	11,003

2 Tuition fees and education contracts

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Educational contracts		
Other education contracts	6	10
	6	10

3 Grants

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Sport England	15	—

4 Investment income

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Other interest receivable	6	5

5 Staff costs

The average monthly number of persons employed by the College (including senior post holders) during the year, expressed as full-time equivalents, was:

	Year ended 31 July 2015	Year ended 31 July 2014
Teaching staff	91	94
Non teaching staff	60	63
	151	157

Notes to the financial statements 31 July 2015

5 Staff costs (continued)

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Staff costs for the above persons:		
Wages and salaries	5,132	5,717
Social security costs	396	417
Other pension costs (including FRS 17 adjustment of £69,000 (2014 £89,000))	527	528
	6,055	6,662
Contracted out staffing services	1,305	1,059
	7,360	7,721

The number of staff, including senior post-holders and the principal, who received emoluments in the following ranges was:

	Year ended 31 July 2015	Year ended 31 July 2014	Year ended 31 July 2015	Year ended 31 July 2014
	Number of senior post- holders	Number of senior post- holders	Other staff	Other staff
£40,001 - £50,000	—	1	n/a	n/a
£60,001 - £70,000	—	—	—	2
£70,001 - £80,000	1	—	1	—
£80,001 - £90,000	—	1	—	—
£110,001 - £120,000	1	1	—	—
	2	3	1	2

6 Senior post-holders' emoluments

	2015	2014
The number of senior post-holders including the principal was:	2	3
Senior post-holders' emoluments are made up as follows:	£	£
Salaries	189,763	244,460
Pension contributions	24,775	30,863
Total emoluments	214,538	275,323

Notes to the financial statements 31 July 2015

6 Senior post-holders' emoluments (continued)

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid senior post-holder) of:

	Year ended 31 July 2015 £	Year ended 31 July 2014 £
Salary	110,879	114,770
Pension contributions	15,632	15,478

The pension contributions in respect of the Accounting Officer and senior post holders are in respect of the employer's contributions to the Teachers Superannuation Scheme or the Local Government Pension Scheme and are paid at the same rate as for other employees.

The above emoluments include amounts payable to the Acting Principal of:

	Year ended 31 July 2015 £	Year ended 31 July 2014 £
Salary	—	33,293
Pension contributions	—	3,296

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Senior post-holders, including the Accounting Officer and other higher paid staff, received no cost of living increase.

7 Other operating expenses

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Teaching costs	558	516
Non teaching costs	1,351	1,231
Premises costs	638	579
Total	2,547	2,326

Other operating expenses include:

Auditors' remuneration:

. External audit	19	19
. Internal audit	17	17
. Other services provided by the financial statement auditors	1	7
. Other services provided by the internal auditors	3	10

Notes to the financial statements 31 July 2015

8 Interest payable

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	80	96
Pension finance costs	35	59
	115	155

9 Tangible fixed assets

	Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2014	16,805	1,498	18,303
Additions	402	120	522
Disposals	—	(38)	(38)
At 31 July 2015	17,207	1,580	18,787
Depreciation			
At 1 August 2014	5,902	710	6,612
Charge for year	403	176	579
Disposals	—	(38)	(38)
At 31 July 2015	6,305	848	7,153
Net book values			
At 31 July 2015	10,902	732	11,634
Net book values			
At 31 July 2014	10,903	788	11,691

The transitional rules set in FRS 15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly, the book values at incorporation have been retained.

Inherited land and buildings were valued at 1/4/93 for the purpose of the 1994 financial statements at depreciated replacement cost by the District Valuer/Valuation Officer for Redbridge. Other tangible fixed assets inherited from the local education authority at incorporation were valued by the Corporation based on specifically identified asset purchase costs.

Land and buildings with a net book value of £3,018,556 have been financed by exchequer funds, through for example the receipt of capital funds. Should these assets be sold, the College would either have to surrender the sale proceeds or use them in accordance with the financial memorandum.

Notes to the financial statements 31 July 2015

10 Investments

	31 July 2015 £'000	31 July 2014 £'000
Balance at 1 August 2014	41	40
Appreciation on revaluation	4	1
Balance at 31 July 2015	<u>45</u>	<u>41</u>

The investment is in the Charities Official Investment Fund.

11 Debtors

	31 July 2015 £'000	31 July 2014 £'000
Due within one year		
Trade debtors	13	4
Prepayments and accrued income	21	28
	<u>34</u>	<u>32</u>

12 Creditors: amounts falling due within one year

	31 July 2015 £'000	31 July 2014 £'000
Bank loans and overdrafts	289	274
Trade creditors	42	78
Other creditors	1	7
Accruals and deferred income	470	451
	<u>802</u>	<u>810</u>

13 Creditors: amounts falling due after one year

	31 July 2015 £'000	31 July 2014 £'000
Accruals	—	34
Bank loans	1,044	1,334
	<u>1,044</u>	<u>1,368</u>

Notes to the financial statements 31 July 2015

14 Borrowings

	31 July 2015 £'000	31 July 2014 £'000
Due within:		
One year	289	274
Between one and two years	305	289
Between two and five years	739	895
In more than five years	—	150
	1,333	1,608
Represented by		
Floating rate loan at 6.60515% repayable by instalments falling due between 1 August 2003 and 31 December 2017. Interest is charged at 1% above the base rate.	137	187
Fixed rate loan at 6.1% repayable in equal quarterly instalments from 4 January 2005 to 2 January 2020	1,196	1,421
	1,333	1,608

15 Provisions for liabilities and charge

	£'000
At 1 August 2014	70
Released in period	(70)
At 31 July 2015	—

The enhanced pension provision relates to the cost of staff who have already left the College's employment. There is a doubt about the nature, quantum and validity of these liabilities. The College has reviewed the situation and decided that it is prudent to release this provision over a period of 5 years.

16 Deferred capital grants

	Funding Council £'000	Other £'000	Total £'000
At 31 July 2014	2,783	53	2,836
Released to income and expenditure account (note 1)	(122)	(2)	(124)
Capital grant received	402	—	402
Total as at 31 July 2015	3,063	51	3,114

17 Revaluation reserve

	31 July 2015 £'000	31 July 2014 £'000
At 1 August 2014	3,728	3,783
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(54)	(55)
At 31 July 2015	3,674	3,728

18 Movement on general reserves

	31 July 2015 £'000	31 July 2014 £'000
At 1 August 2014	2,694	2,217
Surplus on containing operations after depreciation	29	286
Transfer from revaluation reserve	54	55
Actuarial gain in respect of pension scheme	(445)	136
At 31 July 2015	2,332	2,694
Balances represented by:		
Pension reserve	(2,378)	(1,829)
Income and expenditure reserve excluding pension reserve	4,710	4,523
	2,332	2,694

19 Reconciliation of operating surplus to net cash inflow from operating activities

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Surplus on continuing operations after depreciation of assets at valuation	29	286
Depreciation (note 9)	579	593
Deferred capital grant released to income (note 16)	(124)	(126)
Capital grants received (note 16)	402	85
Pension costs less contributions payable	69	(125)
(Increase) / decrease in debtors	(2)	8
(Decrease) / increase in creditors	(57)	89
Decrease in provisions	(70)	(70)
Interest receivable	(6)	(5)
Interest payable	115	155
Loss on disposal	—	1
Net cash inflow from operating activities	935	891

20 Returns on Investments and servicing of finance

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Other interest received	6	5
Interest paid	(80)	(96)
Net cash outflow from returns on investment and servicing of finance	(74)	(91)

21 Capital expenditure and financial investment

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Purchase of other tangible fixed assets	(522)	(234)
Net cash outflow from capital expenditure and financial investment	(522)	(234)

22 Management of liquid resources

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Repayment of amounts borrowed	(275)	(260)
Net cash outflow from management of liquid resources	(275)	(260)

23 Analysis of changes in net debt

	At 1 August 2014 £'000	Cash flows £'000	At 31 July 2015 £'000
Cash at bank and in hand	1,612	64	1,676
Debt due within one year	(274)	(15)	(289)
Debt due in more than one year	(1,334)	290	(1,044)
Total	4	339	343

24 Pensions and similar obligations

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

Total pension scheme cost for the year

	<u>2014/15</u> £'000	<u>2013/14</u> £'000
Teachers Pension Scheme: contributions paid	376	438
Local Government Pension Scheme:		
. Contributions paid	205	338
. FRS 17 charge	69	(125)
. charge to the income and expenditure account (staff costs)	<u>274</u>	<u>213</u>
Enhanced pension released:		
. from provisions (note 15)	(70)	(70)
. from creditors	(53)	(53)
Total pension costs for the year	<u>527</u>	<u>528</u>

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 was 31 March 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

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.

24 Pensions and similar obligations (continued)

Teachers' Pension Scheme (continued)

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 (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The Teachers' Pension Scheme Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension 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.

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 and the subsequent consultation are:

- ◆ employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- ◆ 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;

24 Pensions and similar obligations (continued)

Teachers' Pension Scheme (continued)

Valuation of The Teachers' Pension Scheme

- ◆ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

The new employer contribution rate for the TPS will be implemented in September 2015.

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (<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 will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £376,000 (2014: £438,000)

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), 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 FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The College has set out below the information available on the deficit in the scheme and the implications for the College in terms of the anticipated contribution rates.

24 Pensions and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July 2015 was £253,000 of which employers' contributions totalled £167,000 and employees' contributions totalled £86,000. The agreed contribution rates for future years are 9.9% for employers and range from 5.5% to 7.5% for employees, depending on salary.

FRS 17

The following information is based upon a full actuarial valuation of the Fund at 31 March 2014 updated to 31 July 2015 by a qualified independent actuary.

Principal Actuarial Assumptions	As at 31 July 2015	As at 31 July 2014
Rate of inflation (CPI)	2.3%	2.3%
Rate of increase in salaries	3.8%	3.8%
Rate of increase for pensions	2.3%	2.3%
Discount rate for scheme liabilities	3.9%	4.4%
Commutation of pensions to lump sums	50%	50%

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

	At 31 July 2015	At 31 July 2014
<i>Retiring today</i>		
Males	23.1	23.0
Females	25.5	25.4
<i>Retiring in 20 years</i>		
Males	25.4	25.3
Females	27.9	27.8

24 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

FRS 17 (continued)

The assets in the scheme (of which the College's share is estimated at 0.41%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 15	Value at 31 July 2015 £'000	Long-term rate of return expected at 31 July 14	Value at 31 July 2014 £'000
Equities	6.5%	2,754	7.0%	2,140
Other Bonds	3.6%	585	4.1%	511
Property	6.1%	251	6.2%	224
Other	6.5%	418	7.0%	319
Cash in transit awaiting investment	0.5%	167	0.5%	210
Total Market Value of assets		<u>4,175</u>		<u>3,404</u>

	As at 31 July 2015 £'000	As at 31 July 2014 £'000	As at 31 July 2013 £'000	As at 31 July 2012 £'000	As at 31 July 2011 £'000
Present values of scheme liabilities	<u>(6,553)</u>	<u>(5,233)</u>	<u>(5,197)</u>	<u>(4,673)</u>	<u>(4,100)</u>
Deficit in the scheme	<u>(2,378)</u>	<u>(1,829)</u>	<u>(2,031)</u>	<u>(2,101)</u>	<u>(1,706)</u>

Analysis of the amount charged to income and expenditure account

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Employer service cost (net of employee contributions)	<u>236</u>	<u>213</u>
Total operating charge	<u>236</u>	<u>213</u>

24 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

FRS 17 (continued)

Analysis of pension finance income/ (costs)

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Expected return on pension scheme assets	199	184
Interest on pension liabilities	(234)	(243)
Pension finance costs	(35)	(59)

Amount recognised in the statement of total recognised gains and losses (STRGL)

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Actual return less expected return on pension scheme assets	168	351
Change in financial and demographic assumptions underlying the scheme liabilities	(865)	387
Change in financial and demographic assumptions underlying the scheme liabilities – prior year	252	—
Actuarial (loss)/gain recognised in STRGL	(445)	738

The actuarial gain on liabilities in 2013/14 reported on the FRS 17 actuarial report was incorrect. This has been corrected in the current year.

Movement in deficit during year

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Deficit in scheme at 1 August	(1,829)	(2,031)
Movement in year:		
. Employer service cost (net of employee contributions)	(322)	(213)
. Employer contributions	167	338
. Net return on assets / (net interest on liabilities)	51	(59)
. Actuarial (loss) / gain	(445)	136
Deficit in scheme at 31 July	(2,378)	(1,829)

24 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

Asset and liability reconciliation

	2015 £'000	2014 £'000
Liabilities at start of period	5,233	5,197
Service cost	236	213
Interest cost	234	243
Employee contributions	86	77
Actuarial gain (loss)	865	(387)
Benefits paid/transfers paid	(101)	(110)
Liabilities at end of period	6,553	5,233

Reconciliation of assets

Assets at start of period	3,404	3,166
Expected return on assets	199	184
Actuarial (loss) gain	168	(251)
Correction to 2013/14 actuarial gain	252	—
Employer contributions	167	338
Employee contributions	86	77
Benefits paid/transfers paid	(101)	(110)
Assets at end of period	4,175	3,404

The estimated value of employer contributions for the year ended 31 July 2015 is £191,000.

Deficit contributions

The College has entered into an agreement with the LGPS to make additional contributions of £43,000- £53,000 per annum in addition to normal funding levels until the next full valuation at which point the situation will be reviewed again.

History of experience gains and losses

	2015	2014	2013	2012	2011	2010
Difference between the expected and actual return on assets:						
% of scheme assets	168 4.0%	(251) (7.9%)	326 10.3%	(103) (4.3%)	170 7.1%	270 14.2%
Experience gains and losses on scheme liabilities:						
% of scheme liabilities	865 13.2%	480 9.2%	— 0.0%	— 0.0%	(167) 4.1%	— 0.0%
Total amount recognised in STRGL						
% of scheme liabilities	697 10.6%	136 (7.9%)	220 4.2%	(249) 3.2%	(130) 3.2%	122 3.2%

Notes to the financial statements 31 July 2015

25 Post Balance Sheet Events

Paolo Ramella stepped down as Principal on 23 November 2015 and will leave the College on 31 December 2015. The Corporation have appointed David Ball as Acting Principal.

26 Capital Commitments

There were no capital commitments contracted for at the year end (2014 – £72,000).

27 Financial Commitments

At 31 July 2015 the College had annual commitments under non – cancellable operating leases as follows:

	31 July 2015 £'000	31 July 2014 £'000
Equipment		
Expiring within two and five years inclusive	<u>83</u>	<u>65</u>

28 Restricted Reserves

The College holds funds that have not been contributed to from public money. These funds have traditionally been the result of fund raising, but have more recently been added to thanks to the generosity of the Drapers' Guild. The College Corporation have specified that these funds must only be utilised for the support of student educational visits.

The capital base of the Rothery Bequest is described in note 10. Revenue generated by the fund within the framework of the will.

29 Related Party Transactions

Due to the nature of the College's operations and the composition of the board of governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving organisation in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Transactions with the funding body are detailed in notes 1, 16 and 30.

Notes to the financial statements 31 July 2015

30 Amounts disbursed as agent

	Year ended 31 July 2015 £'000	Year ended 31 July 2014 £'000
Funding body grants	488	481
Administration fess	(23)	(22)
	465	459
Disbursed to students	(425)	(460)
Balance unspent at 31 July	40	(1)

Funding body grants are available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure account.