Report and Financial Statements

31 July 2019

"The mission of Sir George Monoux Sixth Form College is to give students control of their future by learning and changing today."

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel

Key management personnel are defined as the members of the Corporation including the members of the College Senior Leadership Team and the latter of which were represented by the following in 2018/19:

David Vasse – Principal and Accounting Officer
Holly Bembridge – Vice Principal - Curriculum
David Ball – Vice Principal – Corporate Services
James Gould – Vice Principal – Student Services and Recruitment

Board of Governors

A full list of Governors is given on page 19 of these financial statements. Mr R Smith acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

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

Internal auditors:
MHA MacIntyre Hudson
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Bankers:
Lloyds Bank PLC
Gresham Street
London
EC2V 7HN

Solicitors:
Birketts
Station Road
Cambridge
CB1 2RE

Insurance
Zurich Municipal
2 Gladiator Way
Farnborough
GU14 6GB

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OBJECTIVES AND STRATEGIES

The members present their report and the audited financial statements for the year ended 31 July 2019.

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

Our mission is "To give students control of their future by learning and changing today."

At Sir George Monoux College, we work to increase students' capacity to acquire lasting knowledge and to develop character. Knowledge and character combine to help students build a vision for their future, ideas and the confidence to engage.

We want our students to have control of their future and our belief is that, by focusing on what is important today, above all by learning today and by being able to make changes today, that future control will be more achievable.

Everything that we do and everything that we are proposing to do implies the following values:

1. Work hard to acquire deep knowledge
2. Have the will to change
3. Be respectful and trusting of others

There are two fundamental concepts that frame everything we do at Monoux. Firstly, we have a very clearly defined concept of the **Monoux Student** and we use this as a framework for all our work to support students in overcoming disadvantage and in gaining mastery:

How will you develop your character and knowledge this year?	This means YOU personally...	And how you are with others...	And, of course, when you study...	So that you are ready to take control of your future...
	Your self-perception and personal values	Your relationships with others	Your academic skill	Your sustainable self

Secondly, we have developed a research-based model of teaching, our **Monoux Teacher** framework, that drives professional practice and gives curriculum delivery its identity. We embed the Monoux Teacher framework into our six curriculum Pathways, so that we create a culture of teaching that is consistent for all but which can be adapted to different disciplines and sector skills.

Public Benefit

Sir George Monoux College is an exempt charity under part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on page 19.

In setting and reviewing the College's strategic objectives, the Corporation 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;
- The College is government funded and hence tuition fees are not a barrier to participation;
- High progression rates to Higher Education;
- Excellent employment rates for students;
- Strong student support systems, and
- Links with employers, industry and commerce.

Implementation of the Strategic Plan

Identifying the significant need for speedy improvement following the grade 3, "requires improvement" Ofsted inspection in February 2016 and the lower numbers of students recruited, the Principal and the Governors agreed that a new strategic plan was required. This was drafted following extensive input from students and staff. It was agreed at the Corporation meeting on 28 January 2017.

The Ofsted inspection in 2018 confirmed the direction of the College with a grade 2 for effectiveness of leadership and management.

Following the success of the Strategic Plan in two years (one year ahead of schedule) a new Strategic Plan was drafted. This was approved by the Governing Body on 9 July 2019.

Performance indicators

Academic targets:

Success rates rose to 86% in 2017/18, achieving the College's target. In 2018/19 the rate is expected to be approximately 85%. The reduction is due to the move towards two year A level programs.

ALPs scores at level 3 significantly improved for the third year (blue is the bottom quartile, red the top quartile):

YEAR	Entries to ALPS blue subjects		Entries to ALPS black subjects		Entries to ALPS red subjects	
	Number	Proportion	Number	Proportion	Number	Proportion
18/19	248	9%	576	20%	1,987	71%
17/18	354	14%	1132	44%	1091	42%
16/17	1110	33%	1614	48%	615	18%
15/16	2452	60%	1054	26%	579	14%

Attendance and punctuality were 85%, just below target in 2018/19.

The College moved from outstanding to good financial health, albeit at the top bottom of this grade.

The College recruited (and retained to the census date) 1,611 students, less than it was funded for. This reduction was planned to ensure that quality education was delivered to all students at the College.

- The surplus was below the target of 0.5% of income, this was a decision taken in the year to improve resource availability;
- Cash flow from operating activities was positive;
- Payroll costs at 66% were below the target of 70%, and
- Solvency was maintained at an efficient level.

FINANCIAL POSITION

Financial results

The College generated an operating deficit in the year of £611,000 (after £642,000 of FRS 102 S28 related pension costs) (2017/18 – deficit of £325,000 after £386,000 of FRS 102 S28 costs).

The College has accumulated reserves of £3.6 million (after pension fund deficit of £4.88 million) and cash balances of £1.974 million. The College aims to make surpluses before FRS 102 S28 costs of at least 0.5% of income.

Tangible fixed asset additions during the year amounted to £162,000. The additions were improvements or upgrades to the IT Network infrastructure.

The College places significant reliance on the education sector funding body for its principal funding source, largely from recurrent grants. In 2018/19 the funding body provided 98% of the College's total income.

Strategic Report

The College recruited 1,611 students in the summer of 2018, slightly lower than predicted. This did not reflect on the College's popularity, rather that students who were not serious with their studies were not allowed to continue at the College and disrupt the education of others. The success of the College's new recruitment methodologies are reflected in the results.

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 complies with the requirements of the Financial Memorandum.

The size of the College's total borrowing and its approach to interest rate exposure has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. During the year this margin was comfortably exceeded.

Cash flows

At £626,000 inflow (2017/18 £488,000 inflow), operating cash inflow was strong. The net cash flow was an inflow of £163,000.

Liquidity

The College has one loan that was taken out to fund the construction of new buildings in 2004. This fixed rate loan had £149,000 outstanding at the year end and will be fully repaid in January 2020.

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 2018 to 31 July 2019, the College has aimed to pay all of its undisputed invoices within 30 days. Over 99.8% of all invoices (by value) were paid within 30 days, those that weren't were due to billing errors by the supplier. The College incurred no interest charges in 2018/19.

Reserves

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College forecasts its financial performance for two years in advance every year as part of its planning process. The College currently holds £59,000 of restricted reserves. As at the Balance Sheet date the Income and Expenditure account reserve stood at £89,000 (2018: £2,373,000).

The College has accumulated reserves of £8.48 million (£3.6 million after deduction of the pension fund deficit of £4.88 million) and cash balances of £1.974 million. The College aims to make surpluses before FRS 102 S28 pension adjustments.

Strategic Report

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2018/19 the College has delivered activity that has produced £8,213,000 in funding body main allocation funding (2017/18 – £8,532,000). The College had 1,611 funding body funded students.

The number of student enrolments increased significantly in 2018/19. The College believes that its new ethos and reputation for quality are now known to potential students and that managed growth will continue.

Student achievements

Achievement rates increased to 86% in 2017/18. This declined to 85% in 2018/19, due to the move towards two year A levels, meaning that two year retention is considered in the rate. Underlying success rates improved.

College Management

David Vasse took up the post of Principal from 1st September 2016.

The new strategic plan was put in place in early 2017, thus 2017/18 was the first full year that it was in place and the 2018 enrolment cohort has been the first cohort to complete their education under the new ethos.

For the first time in over ten years the College had a full and unchanging team of senior managers.

The College management and the Corporation are sure that the College is well placed to continue, and accelerate, its improvement whilst remaining financially viable.

Ofsted

The College was inspected in January 2018. The overall conclusions were:

Effectiveness of leadership and management	Good
Quality of teaching, learning and assessment	Requires improvement
Personal development, behaviour and welfare	Requires improvement
Outcomes for learners	Requires improvement
16 to 19 study programmes	Requires improvement
Overall effectiveness at previous inspection	Requires improvement

The College has the following strengths:

- The new leadership team has established a positive environment for both staff and students, with a strong focus on improving teaching. Leaders, Governors and managers have improved markedly their ability to assess the quality of teaching and learning, and to put in place improvement strategies.

Strategic Report

- Teachers are now setting more effective targets for students, and using better checks to monitor their progress.
- Students have good opportunities to build their independence, social and interpersonal skills.
- Managers and teachers have successfully increased the proportion of students on vocational courses at levels 2 and 3, who make up around two thirds of students, who achieve their qualifications and make good progress in their learning.
- Students receive good, impartial careers guidance, and support with application to university.
- On completion, a high proportion of students successfully progress to the next stage of their education or training.

In October 2018 the College had a monitoring visit, as required by the inspection regime following a "requires improvement" grade. The following themes were reviewed:

- What impact have leaders' and managers actions had in increasing the proportion of students who achieve their qualifications and the grades expected of them? REASONABLE PROGRESS.

- How effective have leaders and managers been in increasing the opportunities for students to have work experience to support the development of their work-related skills? REASONABLE PROGRESS.

- What impact have leaders and managers had in supporting teachers to plan lessons that engage and motivate students more so that all students make good progress? REASONABLE PROGRESS.

- What impact have leaders and managers had in improving students' behaviour and attitudes to learning, particularly regarding attendance, punctuality and the management of their folders and/or notebooks? SIGNIFICANT PROGRESS.

Strategic Report

Curriculum developments

- Additional supervised study has been timetabled for all Year 2 A Level students (and most Year 1).
- Study tutorials for A Level students were established after January mock exams.
- Attendance of A Level students has improved by 3%.
- All A level teachers have been on exam board training. 3 A level forum meetings have taken place this year and 1 more is scheduled for end of June. The impact of these meetings has been more open communication of strategies to deal with the new specifications. Also, in visual arts subjects there have been improvements to the use of the coursework appeals process and sharing of strategies between teachers.
- Additional training for teachers on learning support diagnosis took place in February 2019.
- Improvement in access arrangements completed for A Level students and increased mentoring/Progress Coaching in place for this cohort.
- Independent study guidance integrated into February training.
- PLCs now considered as fit-for-purpose on A Level courses and PLCs now assisting focus of Progress Coach work.
- ALS development integrated into February training and Monoux Teacher framework toolkit.
- Managers and Coaches have been trained in instructional coaching.
- Entry Periods were introduced in September 2018, having been designed as an initiative to improve students' preparation for the college day as well as provide an opportunity to develop students' communication skills. Entry Period is intended to ensure better transition from home and the street to the climate of the college as well as to improve students' punctuality at the start of the day. All students who have a 10.00am lesson are scheduled to enter the college through the Zone between 9.35 and 9.55 (although many choose to arrive earlier) where staff are able to greet students and be alert to any issues or support needs.
- Range of activities to increase students' physical activity increased over the year in both team sport and through activate your future (Sport England Project) including Swimming, Rock Climbing, Glow Sports and Bounce Park activities. Improvement in student performances, both at the college and external venues was noted.

Strategic Report

Future developments

The College funding income for 2019/20 has been set at £8.2 million from the ESFA.

Our campus

The Strategic Plan for 2017-20 did not include any major refurbishment or building works. Beyond this period redevelopment will be dependent on student numbers and funding availability.

Nevertheless, the college does have the ambition to improve its facilities as well as maintaining existing accommodation. College facilities for science, information technology (both for digital and creative industries) and design do not match the aspirations of the curriculum and fall below the expectation of prospective learners. Facilities and accommodation in these areas generally lack the specialist quality that will support the strategic intent that all Pathways develop a flagship course with industry/workplace backing.

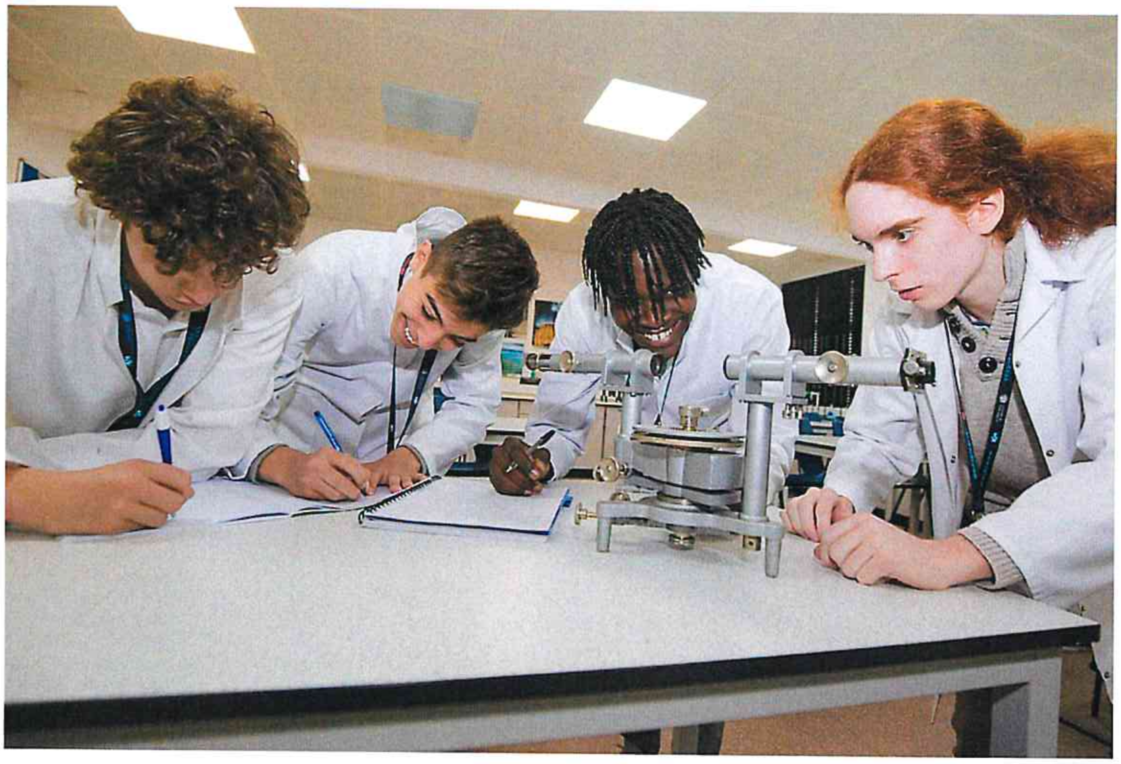
We provisionally intend to develop plans for a Science and Technology building, located on the site of the current conference centre. This would be estimated to be a building that would require a £11M budget, to be financed through land sale, capital funding, bank loan and fundraising.

Curriculum

- Volunteering for students will be developed. Work with Shelter has begun.
- The College will introduce Talent Lab from September 2019. Talent Lab has been designed to put into practice our belief that, in order that students are committed to learning and willing to change habits and routines that may not be serving them well, we must structure daily, weekly and termly activities so that engagement is rewarded but also seen as the norm. Following a successful pilot the Leaders of Learning program will be rolled out for students.
- The Monoux Teacher online was launched at the end of the 18/19 academic year and will be fully in use in 2019/20. Our Curriculum for Expertise strategy (the Monoux Teacher framework) sets high expectations and is designed with the particular needs of our students in mind. We plan for frequent low stakes testing for lasting knowledge, ensuring that we break material down and frequently practise for mastery. We give time to learners to respond to feedback, allowing growth, and we develop oracy and encourage students to have pride in their work.
- We have made good progress with work experience placements this year and want to grow this into a real area of strength. By 2022, our aim is for 80% of students to complete a relevant work

placement on a vocational course, or a relevant placement or experience if on academic programmes.

- A Reach Up program will be rolled out for students who do not meet all our criteria for entry or would be considered a risk of non-completing at enrolment. It will involve comprehensive management of a student's time at College to ensure high levels of attendance, participation, effort and personal development.
- The college plays an important role in safeguarding young people against the risks of gang affiliation, violence and drugs. A notable proportion of our students are vulnerable to being drawn into the industry of gangs because they are from low income households, often living in low quality housing within areas with relatively high levels of crime. A high proportion of students live with only a single parent and many have had direct or indirect experience of domestic violence. The previous Strategic Plan prioritised initiatives that were intended to instill positive behaviours and equip students with the skills and attitude to overcome these social barriers that can lead to anti-social behaviour and gang affiliation. These initiatives included a new mentoring service, a more motivational enrolment/induction process and the Monoux Passport cycle which challenges students to be reflective on blocks to progress and personal development. In parallel, a significant increase in discipline, including classroom readiness to learn, has enabled the college to model safe behaviours. The March 2019 Passport Days also included the chance for students to discuss relationships between young people and the police, with senior Met Police officers in attendance. As a result, the college has become a safe space for young people. Students recognise this and welcome the fact that, compared to other colleges in the local area, incidents of confrontation between students are now extremely rare. In addition, the environment outside of the college (i.e. as students depart) has become safe and friendly. A culture of continual presence and approachability of college staff and campus officers has aided this move to be a safe space. Challenges still exist, most notably with students being reluctant to leave central Walthamstow at the end of the day and tending to congregate in unsafe spaces.



Strategic Report

Resources

The College has 4 buildings set in 17 acres of London; the College has long term plans for the site that include additional building and sports development. These are contingent on funding being secured.



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 £3.6 million of net assets (after £4.88 million pension liability) and short term debt of £149,000.

Pension Liabilities

The College has fully implemented the provisions of Financial Reporting Standard 102, in particular Section 28 in relation to defined benefit pension schemes. The Corporation remains extremely concerned about the impact of FRS 102 S28 contributions to the Local Government Pension Scheme on the future finances of the College.

With specific reference to the 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's members to the Board of Trustees.

At 31 July 2016 the FRS 102 S28 deficit was £4.501 million. However the full actuarial valuation of the fund, as at 31 March 2016, showed that the College's share of the deficit had declined from the last actuarial valuation by £744,000 to £1.081 million. The College's funding level had risen from 62% to 80% in that period. Whilst the actuarial and accounting valuations are calculated on differing bases this level of difference materially affects the presentation of the financial statements.

The FRS 102 S28 deficit reduced from £4.501 million to £3.347 million at 31 July 2017 and to £2.514 million at 31 July 2018 (see note 19), primarily due to a high return on plan assets. It has now risen to £4.88 million. This is a substantial difference from the 31st March 2016 Actuarial valuation. This increase includes the effect of the McCloud/ Sargeant legal decision, but does not include any impact of Guaranteed Minimum Pension (see note 18) where the decision is outstanding.

The Government Actuary Department (GAD) started the valuation of the Teacher Pension Scheme (TPS) in July 2017 but will not finish it until HM Treasury publish directions required by the Public Service Pension Act. GAD officials expected to complete the valuation by Easter 2018 but there have been delays across all public sector schemes. The valuation remains under discussion with particular questions about the discount rate.

Strategic Report

People

The College employed 130 people (expressed as full time equivalents), 72 of whom are teaching staff.

The College invests heavily in the training and development of its staff, with particular regard to curriculum delivery, safeguarding, health & safety and GDPR.

Reputation

The College has a good reputation locally and across the whole of East London. Despite its recent dip in performance the College's long history and lengthy record of success stands it in good stead for the future.

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.

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 are 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.

The College remains financially viable

The College places considerable reliance on continued government funding through the ESFA. In 2018/19, 98% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. The drop in student numbers means that expenditure will have to be realigned with income in 2019/20. The budgeting for this has already been completed and approved, allowing for a two year financial recovery plan.

This risk has been mitigated by:

- A new strategic plan;
- New offers in strategic plan that will increase student numbers;
- Detailed budgeting over a four year period, and
- Cost saving strategies.

Strategic Report

Student Progress

Achievement rates and value added need to improve to beyond national benchmarks.

The strategic plan is a comprehensive approach to minimizing this risk.

To date the risk has been mitigated in these ways:

- Staff training;
- Introduction of the Monoux Teacher;
- Lesson observations and learning walks;
- Use of professional predictions;
- Subject based targets set and reviewed at least five terms per year;
- Increasing proportion of staff on permanent contracts;
- Student "passports" reviewed three times per year, and
- Pivotal behaviour managements systems introduced.

GDPR

The new legislation on data protection puts organisations at risk of serious financial penalty if they mishandle data or leak private information.

This risk is mitigated in a number of ways:

- Appointment of a company to act as the Digital Protection Officer;
- Retention periods reviewed and old information securely disposed of;
- Information register completed;
- Staff all trained on GDPR, and
- All policies reviewed and updated.

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
- Professional bodies.

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

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.

The Equality Policy is available on the website.

Disability Statement

The College seeks to achieve the objectives set down in the Equality Act 2010, which places a general duty on the College to:

- 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.

Strategic Report

Trade Union costs

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

Total number of employees who were relevant	Full time equivalent employee number
3	3

Percentage of employee working hours spent on facility time	Number of employees
0%	0
1%-50%	3
51%-99%	0
100%	0

Description	Amount
The total cost of employee facility time	£7,024
The total pay bill	£6,183,000
The percentage of the pay bill spent on facility time.	0.011%

Time spent on paid trade union activities as a percentage of total paid facility time hours
37%

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

Approved by order of the members of the Corporation on 17 December 2019 and signed on its behalf by:

Signed____________________

Alan Wells OBE
Chair

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the college to obtain a better understanding of its governance and legal structure. The statement covers the period 1st August 2018 to 31st July 2019 and up to the date of approval of the annual report and financial statements.

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), and

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 2019.

The Corporation 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

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*
Ms. R Bhalla	Independent	2.7.17		4 years	VCh, A(Ch), P,	80%
Mr. J Bush	Independent	9.12.17		4 years	VCh, R(Ch), P	100%
Ms T Chirouf	Independent	10.10.15		4 years	A, E	100%
Mr P Clements	Independent	6.5.17	21.9.18	4 years		N/A
Ms C Evans	Independent	22.9.18		4 years	A, Q	80%
Mr. T Foakes	Independent	7.7.19		4 years	A, N(Ch), E	80%
Mr I George	Student	22.9.18	31.7.19	To 31.7.19	Q	50%
Ms S Gifford	Independent	1.8.18	15.6.19	4 years	R,E	80%
Ms R Giuglia	Student	7.10.17	31.7.18	To 31.7.18	Q, E	N/A
Mr S Jones	Independent	22.3.16		4 years	Q,N	80%
Ms F Juhera	Staff	20.3.18		4 years	E	80%
Mr J Kenth	Independent	2.4.19		4 years	A	50%
Mr H Khurram	Student	7.10.17	31.7.18	To 31.7.18	Q	N/A
Ms M Lewin	Independent	22.10.16		4 years	P(Ch),E	100%
Mr. S McLean	Independent	6.7.18		4 years	E (Ch),P	100%
Mr. A Owens	Independent	6.7.18		4 years	SVCh, Q (Ch), N	80%
Mr A E Posluoglu	Student	22.9.18	31.7.19	To 31.7.19	Q	40%
Mr M Richards	Parent	20.3.18	2.4.19	To 31.7.19	E	25%
Mr D Vasse	Principal	8.10.16		N/A	R, Q, E	100%
Ms S Virdee	Staff	27.1.18		4 years	R	100%
Mr. A Wells OBE	Independent	2.7.17		4 years	Ch, N P,	100%
Mr. B Westbury	Independent	15.2.15	14.2.19	4 years		67%
Mr R Smith	Clerk	1.1.11				

Key to sub-committees

A = Audit

E = External Relations

N = Governance & Nominations

P = Remuneration

R = Resources

Q= Quality & Performance

Ch= Chair

SVCh = Senior Vice Chair

VCh= Vice Chair

Statement of Corporate Governance and Internal Control

Committee	Overall attendance
Audit	80%
External Relations	91%
Nominations	84%
Performance	88%
Remuneration	N/A
Resources	80%

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. In 2018/19 these committees were; Resources; Nominations; Performance & Quality Monitoring, External Relations 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.

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 Nominations Committee, which in the year ended 31 July 2019, consisted of six to seven 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.

Statement of Corporate Governance and Internal Control

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

Corporation Performance

The Corporation assessed its performance as part of Governor individual appraisal in Autumn 2019. Overall, the effectiveness of the Corporation in 2018-19 was assessed as 'good'. The College remains in a strong financial position under the current Principal.

Remuneration Committee

Throughout the year ending 31 July 2019, the Remuneration Committee comprised five members of the Corporation. The Committee's responsibilities were to make recommendations to the Board on the remuneration and benefits of the Principal and other senior post holders. It did not meet in the year.

Details of remuneration for the year ended 31 July 2019 are set out in notes 7 and 8 to the financial statements.

Audit Committee

The Audit Committee comprises of four or five members of the Corporation (excluding the Principal and Chair). 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 the agreed audit recommendations, and the internal auditor 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.

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 breakdowns in internal control.

The Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should 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 2019 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 2019 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 Corporation;
- regular reviews by the Corporation 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, and
- the adoption of formal project management disciplines where appropriate

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation of the College on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (HIA) provides the Corporation 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.

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, and

Statement of Corporate Governance and Internal Control

- 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.

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 2019 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2019 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 2019.

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 17th December 2019 and signed on its behalf by:

Signed	Signed
Date 17 December 2019	Date 17 December 2019
Chair	Principal and Accounting Officer

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

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the college's funding agreement. As part of its consideration the Corporation has due regard to the requirements of the funding agreement and contracts with the ESFA.

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 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 ESFA.

Signed
Date 17 December 2019
Chair

Signed
Date 17 December 2019
Principal and Accounting Officer

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 and conditions of the college's grant funding agreements and contracts with ESFA, the corporation – through its accounting officer – is required to prepare financial statements and an operating and financial review for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus / deficit of income over expenditure for that period.

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 including the Further and Higher Education Act 1992 and the Charities Act 2011, 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 Corporation is responsible for the maintenance and integrity of the college's website; the work carried out by 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 ESFA are used only in accordance with the ESFA's grant funding agreement and contracts and any other conditions that may be prescribed from time to time.

Statement of the Responsibilities of the Members of the Corporation

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 ESFA are not put at risk.

Approved by order of the members of the Corporation on the 17 December 2019 and signed on its behalf by:

Signed______________________

Date: 17 December 2019
Chair

Independent Auditor's Report to the Members of the Corporation of Sir George Monoux College
Year ended 31 July 2019

Opinion

We have audited the financial statements of Sir George Monoux College for the year ended 31 July 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of the surplus for the year then ended;
- have been properly prepared in accordance with the 2015 Statement of Recommended Practice Accounting for Further and Higher Education.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the College's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Members of the Corporation of Sir George Monoux College Year ended 31 July 2019

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the College and its environment obtained in the course of the audit, we have not identified material misstatements in the members' report or operating and financial review or the statement of corporate governance and internal control.

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued jointly by the Skills Funding Agency and the Education Funding Agency (March 2018) requires us to report to you if our opinion:

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

Responsibilities of Governors

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Governors.

- Conclude on the appropriateness of the Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the College to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Governors, as a body, in accordance with the College's Articles of Government. Our audit work has been undertaken so that we might state to the Governors, 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 Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

MHA MacIntyre Hudson

MHA MacIntyre Hudson LLP
Chartered Accountants and Registered Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date: 2 December 2019

Reporting Accountants' Assurance Report On Regularity

Year Ended 31 July 2019

To: The Corporation of Sir George Monoux College and the Secretary of State for Education acting through the Department of Education ("The Department").

In accordance with the terms of our engagement letter and further to the requirements of the financial memorandum/funding agreement with the ESFA 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 2018 to 31 July 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of Sir George Monoux College and Department 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 the Department 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 the Department 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 to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the Department. 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.

Reporting Accountants' Assurance Report On Regularity

Year Ended 31 July 2019

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

The work undertaken to draw our conclusion included:

- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the relevant framework;
- Reviewing the Corporation minutes relevant to our consideration of regularity;
- Testing transactions with related parties;
- Testing a sample of payments to suppliers and a sample of payroll payments to staff.

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 year 1 August 2018 to 31 July 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

MHA MacIntyre Hudson

MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date: 20 December 2019

Statements of Comprehensive Income and Expenditure

	Notes	2019 £'000	2018 £'000
INCOME			
Funding Body Grants	2	9,317	9,151
Tuition fees and education contracts	3	3	1
Other Grants and Contracts	4	53	96
Other income	5	79	85
Investment income	6	5	1
Total income		**9,457**	**9,334**
EXPENDITURE			
Staff costs	7	6,738	6,287
Other Operating Expenses	9	2,691	2,681
Interest Payable	10	107	135
Depreciation	11	537	556
Total expenditure		**10,073**	**9,659**
(Deficit) before other gains and losses		**(616)**	**(325)**
Gain on investments		5	3
(Deficit) for the year		**(611)**	**(322)**
Actuarial(loss)/ gain in respect of the pensions scheme		(1,724)	1,219
		(2,335)	**897**
Represented by:			
Restricted Comprehensive Income		5	3
Unrestricted Comprehensive Income		(2,340)	894
		(2,335)	**897**

Statement of Change in Reserves

	Income and expenditure account	Revaluation reserve	Restricted reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1st August 2018	2,373	3,508	54	5,935
Surplus/(deficit) from the income and expenditure account	(616)			(616)
Other comprehensive income	(1,724)		5	(1,719)
Transfers between revaluation and income and expenditure reserves	56	(56)		0
Total Comprehensive Income for the Year	(2,284)	(56)	5	(2,335)
Balance at 31st July 2019	**89**	**3,452**	**59**	**3,600**

Balance Sheets as at 31 July 2019

	Notes	2019 £'000	2018 £'000
Non current assets			
Tangible Fixed assets	11	9,928	10,302
Investments	12	59	54
		9,987	**10,356**
Current assets			
Trade and other receivables	13	106	60
Cash and cash equivalents	19	1,974	1,811
		2,080	**1,871**
Creditors – amounts falling due within one year	14	(1,169)	(1,075)
Net current assets		**911**	**796**
Total assets less current liabilities		**10,898**	**11,152**
Creditors – amounts falling due after more than one year	15	(2,418)	(2,703)
Net assets excluding pension liability		**8,480**	**8,449**
Pension Liability		(4,880)	(2,514)
NET ASSETS		**3,600**	**5,935**
Revaluation reserve		3,452	3,508
Income and Expenditure account		89	2,373
Total Unrestricted Reserves		3,541	5,881
Restricted reserve – Rothery Bequest	23	59	54
Total Reserves		**3,600**	**5,935**

The financial statements on pages 32 to 57 were approved and authorised for issue by the Corporation on 17 December 2019 and were signed on its behalf on that date by:

Chair of the Corporation

Principal

Statement of Cash Flows for the Year Ended 31 July 2019

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
(Deficit) for the year		(616)	(325)
Adjustment for non-cash items			
Depreciation	11	537	556
(Increase) in debtors	13	(46)	(9)
Increase/ (Decrease) in creditors due within one year	14	231	(18)
(Decrease) in creditors due after one year	15	(136)	(136)
Pensions: costs less contributions payable	7	555	286
Adjustment for investing or financing activities			
Investment income	6	(5)	(1)
Interest payable	10	107	135
Net cash flow from operating activities		**627**	**488**
Cash flows from investing activities			
Investment income	6	5	1
Payments made to acquire fixed assets	11	(163)	(85)
		(158)	**(84)**
Cash flows from financing activities			
Interest paid	10	(20)	(35)
Repayments of amounts borrowed	17	(286)	(269)
		(306)	**(304)**
Increase in cash and cash equivalents in the year		**163**	**100**
Cash and cash equivalents at beginning of the year		1,811	1,711
Cash and cash equivalents at end of the year		1,974	1,811

Notes to the Financial Statements

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (the 2015 FE HE SORP), the College Accounts Direction for 2018 to 2019 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Going Concern

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

The College currently has £149,000 of loans outstanding with bankers on terms negotiated in 2000. The terms of the existing agreement are for repayment in quarterly instalments ending in 2020. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

Revenue Grant Funding

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. 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.

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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

Capital Grant Funding

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

Fee Income

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

Investment Income

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

Accounting for post-employment 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 (LBWFPF). These are defined benefit schemes which are externally funded and contracted out of the state second pension.

Teachers' Pension Scheme (TPS)

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

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

The London Borough of Waltham Forest Local Government Pension Scheme (LBWFLGPS)

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

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

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

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

Non-Current Assets - Tangible Fixed Assets

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

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and Buildings
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Land and buildings

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

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

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

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings. 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.

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.

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

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

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

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 exempt in respect of Value Added Tax, so that it cannot recover VAT on 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.

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

Provisions
Provisions are recognised when

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

Notes to the Financial Statements

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

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

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

Judgements In Applying Accounting Policies and Key Sources of Estimation Uncertainty
In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

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

Other key sources of estimation uncertainty

- Tangible fixed assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements

2 Funding Body Grants

	2019	2018
	£'000	£'000
Recurrent grants		
Education and Skills Funding Agency – 16 -18	8,993	9,000
Releases of deferred capital grants	136	136
SCIF	173	0
Other	15	15
Total	**9,317**	**9,151**

3 Tuition fees and education contracts

	2019	2018
	£'000	£'000
Other education contracts	3	1
Total	**3**	**1**

4 Other Grants and Contracts

	2019	2018
	£'000	£'000
Sport England	52	86
Other	1	10
Total	**53**	**96**

Notes to the Financial Statements

5 Other income

	2019	2018
	£'000	£'000
Lettings	29	37
Exam retake fees	4	7
Photocopying charges	19	28
Other	27	13
Total	**79**	**85**

6 Investment Income

	2019	2018
	£'000	£'000
Other interest receivable	5	1
Total	**5**	**1**

Notes to the Financial Statements

7 Staff Costs

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

	2019	2018
	No.	No.
Teaching staff	73	66
Non-teaching staff	57	59
	130	**125**

Staff costs for the above persons

	2019	2018
	£'000	£'000
Wages and salaries	4,631	4,358
Social security costs	455	422
Other pension costs (including FRS 102 S28 adjustments of £555,000- 2018 £286,000)	1,139	822
	6,225	**5,602**
Contracted staff	513	685
	6,738	**6,287**
Restructuring costs - Contractual	43	0
- Non contractual	12	0
	55	**0**

Notes to the Financial Statements

8 Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, Vice Principals and members of the Corporation (who are not remunerated).

The number of senior post-holders and other staff who received annual emoluments, excluding pension contributions and employers' national insurance but including benefits in kind, in the following ranges was:

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

	2019 No.	2018 No.
The number of key management personnel including the Accounting Officer was:	4	4

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

	Key management personnel		Other staff	
	2019 No.	2018 No.	2019 No.	2018 No.
£40,001 to £45,000 p.a.	-	1	-	-
£50,001 to £55,000 p.a.	-	-	2	3
£55,001 to £60,000 p.a.			1	
£70,001 to £75,000 p.a.	1		-	-
£75,001 to £80,000 p.a.		1		
£80,001 to £85,000 p.a.	1	1	-	-
£85,001 to £90,000 p.a.	1			
£125,001 to £130,000 p.a.	1	1	-	-
	4	4	3	3

A pay award of 1.5% on London Weighting was made to all staff who receive it which excludes senior staff). Cost of living pay rises ranged from 1-3% based on current salary, with staff on lower pay points receiving a higher rise. The College is part of the collective negotiations carried out by the Sixth Form College Association.

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

The members of the Corporation other than the Accounting Officer and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties. Key management personnel compensation is made up as follows:

	2019	2018
	£	£
Salaries	369,078	328,950
Pension contributions	55,434	50,093
Employers National Insurance	46,245	41,311
	470,757	**420,354**

The increase in key management personnel remuneration, apart from the cost of living pay rise, was because one role was vacant for part of 2017/18.

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

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

	2019	2018
	£	£
Salary	128,580	126,473
Pension contributions	21,190	20,843

The pension contributions in respect of the Principal and other senior post-holders are in respect of 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 members of the Corporation other than the Principal & 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 Principal and other higher paid staff, received a 1% cost of living pay rise.

Relationship of Principal/Chief Executive pay remuneration expressed as a multiple

	2019	2018
Principal's salary as a multiple of the median of all staff	3.9	4.1

9 Other Operating Expenses

	2019 £'000	2018 £'000
Teaching departments	651	652
Non-teaching costs	1,181	1,106
Premises costs	859	923
Total	**2,691**	**2,681**

Other operating expenses include:	2019 £'000	2018 £'000
Auditors' remuneration:		
External audit	18	17
Internal audit	18	18
Other services from internal audit	0	0
Other services from external audit	1	1

10 Interest Payable

	2019 £'000	2018 £'000
On bank loans	20	35
Net interest on defined pension liability (note 17)	87	100
Total	**107**	**135**

Notes to the Financial Statements

11 Tangible Fixed Assets

	Freehold Land and buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 31 July 2018	17,249	1,796	19,045
Additions	-	163	163
At 31 July 2019	**17,249**	**1,959**	**19,208**
Depreciation			
At 31 July 2018	7,508	1,235	8,743
Charge for the year	389	148	537
At 31 July 2019	**7,897**	**1,383**	**9,280**
Net book value at 31 July 2019	**9,352**	**576**	**9,928**
Net book value at 31 July 2018	**9,741**	**561**	**10,302**

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. A cricket pitch was partially funded with £17,000 from Sport England is included above. If this is removed before 7 years elapse a proportion of the grant will have to be repaid. The pitch is four years old and it is considered extremely unlikely that this will happen.

If fixed assets had not been revalued before being deemed at cost on transition they would have been included at the following historical cost amounts:

Cost: Nil

Depreciation: Nil

Notes to the Financial Statements

12 Investments

	£'000
Balance at 1 August 2018	54
Revaluation	5
Balance at 31 July 2019	**59**

The investment is in the Charities Official Investment Fund

13 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Other debtors	10	9
Prepayments and accrued income	96	51
Total	**106**	**60**

14 Creditors: Amounts Falling Due Within One Year

	2019 £'000	2018 £'000
Bank loans and overdrafts	149	286
Trade creditors	104	45
PAYE/NIC	2	0
Deferred Capital Grants	136	136
Accruals and deferred income	778	608
Total	**1,169**	**1,075**
Included above within accruals are holiday pay accruals	**136**	**154**

15 Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Deferred Capital Grants	2,418	2,554
Bank Loans	0	149
Total	**2,418**	**2,703**

Notes to the Financial Statements

16 Deferred Capital Grants included above

	2019 £'000	2018 £'000
Opening Balance	2,690	2,826
Released to income	(136)	(136)
Closing Balance	**2,554**	**2,690**

17 Borrowings

	2019 £'000	2018 £'000
Due within:		
One year	149	286
Between one and two years	0	149
Total	**149**	**435**
Represented by Fixed Loan	149	435
	149	**435**

18 Contingent Liabilities

The effect of the McCloud/ Sargeant decision are reflected in the pension liabilities in note 20. A legal decision on Guaranteed Minimum Pensions is expected in 2019/20 which will have an impact on the liability, but no reliable estimate is currently available.

19 Cash and Cash Equivalents

	2018 £'000	Cash Flows £'000	2019 £'000
Cash and cash equivalents	1,811	163	1,974
Total	**1,811**	**163**	**1,974**

20 Pension and similar obligations

The College's employees belong to two principal post-employment benefit plans, the Teachers' Pensions Scheme (TPS) for academic and related staff and the Waltham Forest Local Government Pension Scheme (LGPS) which is managed by Wandsworth Council. Both are multi-employer defined-benefit schemes.

20 Pension and similar obligations (continued)

Total pension scheme for the year

		2019 £'000		2018 £'000
Teachers' Pension Scheme: Contributions paid		319		256
Local Government Pension Scheme:				
Contributions paid	233		272	
Strain payments	32		8	
FRS 102(28) Charge	555		286	
Charge to the Statement of Comprehensive Income		820		566
Total Pension Cost for Year within staff costs		**1,139**		**822**

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

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

Teachers' Pension Scheme

INTRODUCTION

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

THE TEACHERS' PENSION BUDGETING AND VALUATION ACCOUNT

Although 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 Public Service Pensions Act (2013) 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 – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

Notes to the Financial Statements

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 valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.
A copy of the latest valuation report can be found by following this link to the Teachers' Pension Scheme website

SCHEME CHANGES

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The pension costs paid to TPS in the year amounted to £319,000 (2017/18: £256,000).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by Waltham Forest Local Authority. The total contributions made for the year ended 31 July 2019 were £343,000, of which employer's contributions totalled £233,000 and employees' contributions totalled £110,000. The agreed contribution rates for future years are 12.1% for employers and range from 5.5% to 7.5% for employees.

Notes to the Financial Statements

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of CPI inflation	2.2	2.1
Rate of increase in salaries	3.7	3.6
Rate of increase for pensions	2.3	2.2
Discount rate for liabilities	2.9	2.9

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 2019	At 31 July 2018
Retiring today		
Males	22.6	22.5
Females	25.7	25.5
Retiring in 20 years		
Males	24.8	24.7
Females	28.0	27.9

Sensitivity analysis	At 31 July 2019 £'000	At 31 July 2018 £'000
Discount rate +0.1% pa	161	197
Inflation +0.1% pa	(266)	(202)
Pay growth +1% pa	(35)	(31)
Mortality assumption – 1 year increase	(230)	(175)

Notes to the Financial Statements

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

	Value at 31 July 2019 £'000	Value at 31 July 2018 £'000
Equities	4,722	4,428
Other Bonds	799	671
Property	727	604
Other	872	805
Cash/liquidity	145	201
Total Market Value of Assets	**7,265**	**6,709**
Actual return on plan assets		**567**

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

	2019 £'000	2018 £'000
Fair value of plan assets	7,265	6,709
Present value of plan liabilities	(12,145)	(9,223)
(Deficit) in the scheme	**(4,880)**	**(2,514)**

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

	2019 £'000	201 £'000
Current Service Cost	478	499
Curtailments	116	59
Administrative Costs	18	17
Interest	69	83
	681	**658**

Amounts recognised in Other Comprehensive Income:

	2019 £'000	2018 £'000
Return on pension plan assets	(157)	(512)
Experience (gains)/ losses on defined benefit obligations	1,881	(707)
	1,724	**(1,219)**

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

	2019 £'000	2018 £'000
Amounts included in staff costs:		
Current service cost	478	499
Total	**478**	**499**
Amounts included in investment income		
Net interest cost	(69)	(83)
Total	**(69)**	**(83)**

Amounts included in Other Comprehensive income	£'000	£'000
Re-Measurements	(1,724)	1,219
Total	**(1,724)**	**1,219**

Movement in net defined benefit (liability)/asset during year	£'000	£'000
Net defined (liability) in scheme at 1 August 2018	(2,514)	(3,347)
Movement in year:		
Current Service Cost	(478)	(499)
Past Service Cost	(194)	0
Employer contributions	233	272
Net interest on the liability	(69)	(83)
Curtailments	(116)	(59)
Admin expenses	(18)	(17)
Actuarial gain or (loss)	(1,724)	1,219
Net defined (liability) in scheme at 31 July 2019	**(4,880)**	**(2,514)**

Changes in the present value of defined benefit obligations

	2019	2018
	£'000	£'000
Defined benefit obligations at start of period	9,223	9,178
Movement in year:		
Current Service Cost	478	499
Interest on pension liabilities	267	238
Contributions by scheme participants	110	117
Experience (gains)/losses on defined benefit obligations	1,881	(707)
Past Service Cost	194	0
Curtailments	116	59
Estimated benefits paid	(124)	(161)
Defined benefit obligations at end of period	**12,145**	**9,223**

Fair value of plan assets at start of period	6,709	5,831
Interest on plan assets	198	155
Return on plan assets	157	512
Administrative expenses	(18)	(17)
Employer contributions	233	272
Contributions by Scheme participants	110	117
Estimated benefits paid	(124)	(161)
Fair value of plan assets at end of period	**7,265**	**6,709**

The estimated value of employer contributions for the year ended 31st July 2020 is £233,000.

21 Post Balance Sheet Events

There have been no post Balance Sheet events

22 Lease obligations

	2019	**2018**
	£'000	**£'000**
Other		
Not later than one year	72	76
Later than one year and not later than five years	144	216
Total lease payments due	**216**	**292**

23 Restricted Reserves

The capital base of the Rothery Bequest is described in note 11. Revenue generated by the fund within the framework of the will is applied as specified.

24 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 organisations 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.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2018: None).

25 Amounts disbursed as agent

Learner support funds	2019	2018
	£'000	£'000
Funding body grants	283	306
Interest earned	0	0
Administration fee	(15)	(15)
	268	291
Disbursed to students	(265)	(291)
Balance at 31 July	**3**	**0**

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