

27/11/2019



**Report and Consolidated Financial  
Statements for the year  
ended 31 July 2019**

## **Key Management Personnel, Board of Governors and Professional advisers**

### **Key management personnel**

Key management personnel are defined as the Senior Post-Holders employed by the College Corporation and were represented by the following in 2018/19:

Sam Parrett - Principal and CEO; Accounting officer

John Hunt – Group Chief Financial Officer

Mary Herbert – Chief Operating Officer

### **Board of Governors**

A full list of Governors is given on page 20 of these financial statements.

Mr Jon Allen acted as the Clerk of the Corporation until 1 April 2019, when Jennifer Pharo was appointed as the Executive Director of Governance, and assumed the duties of the Clerk to the Corporation from that date.

### **Professional advisers**

#### **Financial statements auditor and reporting accountant:**

Buzzacott LLP  
130 Wood Street  
London  
EC2V 6DL

#### **Internal Auditors:**

RSM Risk Assurance Services LLP  
25 Farringdon Street  
London  
EC4A 4AB

#### **Bankers:**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 5HP

Santander UK plc  
1<sup>st</sup> Floor, 301 St Vincent Street  
Glasgow  
G2 5NB

Lloyds Bank  
4<sup>th</sup> Floor, 25 Gresham Street  
London  
EX2V 7HN

#### **Solicitors:**

Eversheds  
Kett House  
Station Road  
Cambridge  
CB1 2JY

Brachers LLP  
Somerfield House  
59 London Road  
Maidstone  
Kent, ME16 8JH

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## **Members' Report**

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

The members of the Corporation present their report and the audited consolidated financial statements for the year ended 31 July 2019. These Group financial statements represent the consolidated financial results of the College and London Skills for Growth (LSfG).

#### **Legal Status**

Bromley College of Further & Higher Education was established under the Further and Higher Education Act 1992. The College is an exempt charity for the purposes of the Charities Act 2011 and accordingly is not liable to Corporation Tax. The College operates under the brand of London South East Colleges in order to reflect the geographical area served by the College.

On 1 August 2017, Bromley College of Further & Higher Education became the sole member and controlling party of London Skills for Growth, a charity incorporated in August 1983 as a private company limited by guarantee, and registered with Companies House (company number 01747251). The charity is registered with the Charity Commission in England and Wales.

#### **Mission**

The Corporation re-affirmed the Mission and Vision at its meeting in May 2019.

The College's vision is to be recognised, valued and respected in our communities as listening, responsive and relevant. It will be recognised as an outstanding centre of vocational and educational excellence and will play a leading role in economic and social development of the area.

The College's mission is delivering real skills and knowledge for the real world.

This brings to life the absolute focus on relevant, up to date, high quality skills that meet the needs of the local community, which will mean:

- An economy benefitting from a skilled labour force;
- More skills in the local area especially at Levels 4 and 5;
- Businesses attracted to the area because of the skills of the residents;
- Employers working with, and in, the College;
- Employers competing to recruit students from the College;
- Students and staff being proud of their association with the College;
- A local, regional and national reputation for all that it does; and
- A place where others look for best practice.

#### **Public Benefit**

The College is an exempt charity under the 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 20.

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 of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

## **Members' Report (continued)**

### **NATURE, OBJECTIVES AND STRATEGIES (continued)**

#### **Public Benefit (continued)**

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

- High-quality teaching;
- Widening participation and tackling social exclusion;
- Excellent employment opportunities for students;
- Strong student support systems;
- Links with employers, industry and commerce; and
- Links with Local Enterprise Partnerships (LEPs).

#### **Implementation of the Strategic Plan**

In July 2015, the College adopted a strategic plan for the period covering 1 August 2015 to 31 July 2020. The Corporation monitors the performance of the College against this plan which is reviewed and updated each year. The College's strategic aims/objectives are as follows:

1. Excellence in Learner Success – By 2020 we will deliver excellence in all areas of the learner experience, outcomes and destinations.
2. Excellence in Teaching and Learning – By 2020 we will be an organisation that shares best practice, learns from others and has a reputation for excellence in teaching and learning and its contribution to student success.
3. Investing in Excellence – By 2020 we will have a first class working environment with industry standard resources, be an employer of choice and have a reputation for excellence in all that we do.
4. Excellence in Community Responsiveness – By 2020 we will be seen by all including employers as a collaborative and effective strategic partner in the economic, social and cultural development of South London and beyond.

#### **Review of progress in 2018/19 against the Strategic Plan**

Progress against these strategic aims and objectives in 2018/19 is explained below:

The College over achieved on its ESFA funded learners reporting 3,665 ESFA funded learners compared to its allocation of 3,582. The College achieved 102% of its enrolment target. The College exceeded its Adult Skills Budget allocation by 2%, and achieved 88% of its directly funded HE income target.

In March 2019, the College was subject to its first inspection by Ofsted since its merger in August 2016. The College secured a grade of Good in all Key Judgements with the exception of provision for high needs, which was graded as Outstanding, and Apprenticeships, which were graded as Requires Improvement. The apprenticeship grade recognised the legacy challenges the College is addressing with Plumbing and Electro technical apprenticeships. Inspectors praised both the success of the merger, and how senior leaders have improved the quality of provision in the predecessor colleges, raised standards and increased the proportion of learners who achieve their qualifications. It was recorded in the final report that the College has strong links with employers and that we use these links well to ensure that the curriculum evolves to meet the needs of the region.

## **Members' Report (continued)**

### **NATURE, OBJECTIVES AND STRATEGIES (continued)**

#### **Review of progress in 2018/19 against the strategic plan (continued)**

During the year, the College was also granted FE Charter status, and was awarded membership to the prestigious Chartered Institution of Further Education. The Institution is devoted to developing the potential, reputation and standing of the further education sector. Its mission is to bring together the best training providers across the sector and collectively promote, recognise and celebrate their professionalism and success.

The year also saw our Nido Volans Centre being highly commended in the Secondary School/College of the Year Award category for the Shine A Light Awards. The accolade was received for its continued commitment to developing its SEND students' communication skills. This national award scheme celebrates innovative work and excellent practice in supporting children and young people's communication development. There were 10 awards in total, with winners and highly-commended finalists chosen by a panel of experts in the sector.

In addition, our Hospitality and Catering team received the prestigious Pearson Silver Award for FE Team of the Year in recognition of their outstanding achievements over the past year – particularly in relation to the work undertaken with employers to help hospitality and catering students access first class industry experience.

The Teaching Skills Academy (TSA) ran a centrally-published schedule of activities focussed on improving teaching, learning and assessment. In addition, the TSA supported individual curriculum areas with bespoke CPD sessions to assist curriculum managers in raising the standard of teaching and learning in their areas and also supports individual teachers where learning walks and lesson observations have highlighted areas of concern or the need for development. These were either run using in-house expertise and delivery or facilitated through the TSA utilising external trainers.

In accordance with its approved plans, the Group invested circa £1.3m during the year in major capital projects, IT equipment, new technologies, its estate, and equipment for learning.

The College continues to work in partnership with London Biggin Hill Airport, The Greater London Authority (GLA) and key industry partners on a project to build the London Aerospace and Technology College (LATC), at London Biggin Hill Airport and the Strategic Outer London Development Centre LoCATE in order to meet the critical shortage of STEM skills in this sector, in South East London and nationally. Operating on a hub and spoke model, LATC will provide career pathways to higher value jobs for residents across Bromley, Bexley, and Greenwich and beyond for those learners that we know will travel for higher level specialist provision, as well as supporting industry need for specialised and licensed training and accreditation.

The College has been successful in securing £6.45m of GLA grant support for the project, with the balance being funded by London Biggin Hill Airport (LBHA) and from College reserves.

The College completed a full review of its future property needs and approved a new Property Strategy. This strategy supported the LATC development for which planning permission was achieved in July 2019, and plans to replace the ageing Plumstead campus with a new build on the same site with a focus on digital skills, new technologies and arts. In this regard the College was successful in its bid to the GLA Skills for Londoners Capital Fund for £10m of grant support for the project. The strategy also identified some surplus accommodation across the estate in Orpington and work will commence in order to evaluate options in order to provide the best value for the College.

## Members' Report (continued)

### NATURE, OBJECTIVES AND STRATEGIES (continued)

#### Review of progress in 2018/19 against the strategic plan (continued)

In addition, a grant of £820k has been awarded to the College as part of the Mayor's Construction Academy, to enable delivery of employer-responsive pop-up centres across South East London. This will enable the College to increase its responsiveness to the ever growing skills shortages faced by the construction industry in London.

#### Financial objectives

Specific financial measures are in place to enable progress against the strategic objectives to be measured. The measures relevant for the duration of this financial plan and performance against those targets are listed in more detail below:

	Financial Objective	Target	Actual
1	To reduce the adjusted operating deficit each year and return the College to surplus.	£0.41m	£0.67m
2	To achieve an Education Specific EBITDA of at least £2.2m each year	£2.2m	£2.9m
3	Achievement of an annual net cash inflow each year before major capital project expenditure	>£0	(50k)
4	An adjusted current ratio target of at least 1.1	1.4	1.6
5	To maintain a minimum bank balance of £3m	£3m	£7m
6	A ratio of staff costs (excluding restructuring costs) against income (excluding releases of capital grants) of no more than 72%.	65.3%	66.8%
7	Achievement of all annual financial bank loan covenants	Achieved	Achieved
8	A viable level of long term borrowing with debt servicing costs of no more than 7% of total income	7%	4%

Where the financial objectives were not achieved, this was due to a combination of income being lower than planned, and the College incurring significant restructuring costs in order to ensure the future success of the business.

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The Finance Record produces a financial health grading. The current rating of 'Good' is considered to be a significant achievement two years after merging with two colleges in severe financial difficulty.

## FINANCIAL REVIEW

### Financial Performance and Position

In 2018/19 the Group generated an adjusted operating deficit of £0.21m prior to FRS102 pension costs, and profit on sale of fixed assets (2017/18: surplus of £0.21m). The total comprehensive income of the College for the year after including these items and the actuarial gain in respect of the Local Government Pension Scheme (LGPS) was a deficit of £4.1m (2017/18: a surplus of £6.2m). The adjusted operating deficit of £0.21m includes a loss totalling £0.16m (2017/18: net loss of 0.311m) in respect of London Skills for Growth and a recovery plan is in place to redress these issues.

## **Members' Report (continued)**

### **FINANCIAL REVIEW (continued)**

#### **Financial Performance and Position (continued)**

The overall adjusted operating Group deficit for the year of £0.21m is largely contributed by LSfG and the Charity is being closely monitored to ensure the breakeven budget for 2019/20 is achieved.

The total comprehensive income for 2018/19 includes £0.79m (2017/18: £0.44m) of exceptional restructuring costs as further post-merger reorganisations have been required, £1.6m of FRS102 Local Government Pension Scheme (LGPS) adjustments (2017/18: £2.4m), and an actuarial loss totalling £1.4m in respect of the LGPS (2017/18: £7.7m gain).

The Group has accumulated income and expenditure account reserves of £9.9m (2017/18: £13.6m) and cash balances of £7.4m (2017/18: £9.7m). The College wishes to accumulate reserves and cash balances in order to create a contingency fund, but this is balanced with the need to reinvest in equipment and the College estate following merger.

Total Group income for the year was £46m which is a decrease of £3m from 2017/18 (£49m) mainly due to a reduction in College funding body grants income. The College continues to have significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2018/19 the ESFA provided 69% of the College's total income (2017/18: 72%).

#### **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. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Education and Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

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

#### **Cash flows and Liquidity**

The Group aims to generate a cash inflow from operating activities each year however, a cash outflow of £0.58m was achieved (2017/18: £5.5m cash inflow). This was a consequence of lower than planned levels of incomes, high restructuring costs, and claw back in respect of bursary and programme funding relating to 2017/18. The Group also aims to maintain an appropriate balance between continuing capital investment and net current assets which increased by £0.32m to £0.72m at 31 July 2019 (2017/18: £0.4m) as a consequence of reduced current liabilities in the College.

Group liquidity remained reasonable during the year with cash balances of £7.4m (2017/18: £9.7m). During the year the College has continued to invest in its estate, equipment and major capital projects with total capital expenditure net of capital grants during the year being £1.6m (2017/18: £0.7m).

The quantum of overall debt is determined by the College's ability to meet capital repayments and debt charges with due regard to interest rate risk. This is reflected in the College's financial forecast. LSfG has no loan debt.

## Members' Report (continued)

### CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

#### Reserves Policy

In accordance with its Strategic Plan, the College aims to accumulate reserves in order to provide sufficient cash flows to support the maintenance and improvement of the College estate and equipment. The College holds reserves to provide a degree of protection against adverse changes in the number and/or profile of enrolments and/or in-year reductions to funding allocations. This will be achieved through:

- Maximising the operating position each year and achieving a cash inflow from operating activities.
- Manage cash flow and liquidity so that variable cash demands can be managed in order to smooth out irregular and cyclical spending and allow for unexpected and unpredictable needs.
- Manage known risks which are not insurable or where insurance does not provide value for money.
- Fund annual capital investment in order to ensure the estate is safe and fit for purpose, and IT and other equipment is up to date and suitable for learning.
- Provide resources for major capital projects including building refurbishments, new buildings, or infrastructure improvements. Reserve levels for this purpose will be agreed on a case by case basis in accordance with the property strategy.

#### Student Numbers

In 2018/19 the Group has delivered activity that has produced £31.9m of funding body main allocation funding from the ESFA (2017/18: £35.8m). Total student numbers were 12,288 against 12,605 in the previous year.

#### Student Achievements

The College is continuously seeking to improve its learner success rates and all staff and managers are focused on meeting this strategic aim. In 2018/19 headline classroom based success rates for the College have improved by 0.5% to 85.3%.

The College Self-Assessment Reports validated in October 2019, have indicated that the College has maintained its self-assessed grade of Good following its Ofsted inspection in March 2019. The student achievements of LSfG are reported through the financial statements of that entity.

#### Curriculum Developments

This academic year we have moved the majority of the curriculum delivery from our Orpington Campus to Bromley. Each Campus has a specialist subject area focus that aligns with the curriculum delivered.

- **Bromley Campus:** as the specialist campus driving technical and professional training including engineering
- **Orpington Campus:** Campus specialising in food and enterprise
- **Bexley Campus:** Campus, leading on creative Digital industries and business
- **Greenwich Campus:** as the campus for Culture and performing arts
- **Holly Hill and Kidbrooke:** as construction crafts and associated technical training.

## Members' Report (continued)

### CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

#### Curriculum Developments (continued)

##### Twilight College

We introduced the Twilight College in 2019 to offer our learners early evening activities, this was in response to the closure of the majority of Youth Centres locally and across the country. During the opening of the Twilight sessions we have 300 unique students that took part in the activities. We work with an external company called MyTime who are supporting us to apply for external funding to support parts of the programme.

##### Adult Community Learning (ACL)

The curriculum plan for ACL 2019-20 has been designed in line with the Royal Borough of Greenwich and the College strategies. We have a focus on employability, Family Learning, Basic Skills and progression. General Interest courses will continue but there will be an emphasis on progression. We intend to grow our commercial income at Greenwich Park and work with the Royal Borough of Greenwich to refresh building with future plans to introduce apprenticeship provision.

##### IT

#ThePlatform, has now been established across the Bexley and Bromley Campuses and a digitally enhanced project workshop space has been developed. Its use is being embedded in the IT and Digital Creative areas through project based learning.

##### Apprenticeships

To enhance the work assessment aspect of our Apprenticeships in Electrical Engineering and Plumbing the College has decided to go into partnership with JTL, which will enhance the work-place assessment. The apprentices will continue to come into College one day a week for our teachers to deliver the theory knowledge aspect of the apprenticeship.

JTL was established over 25 years ago, and is the leading training provider to the building services engineering sector, providing high quality, work-based learning across over 100 centres in England and Wales. They currently work with 3,500 businesses annually, ranging from sole traders to multi-nationals.

This partnership will give our apprentices a good experience and enable us to focus on and grow into new areas of apprenticeships.

##### T Levels

T Levels will be phased in starting from the 2020 to 2021 academic year and will be digital, construction, and education and childcare. It is expected that T Levels will replace many of the vocational and technical education qualifications currently offered to post-16 technical education students.

The College piloted a work-experience element for the new T levels qualifications through the Capacity and Delivery Fund programme in 2018/19. We were asked to deliver a minimum of 151 placements and were able to deliver 199: 72 for Level 2 and 127 for Level 3. Our delivery models have been flexible, allowing for 45-day work placements, either through 2-3 days per week or 45-day block placements. This has allowed LSEC to deliver work placements for multiple industries, including construction, engineering, motor vehicle repair and information/communication.

##### GCSE Resits maths

The College is part of a project called 5Rs, working with The University of York and The Association of Colleges. It being funded by the Education Endowment Foundation (EEF), an independent charity dedicated to breaking the link between family income and educational achievement.

## **Members' Report (continued)**

### **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)**

#### **Curriculum Developments (continued)**

##### GCSE Resits maths (continued)

The aim of this project is to evaluate the impact of the 5Rs post-16 GCSE Resit maths programme (5Rs), delivered by members of staff who have received specialist CPD training, on students' attainment at their subsequent maths GCSE re-sits. The programme is a revision-focused curriculum approach with structured lessons and an emphasis on students revising key topics outside classroom hours. The results of the research will contribute to the understanding to the value of using 5Rs to improve success rates in GCSE maths re-sits and will be widely disseminated to schools and colleges across England.

#### **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. During this financial period, the College paid 96% of its invoices within 30 days compared with the Treasury target of 95%. The College incurred no interest charges in respect of late payment for this period.

#### **Future Prospects**

During the year, a new five year strategy was approved by the Corporation which will be effective from 2019/20, and seeks to position the College as a social enterprise.

As part of the London South East Education Group (LSEEG) the College has an ambition to create public (social value), by operating as a social enterprise. Social Value is defined as '...how what is proposed to be procured or delivered might improve the economic, social and environmental well-being of the relevant area'. This non-prescriptive language allows organisations an opportunity to inject more innovative thinking into public sector commissioning, procurement and service delivery processes in order to inspire more proactive solution finding.

To deliver this ambition, a mission statement and strategic goals were developed in consultation with colleagues across all parts of LSEEG through a series of workshops and staff roadshow. These have been finalised as:

**Our Mission:** 'to have a positive impact on lives and local communities'.

We want to have a positive impact on lives. The social and economic well-being of our local communities is central to our purpose. We will achieve this positive impact by widening our current role and positioning ourselves as a social enterprise; one that contributes strategically and operationally to the wider ambitions of our partners. We will work collaboratively and always in partnership as we believe that together we will achieve more and achieve better outcomes for all. In this regard the following goals have been agreed:-

1. To have a measurable positive impact on lives and communities
2. To maximise learners' success and ambitions through a learning strategy and approach that connects learning to the real world
3. To deliver high quality outcomes across all aspects of the Group's business
4. To have the right people in the right jobs at the right time
5. To establish a group identity/one organisation - shared vision, mission and values with a new emphasis on social enterprise and our wider contribution
6. To embed a culture of discipline, values and evidence that will drive our behaviour

## **Members' Report (continued)**

### **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)**

#### **Future Prospects (continued)**

Through this social enterprise agenda and the new Property Strategy, the College seeks to improve space efficiency and dispose of surplus assets to support the balance sheet and solvency of the College. The College recognises the challenges the sector is facing with significant Government changes to the provision of post 16 education, proposed changes to qualifications together with significant financial constraints.

The College also acknowledges the challenges it faces in terms of learner recruitment and short-term demographic changes. Plans are in place to mitigate this risk and grow alternative sources of income, which includes a strong focus of delivery in priority areas for funding and the number of 16-18 classroom based training places available. In addition, the College plans to continue to grow its employer-responsive provision through Traineeship and Apprenticeship training opportunities offered to those learners who are 16-18 and 19-24.

In addition, our Construction provision has been recognised by the Mayor of London's Construction Academy Scheme through the College being awarded the MCAS Quality Mark. In September 2018 this was further endorsed by the College being awarded MCAS Hub Status, signalling to employers and industry professionals that we are a leading provider in this sector. The Mayor's Construction Academy Scheme aims to:

- improve the supply of skilled construction workers required by the sector, creating more opportunities for Londoners to benefit from the available job opportunities (including more women and BAME Londoners);
- scale-up and extend high-quality provision and initiatives that are already working well across the capital to train Londoners in the skills needed to enter and progress in careers in the construction sector;
- intensify local collaboration, particularly between small and medium sized businesses and construction skills training providers and support the development of training provision for the construction of precision-manufactured housing in London.

The College will continue to focus on improving outcomes for learners and its reputation when compared to national benchmarks. We intend our curriculum to be education and training pipelines with a vision to provide all learners from all vocational programmes with the right skills to meet the future of digital skills and our digital economy. We are supporting our teachers through Continuous Professional Development enabling them to respond to changes in the digital world and we have recently purchased Virtual Reality Devices that will provide learners with an immersive learning experience, improving their digital capabilities.

The College's forecasts and financial projections indicate that it will be able to continue to maintain its financial position, but that this will be challenging as it embarks on some major capital projects over the next few years. The College has submitted copies of its three year financial plans to the ESFA and its providers of loan finance for review and no going concern issues have been raised.

## **Members' Report (continued)**

### **RESOURCES**

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

#### Financial

The College has £23.4m (2017/18: £27.6m) of net assets (including £21m (2017/18: £18m) pension liability) and long term debt of £8.7m (2017/18: £9.2m). This excludes deferred capital grants of £28.6m (2017/18: £29.6m).

The College has an accumulated income and expenditure account reserve (excluding Pension Reserve) of £29.9m (2017/18: £30.5m) and cash balances of £7.1m (2017/18: £9.2m). The College wishes to continue to accumulate reserves and cash balances in order to help fund future major capital investment, and to protect against adverse changes in financial performance.

#### People

The College employs a full-time equivalent (FTE) of 549 people, of whom 256 FTE are teaching staff.

#### Reputation

The College has a good reputation for responsive high quality education and training. The College attracts students from the London Boroughs of Bromley and Bexley, together with the Royal Borough of Greenwich and many other Local Authorities. Maintaining a quality brand is essential for the College's success at attracting students and developing external relationships.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The College has undertaken further work during the year to develop and embed its systems of internal control, including financial, operational, and risk management in order to ensure the College is best placed to achieve its objectives.

Based on the strategic plan, the College management team undertakes a comprehensive review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions during the year.

A risk register is maintained at the College level which is reviewed at each meeting by the Audit Committee and Corporation. 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.

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

#### Government Funding for Core Provision

The College has considerable reliance on continued government funding through the ESFA. In 2018/19 81% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

## Members' Report (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

#### Government Funding for Core Provision (continued)

The College is aware of several issues which may impact on future funding, including apprenticeship reforms, devolution of the adult education budget, and the introduction of T Levels. The College, in conjunction with its key stakeholders, is developing a strategy for growth in response to the devolution agenda and to the apprenticeships reform. It is recognised that the introduction of the Apprenticeship Levy and new apprenticeship standards have significantly affected the marketplace which remains challenging with more changes due in 2019/20.

In addition further developments such as the introduction of T Levels and despite some green shoots regarding funding rates for Further Education, funding is expected to continue to be a challenge for at least the medium term.

This risk is mitigated in a number of ways:

- By ensuring the College continues to respond to the introduction of the Apprenticeship Levy, which will include working closely with employers to help them understand the Levy and how the College can help them and their business to get the most out of the new funding system;
- By ensuring the College is rigorous in delivering high quality education and training;
- Through the strategic alignment of apprenticeship provision across the College and its subsidiary LSfG;
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding; and
- Regular dialogue with funding bodies, employers, and other key stakeholders.

#### Retention and recruitment of staff

The retention and recruitment of appropriately skilled staff is essential for the successful delivery of the College's Strategic Plan and annual objectives. With funding rates per learner which have been static for eight years, and continued pay restraint in the sector, this risk continues to be significant.

This risk is mitigated in a number of ways:

- Regular dialogue with staff and staff representative groups;
- Commitment to continuing investment in staff through an annual pay award;
- Comprehensive and current Human Resources policies and procedures;
- Regular review of staff turnover analysis;
- Regular review of recruitment strategies;
- Continuing to build on the good reputation of the College; and
- Improving the financial strength of the College.

## **Members' Report (continued)**

### **PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

#### Failure to maintain the financial viability of the College

The College's current financial health grade has returned to 'Good' which is an improvement from 'Satisfactory' following merger. Notwithstanding this, the continuing challenge to the College's financial position remains the constraint on further education funding arising from the ongoing underfunding of the sector. The risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis;
- Regular in-year budget monitoring;
- Robust financial controls;
- Exploring ongoing procurement efficiencies;
- Close scrutiny of the financial position by the College Corporation; and
- Expansion of the College Group in order to reduce costs and diversify income streams.

### **STAKEHOLDER RELATIONSHIPS**

The College has many stakeholders which include:

- Students
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local Authorities
- Greater London Authority
- The local community
- Banks and providers of finance
- Canterbury Christchurch University (HEI Partner)
- University of Greenwich (HEI Partner)
- London Skills for Growth
- Other FE institutions
- Trade unions

The College recognises the importance of stakeholder relationships and engages in regular communication with them.

### **Equality**

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. The College values and celebrates diversity of its learners, staff and other stakeholders and is committed to the promotion and advancement of equality in every aspect of its operation. The College will not tolerate any form of discrimination, victimisation or harassment on any grounds. All of the College's learners and members of staff are helped and encouraged to develop their full potential within an ethos which recognises and values the benefits that a diverse workforce supporting a diverse student body can bring to both the local and wider community.

The College complies with the provisions as contained in the Equality Act 2010. Progress toward the achievement of the College's equality objectives, is monitored by the Equality and Diversity Steering Group and regular reports are presented to the Corporation. The College's Equality Policy is published on the College's intranet site.

## Members' Report (continued)

### STAKEHOLDER RELATIONSHIPS (continued)

#### Disability Statement

The College systematically monitors the diversity of its staff, and reviews its recruitment arrangements to support equality and diversity objectives. Equality and Diversity training continues to feature in the Strategic Professional Development Framework, as part of the College's mandatory training requirements.

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned and, where disabled candidates disclose their disability to the College and meet the minimum selection criteria, an interview will be offered. Where an existing employee becomes disabled every effort is made to ensure that their employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees. The College holds the "two ticks" - positive about disabled people - kite mark.

The College is successful in recruiting a very diverse range of students including a significant number of students with disabilities and continues to work to widen access to all actual and potential learners. Specialist programmes and facilities are provided for students with complex needs and the support needs of students disclosing a learning/disability are assessed and support provided as required.

The College is fully compliant with the provisions as contained in the Equality Act 2010 and the requirements of the Special Education Needs and Disability Act 2001 and continues to work to widen access to all actual and potential learners.

#### Trade union facility time

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

Numbers of employees who were relevant union officials during the year	FTE employee number
8	7.81

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

Total cost of facility time	£21,501
Total pay bill	£321,979
Percentage of total bill spent on facility time	6.68%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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## **Members' Report (continued)**

### **DISCLOSURE OF INFORMATION TO AUDITORS**

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

**Approved by Members of the Corporation on 11 December 2019 and signed on their behalf by:**

A handwritten signature in black ink, appearing to read 'S Howlett', written in a cursive style.

**Stephen Howlett**  
**Chair**

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and financial statements of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 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 principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges, and;
- iii. Having due regard to the UK Corporate Governance Code 2016 ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the Corporation 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 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.

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. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted in July 2015. In the opinion of the Corporation, the College complies with all the provisions of The Code of Good Governance for English Colleges and it has complied throughout the year ended 31 July 2019.

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 had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

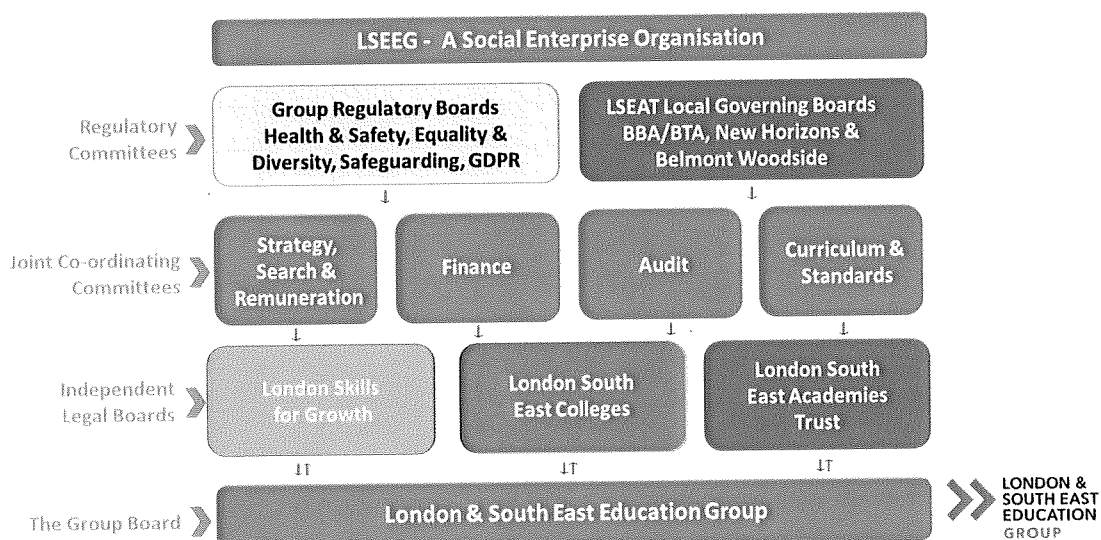
The College works closely with London & South East Academies Trust (LSEAT), together with its subsidiary London Skills for Growth. In April 2018 following a decision by the independent boards of each entity, the London & South East Education Group (LSEEG) was formed with a combined turnover of £64m in 2018/19. LSEEG is the umbrella organisation to coordinate the strategy of the organisations and to optimise and strengthen both governance and collaboration between group entities. This is achieved through schemes of delegation (subject to their non-delegable primary governance responsibilities and authority; their regulatory obligations; and management of potential conflicts of interest). The Group is not a legal entity and organisations as members of the Group are not subsidiary companies which are controlled or owned by LSEEG.

The Group rationale is borne from a shared mission vision and values and seeks to optimise governance alignment through a Group Strategy and provide efficiencies across the organisations. The Group ethos is founded upon high quality teaching and learning, the development of curriculum models fitting each school and cohort and a core and bespoke school improvement strategy which focuses on our shared strength.

## Statement of Corporate Governance and Internal Control (continued)

Governors and Trustees have been appointed to the Group Board, Independent Legal Boards and the Joint LSEEG Co-ordinating Committees, ensuring that a balanced combination of Governors and Trustees are represented on the each of these, as defined by the relevant Articles of Association and the Group Organisation Scheme of Delegation. Details of the group governance arrangements are shown below:-

Group Board, Independent Legal Boards and Joint Co-ordinating Committees – Governance Structure 2019/20



### The Corporation

The members, who served on the Corporation during the year and up to the date of signature of this report, are as listed below. The Corporation conducts its business through meetings of the full Board and a number of Committees: Group Audit and Risk (A), Group Strategy, Governance and Search (SGS), Group Finance (F) and Remuneration (R). Each Committee has terms of reference, which have been approved by the Corporation. The Clerk to the Corporation maintains minutes of meetings and a register of members' financial and personal interests, which are available for inspection, on request to the Clerk to the Corporation. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [www.lsec.ac.uk](http://www.lsec.ac.uk).

The list of Members who served during the period of the financial statements is recorded in the following table:

## Statement of Corporate Governance and Internal Control (continued)

### Members of the Corporation serving on the College Board during 2018/19

Category	Name	Appointed	Tenure (years)	Role	Meetings	Attended	Resigned
Independent	Stephen Howlett	01/08/17	4	Chair	5	5	
Independent	David Eastgate	01/08/17	4	Governor	3	3	01/04/19
Independent	Charles Yates	01/08/15	4	Governor	5	3	
Independent	Penny Bance	01/04/15	4	Governor	5	3	31/07/19
Independent	Katy Woolcott	01/04/15	4	Governor	5	3	01/09/19
Principal & CEO	Dr Sam Parrett	n/a	n/a	Governor	4	4	
Independent	Maxwell Bero	01/08/18	4	Governor	5	3	
Independent	Jane Hobson	01/11/18	4	Governor	3	2	
Independent	Christopher Briggs	01/11/18	4	Governor	3	1	
Independent	Lauren Ovenden	01/11/18	4	Governor	3	1	
Staff Governor	Barry Spencer	05/12/17	4	Governor	5	5	
Student Governor	Callum Twose	01/08/18	1	Governor	5	3	31/07/19

Mr Stephen Howlett was appointed Chair of the Corporation on 1 August 2017.

## **Statement of Corporate Governance and Internal Control (continued)**

The Corporation, as at the July 2019 meeting, comprised of 11 members, and had no vacancies. It is the responsibility of the Corporation to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall 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 met five times during the year.

All Corporation members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the independent 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.

Clear and robust Terms of Reference have been approved for each Board and Committee alongside Schemes of Delegation. These all provide assurance together with strong governance accountability across the Group and the Legal Boards.

Formal agendas, papers and reports are supplied to Corporation members and each Group Committee in a timely manner, prior to meetings. Briefings are provided on an ad-hoc basis.

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

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

### **Appointments to the Corporation**

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole following recommendation from the LSEEG Joint Group Strategy, Governance & Search Committee. This Committee, comprises three members of the College Corporation and three members of the LSEEG Board, with the power of co-option of further members external to the College or College staff with particular expertise when vacancies arise where a person with a certain background may be required. This Joint Group Co-ordinating Committee is responsible for the selection and nomination of any new member consideration. The Board is responsible for ensuring that appropriate training is provided as required.

The Corporation has agreed to adhere to the recommendation in the AoC Code of Good Governance for English Colleges that no more than two terms of office (or eight years) should be served by members.

Members of the Corporation are appointed for a term of office not exceeding four years, with the exception of student members who are appointed for a term of office not exceeding one year.

### **Corporation performance**

As part of the College's self-assessment process, the Corporation carried out a self-assessment of its own performance for the year ended 31 July 2019 and graded itself as 'Good' on the Ofsted scale.

## **Statement of Corporate Governance and Internal Control (continued)**

### **Group Remuneration Committee**

Throughout the year ended 31 July 2019, the Group Remuneration Committee comprised four members of the LSEC and LSEEG Boards. The Committee's responsibilities are to make recommendations to the Group Board and Corporation on the remuneration and benefits of the Principal, senior post-holders, and other senior staff in accordance with the Executive Pay Policy approved by the Corporation.

Details of remuneration for the year ended 31 July 2019 are set out in note 7 to these financial statements.

### **Group Audit and Risk Committee**

The Group Audit Committee comprises four members of the College Corporation and LSEEG Boards, but not Chair or College Principal. The Committee operates in accordance with written terms of reference approved by the Corporation and Group Board.

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

The internal auditors review the systems of internal control, risk management and governance processes in accordance with an agreed plan of input and report their findings to management and the Group Audit Committee.

Management is responsible for the implementation of agreed recommendations and internal audit undertakes periodic follow up reviews to ensure such recommendations have been implemented. The Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work and approves the fees to be paid.

The Group Audit Committee is required to report to the Corporation on the result of its work during the year and that of the internal and external auditors through its annual Audit Committee Report. This report is considered by the Board prior to the financial statements being approved

### **Group Finance Committee**

The Group Finance Committee comprises three members of the College Corporation and LSEEG Boards, but not Chair or College Principal. The Committee operates in accordance with written terms of reference approved by the Corporation and Group Board.

The Committee meets on a termly basis and provides additional scrutiny over financial performance of the College and related policies. Through this work, it provides assurances to the Corporation that financial performance, oversight, and solvency are being managed effectively.

### **Group Strategy, Governance & Search Committee**

The Group Strategy, Governance & Search Committee comprises four members of the College Corporation and LSEEG Boards, but not Chair or College Principal. The Committee operates in accordance with written terms of reference approved by the Corporation and Group Board.

## Statement of Corporate Governance and Internal Control (continued)

### Group Strategy, Governance & Search Committee (continued)

The Committee meets on a termly basis and provides scrutiny on appointment of Governors, identifies skills gaps in the Board, oversees the delivery of the Board Self-Assessment and performance reviews of Governors. The Committee also provides direction on strategic and policy matters, recommends Group wide policies and Committee Terms of Reference. The Committee also acts as an advisory group for the Chair and Audit Committee on risks relating to new business.

### Internal Control

#### Scope of Responsibility

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

The Corporation has delegated the day to day responsibility to the 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 the Principal is personally responsible, in accordance with the responsibilities assigned to the Principal in the Financial Memorandum/Financial Agreement between the College and the funding bodies. The Principal is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks 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 on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the College throughout the year ended 31 July 2019 and up to the date of approval of this 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 on-going 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 accounts. This process is regularly reviewed by the Corporation.

#### The risk and control framework

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 forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

## Statement of Corporate Governance and Internal Control (continued)

### Internal Control (continued)

#### The risk and control framework (continued)

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

#### Review of effectiveness

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

- The work of the internal auditors;
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the College's financial statements 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 and other sources of assurance. 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 sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control. The 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 11 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, and taking account of events since 31 July 2019.

The Internal Auditors Annual Report, presented to the Audit Committee on 27 November 2019, and the Audit Committee's Annual Report, approved on 27 November 2019 contain the opinion that *'the College has adequate and effective risk management, control and governance processes to manage the achievement of the College's objectives'*.

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

## **Statement of Corporate Governance and Internal Control (continued)**

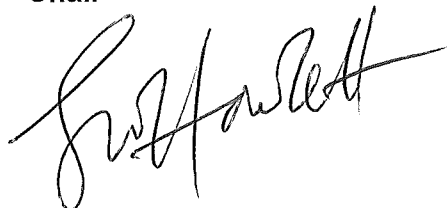
### **Going Concern**

The College has funding contracts in place with the ESFA for 2019/20 which provide a secure income stream for the year based upon current enrolment levels. In addition, the College has secure loan debt and revolving credit facilities over the medium term. The medium term financial plan for the College has been prepared on a prudent basis and demonstrates that financial performance is expected to improve. The plan also shows that the College will have sufficient working capital to meet liabilities as they fall due.

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

Approved by Members of the Corporation on 11 December 2019 and signed on its behalf by:

**Chair**



**Principal & Accounting Officer**



## Statement of Regularity, Propriety and Compliance

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

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

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

**Chair**

A handwritten signature in black ink, appearing to read 'S. H. A. H.', written in a cursive style.

**Principal & Accounting Officer**

A handwritten signature in black ink, appearing to be a stylized 'J. R.', written in a cursive style.

## Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum and funding agreement with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction for 2018 to 2019 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and of the result for the year.

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

- a) Select suitable accounting policies and apply them consistently;
- b) Make judgements and estimates that are reasonable and prudent;
- c) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) Prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

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

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

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

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

Approved by Members of the Corporation on 11 December 2019 and signed on its behalf by:



**Chair**

# **Independent auditor's report to the Corporation of Bromley College of Further and Higher Education**

## **Opinion**

We have audited the financial statements of Bromley College of Further and Higher Education (the '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, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the College's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 its deficit of income over expenditure for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

## **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 Corporation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporation has 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.

# **Independent auditor's report to the Corporation of Bromley College of Further and Higher Education (continued)**

## **Other information**

The Corporation is 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.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the governors' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The governors' report including the strategic report has been prepared in accordance with applicable legal requirements.

## **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 governors' report including the strategic report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **Independent auditor's report to the Corporation of Bromley College of Further and Higher Education (continued)**

### **Responsibilities of the Corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation, the Corporation is 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 Corporation determines 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 Corporation is 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 Corporation either intends 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.

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



Avnish Savjani (Senior Statutory Auditor)  
For and on behalf of Buzzacott LLP, Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

16 December 2019

## **Reporting Accountant's Assurance Report on Regularity to the Corporation of the College and Secretary of State for Education acting through the Department for Education ("the Department")**

In accordance with the terms of our engagement letter dated 21 May 2019 and further to the requirements of the funding agreement with the Education and Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Bromley College of Further and Higher Education (the 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 (ILR) returns, for which the department has other assurance arrangements in place.

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

### **Respective responsibilities of the College and the reporting accountant**

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the 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 jointly 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.

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

**Reporting Accountant's Assurance Report on Regularity to the Corporation of the College and Secretary of State for Education acting through the Department for Education ("the Department") (continued)**

The work undertaken to draw to our conclusion includes:

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

**Conclusion**

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 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.



Buzzacott LLP  
Chartered Accountants

16 December 2019  
Date

## Consolidated Statements of Comprehensive Income

Year ended 31 July 2019

	Notes	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
<b>Income</b>					
Funding body grants	2	31,922	30,136	35,781	33,898
Tuition fees and education contracts	3	6,948	6,896	6,357	6,357
Other grants and contracts	4	5,765	5,765	4,598	4,595
Other Income	5	1,561	1,390	2,584	2,435
Investment income	6	48	48	12	12
<b>Total income</b>		<b>46,244</b>	<b>44,235</b>	<b>49,332</b>	<b>47,297</b>
<b>Expenditure</b>					
Staff costs	7	32,393	31,209	32,473	30,900
Other operating expenses	8	11,554	10,675	13,533	12,529
Depreciation	11	4,551	4,446	4,583	4,468
Interest and other finance costs	9	686	686	890	888
<b>Total expenditure</b>		<b>49,184</b>	<b>47,016</b>	<b>51,480</b>	<b>48,784</b>
<b>Deficit before other gains and losses and tax</b>		<b>(2,940)</b>	<b>(2,743)</b>	<b>(2,148)</b>	<b>(1,488)</b>
Taxation	10	—	—	—	—
<b>Deficit for the year</b>		<b>(2,940)</b>	<b>(2,781)</b>	<b>(2,148)</b>	<b>(1,488)</b>
Gain on acquisition of subsidiary	25	—	—	1,834	—
Actuarial (loss) gain on defined benefit pensions	23	(1,371)	(1,371)	7,713	7,713
<b>Total Comprehensive income for the year</b>		<b>(4,311)</b>	<b>(4,152)</b>	<b>7,399</b>	<b>6,225</b>
Represented by:					
Restricted comprehensive income		—	—	36	36
Unrestricted comprehensive income		(4,311)	(4,152)	7,363	6,189

# Consolidated and College Statement of Changes in Reserves

Year ended 31 July 2019

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total
Group	£'000	£'000	£'000	£'000
<b>Balance at 1 August 2018</b>	<b>13,626</b>	<b>15,057</b>	<b>43</b>	<b>28,726</b>
<b>Deficit from the income and expenditure account</b>	<b>(2,940)</b>	<b>—</b>	<b>—</b>	<b>(2,940)</b>
Other comprehensive income	(1,371)	—	—	(1,371)
Transfers between revaluation and income and expenditure reserves	547	(547)	—	—
<b>Total comprehensive income for the year</b>	<b>(3,764)</b>	<b>(547)</b>	<b>—</b>	<b>(4,311)</b>
<b>Balance at 31 July 2019</b>	<b>9,862</b>	<b>14,510</b>	<b>43</b>	<b>24,415</b>
<b>College</b>				
<b>Balance at 1 August 2018</b>	<b>12,453</b>	<b>15,057</b>	<b>43</b>	<b>27,553</b>
Deficit from the income and expenditure account	(2,781)	—	—	(2,781)
Other comprehensive income	(1,371)	—	—	(1,371)
Transfers between revaluation and income and expenditure reserves	547	(547)	—	—
<b>Total comprehensive income for the year</b>	<b>(3,605)</b>	<b>(547)</b>	<b>—</b>	<b>(4,152)</b>
<b>Balance at 31 July 2019</b>	<b>8,848</b>	<b>14,510</b>	<b>43</b>	<b>23,401</b>

## Balance sheets as at 31 July

		Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
<b><u>Non-current assets</u></b>	Notes				
Tangible fixed assets	11	83,387	82,323	86,361	85,246
		<b>83,387</b>	<b>82,323</b>	86,361	85,246
<b><u>Current assets</u></b>					
Trade and other receivables	12	2,894	2,719	2,889	2,775
Cash and cash equivalents	17	7,380	7,054	9,733	9,238
		<b>10,274</b>	<b>9,773</b>	12,622	12,014
<b>Less: Creditors – amounts falling due within one year</b>	13	<b>(9,554)</b>	<b>(9,003)</b>	(12,224)	(11,675)
<b>Net current assets</b>		<b>720</b>	<b>770</b>	398	338
<b>Total assets less current liabilities</b>		<b>84,107</b>	<b>83,093</b>	86,759	85,584
Less: Creditors – amounts falling due after more than one year	14	(37,290)	(37,290)	(38,780)	(38,780)
<b>Provisions</b>					
Defined benefit obligations	16	(21,064)	(21,064)	(18,046)	(18,046)
Other provisions	16	(1,338)	(1,338)	(1,207)	(1,207)
<b>TOTAL NET ASSETS</b>		<b>24,415</b>	<b>23,401</b>	28,726	27,552
<b>Reserves</b>					
Restricted reserves		43	43	43	43
Income and expenditure account		9,862	8,848	13,625	12,451
Revaluation reserve		14,510	14,510	15,058	15,058
<b>Total Reserves</b>		<b>24,415</b>	<b>23,401</b>	28,726	27,552

The financial statements on pages 33 to 58 were approved and authorised for issue by the Corporation on 11 December 2019 and were signed on its behalf on that date by:

**Chair**



Bromley College of Further & Higher Education

**Principal & Accounting Officer**



## Consolidated Statement of Cash Flows

	Notes	2019 £'000	2018 £'000
<b>Cash flow from operating activities</b>			
Deficit for the year		(2,940)	(2,148)
<b>Adjustment for non-cash items</b>			
Depreciation		4,551	4,583
Increase/(decrease) in debtors		(5)	2,724
Decrease in creditors due within one year		(2,099)	(1,285)
Decrease in creditors due after one year		(1,490)	(1,503)
Increase/(decrease) in provisions		131	(128)
Pensions costs less contributions payable		1,647	2,549
Balance inherited upon acquisition		—	436
<b>Adjustment for investing or financing activities</b>			
Investment income	6	(48)	(12)
Interest payable	9	203	230
<b>Net cash inflow from operating activities</b>		<u>(50)</u>	<u>5,446</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		—	725
Investment income		48	12
Payments made to acquire fixed assets		(1,577)	(674)
		<u>(1,529)</u>	<u>63</u>
<b>Cash flows from financing activities</b>			
Interest paid	9	(203)	(230)
Repayments of amounts borrowed		(570)	(508)
		<u>(773)</u>	<u>(738)</u>
<b>Decrease / increase in cash and cash equivalents in the year</b>		<u><b>(2,352)</b></u>	<u><b>4,771</b></u>
 Cash and cash equivalents at beginning of the year	 17	 9,732	 4,961
Cash and cash equivalents at end of the year	17	7,380	9,732

# Notes to the Financial Statements

## 1. Accounting policies

### Statement of accounting policies

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

### Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 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 as modified by the revaluation of certain fixed assets.

### Basis of consolidation

The consolidated statement of comprehensive income, the group statement of changes in reserves and group balance sheet consolidate the financial statements of the College and those of its subsidiary London Skills for Growth on a line by line basis.

### 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 Group, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £5m of loans outstanding on terms negotiated in 2018 for a period of 5 years. In addition, there is also a 3 year £3m of Revolving Credit Facility (RCF) available for drawdown with all loans and RCF facilities being secured by a fixed charge on College assets. The College's forecasts and financial projections indicate that it will be able to operate within its existing bank facility levels for the foreseeable future. The College has submitted copies of its 5 year financial plans to the ESFA and its providers of loan finance for review and no going concern issues have been raised. LSfG has no loan debt.

The Corporation considers that it continues to be a going concern and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### Recognition of income

##### Revenue Grant Funding

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the statement of comprehensive income. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

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 capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

##### Fee Income

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

##### Investment Income

All income from short-term deposits is credited to the statement of comprehensive income in the period in which it is earned on a receivable basis.

##### Agency Arrangements

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

#### Accounting for post-employment benefits

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

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

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

## Notes to the Financial Statements (continued)

### 1. Accounting policies (continued)

#### Accounting for post-employment benefits (continued)

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

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.

##### Local Government Pension Scheme (LGPS)

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

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

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

#### **Short term Employment benefits**

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

#### **Enhanced Pensions**

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

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

Tangible fixed assets are stated at cost/deemed 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.

# Notes to the Financial Statements (continued)

## 1 Accounting policies (continued)

### Non-current assets - Tangible fixed assets (continued)

#### Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 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 15 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable. On adoption of FRS102, the College followed the transitional provision to retain the book value of land and buildings as deemed cost but not to adopt a policy of revaluations of these properties in the future.

#### Assets under construction

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

#### Subsequent expenditure on existing fixed assets

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

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

#### Equipment

Equipment costing less than £5,000 per individual item is recognised as expenditure in the period of acquisition, with the exception of the annual IT equipment upgrade which may include individual items below this level but is capitalised at cost. All other equipment is capitalised at cost and depreciated on a straight-line basis over the following periods:

- |                                     |                |
|-------------------------------------|----------------|
| • Computer equipment:               | 3 - 5 years    |
| • Smartboards:                      | 5 - 10 years   |
| • Office equipment:                 | 3 - 5 years    |
| • Furniture, fixtures and fittings: | 5 - 10 years   |
| • Plant                             | 15 to 20 years |

## Notes to the Financial Statements (continued)

### 1 Accounting policies (continued)

#### **Borrowing costs**

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

#### **Leased assets**

Costs in respect of operating leases are charged on a straight-line basis over the lease term to the Statement of Comprehensive Income and Expenditure. Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant -funded assets.

#### **Cash and cash equivalents**

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

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

#### **Financial liabilities and equity**

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

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

#### **Taxation**

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

## Notes to the Financial Statements (continued)

### 1 Accounting policies (continued)

#### Provisions and contingent liabilities (continued)

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

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

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

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

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

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

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

#### Key sources of estimation uncertainty

##### Tangible fixed assets

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

##### Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 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 (continued)

### 2 Funding Council Grants

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency – adult	8,048	7,350	8,041	6,905
Education and Skills Funding Agency – 16-18	18,324	18,324	22,855	22,108
Education and Skills Funding Agency – 14-16	—	—	259	259
Education Funding Agency – Apprenticeships	3,792	2,704	2,846	2,846
Higher Education Funding Council	137	137	157	157
<b>Specific Grants</b>				
Releases of government capital grants	1,621	1,621	1,623	1,623
<b>Total</b>	<b>31,922</b>	<b>30,136</b>	<b>35,781</b>	<b>33,898</b>

### 3 Tuition fees and education contracts

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Adult education fees	1,962	1,962	1,866	1,866
Apprenticeship fees and contracts	487	435	198	198
Fees for FE loan supported courses	880	880	1,169	1,169
Fees for HE loan supported courses	1,725	1,725	1,580	1,580
International students fees	—	—	2	2
<b>Total Tuition Fees</b>	<b>5,054</b>	<b>5,002</b>	<b>4,815</b>	<b>4,815</b>
Education contracts	1,894	1,894	1,542	1,542
<b>Total</b>	<b>6,848</b>	<b>6,896</b>	<b>6,357</b>	<b>6,357</b>

### 4 Other grants and contracts

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Other grants and contracts	5,765	5,765	4,598	4,595
<b>Total</b>	<b>5,765</b>	<b>5,765</b>	<b>4,598</b>	<b>4,595</b>

### 5 Other income

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Catering and residences	459	459	397	397
Other income generating activities	669	498	577	481
Miscellaneous income	433	433	1,610	1,557
<b>Total</b>	<b>1,561</b>	<b>1,390</b>	<b>2,584</b>	<b>2,435</b>

## Notes to the Financial Statements (continued)

### 6 Investment income

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Interest	48	48	12	12
<b>Total</b>	<b>48</b>	<b>48</b>	<b>12</b>	<b>12</b>

### 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:

	Group 2019 No.	College 2019 No.	Group 2018 No.	College 2018 No.
Teaching staff	275	256	279	258
Non-teaching staff	305	294	317	286
<b>Total</b>	<b>579</b>	<b>549</b>	<b>596</b>	<b>544</b>

#### Staff costs for the above persons

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Wages and salaries	25,682	24,627	25,427	24,057
Social security costs	2,005	1,904	2,049	1,919
Other pension costs	3,907	3,879	4,515	4,487
<b>Payroll Sub Total</b>	<b>31,594</b>	<b>30,410</b>	<b>31,991</b>	<b>30,463</b>
Fundamental restructuring costs – Contractual	799	799	482	437
<b>Total Staff Costs</b>	<b>32,393</b>	<b>31,209</b>	<b>32,473</b>	<b>30,900</b>

#### Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the senior post-holders which comprised the Principal & CEO, Deputy Principal/Chief Operating Officer – Colleges, and Group Chief Financial Officer.

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

	Group 2019 No.	College 2019 No.	Group 2018 No.	College 2018 No.
The number of key management personnel including the Principal was:	3	3	3	3

## Notes to the Financial statements (continued)

### 7 Staff costs (continued)

A number of Key Management Personnel were seconded to work within London South East Academies Trust (LSEAT), on a part-time basis until 31 March 2019. This was replaced on 1 April with separate contracts of employment for the Group Chief Executive Officer, and Group Chief Financial Officer with LSEAT. The values reported below represent the emoluments paid in respect of the duties of employment for the College Group. The value of the work carried out for LSEAT will be reported in the accounts of that entity as appropriate.

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.
£60,001 to £ 70,000	—	—	4	5
£70,001 to £ 80,000	—	—	8	5
£80,001 to £ 90,000	—	—	1	1
£90,001 to £100,000	—	—	—	1
£100,001 to £110,000	1	—	1	1
£120,001 to £130,000	1	2	—	—
£210,000 to £220,000	1	1	—	—
	<u>3</u>	<u>3</u>	<u>14</u>	<u>13</u>

Other staff numbers in 2019 include one member of staff employed by LSfG.

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries	382	381
Retention and additional responsibility allowances	31	47
Payment for untaken annual leave	11	15
Employer's National Insurance	59	33
Flexible benefits	27	29
Benefits in kind	-	1
<b>Total Key management personnel compensation</b>	<u><b>510</b></u>	<u><b>506</b></u>
Pension contributions	<u>37</u>	<u>37</u>
<b>Total emoluments</b>	<u><b>547</b></u>	<u><b>543</b></u>

## Notes to the Financial Statements (continued)

### 7 Staff costs (continued)

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The above compensation includes amounts payable to the Accounting officer (who is also the highest paid officer).

	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>
Salaries	165	165	159	159
Retention and additional responsibility allowances	19	19	24	24
Payments for untaken annual leave	6	6	12	12
Flexible benefits	28	28	29	29
Benefits in kind	0	0	1	1
	<u>218</u>	<u>218</u>	<u>225</u>	<u>225</u>
Pension contributions	—	—	—	—

The Governors have adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of Key management staff, including the Principal, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal reports to the Governors, who undertakes an annual review of her performance against the college's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal pay and remuneration expressed as a multiple

	<b>2019 £'000</b>	<b>2018 £'000</b>
Principal's basic salary as a multiple of the median of all staff	5.3	5.4
Principal and CEO's total remuneration as a multiple of the median of all staff	5.7	5.9

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

## Notes to the Financial Statements (continued)

### 8 Other operating expenses

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Teaching costs	4,553	4,421	5,711	5,404
Non-teaching costs	2,538	2,266	3,544	3,361
Premises costs	4,463	3,988	4,278	3,764
<b>Total</b>	<b>11,554</b>	<b>10,675</b>	<b>13,533</b>	<b>12,528</b>

#### Other operating expenses include:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
<b>Auditors' remuneration:</b>				
Financial statements audit	63	51	55	45
Other services provided by statutory auditor	4	4	7	7
Internal audit	51	51	44	36
Hire of assets under operating leases	409	400	385	380

### 9 Interest payable

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
On bank loans, overdrafts and other loans:	203	202	230	228
	203	202	230	228
Pension finance costs (note 23)	483	483	660	660
<b>Total</b>	<b>686</b>	<b>685</b>	<b>890</b>	<b>888</b>

### 10 Taxation

The College was not liable for any Corporation tax arising out of its activities during this year

## Notes to the Financial Statements (continued)

### 11 Tangible fixed assets (Group)

	Freehold Land & Buildings £'000	Assets Under Construction	Leasehold Land & Buildings £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2018	111,557	—	1,307	11,573	124,437
Additions	417	954	—	206	1,577
Disposals	—	—	—	(561)	(561)
<b>At 31 July 2019</b>	<b>111,974</b>	<b>954</b>	<b>1,307</b>	<b>11,217</b>	<b>125,453</b>
<b>Depreciation</b>					
At 1 August 2018	26,908	—	1,157	10,011	38,076
Charge for the year	3,814	—	—	737	4,551
				(561)	(561)
<b>At 31 July 2019</b>	<b>30,722</b>	<b>—</b>	<b>1,157</b>	<b>10,187</b>	<b>42,066</b>
<b>Net book value at 31 July 2019</b>	<b>81,253</b>	<b>954</b>	<b>150</b>	<b>1,031</b>	<b>83,387</b>
Net book value at 31 July 2018	84,649	—	150	1,562	86,361

## Notes to the Financial Statements (continued)

### 11 Tangible fixed assets (College only)

	Freehold Land & Buildings £'000	Assets Under Construction	Leasehold Land & Buildings £'000	Equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2018	110,643	—	1,142	11,423	123,208
Additions	362	954	—	206	1,522
Disposals	—	—	—	(561)	(561)
<b>At 31 July 2019</b>	<b>111,005</b>	<b>954</b>	<b>1,142</b>	<b>11,067</b>	<b>124,169</b>
<b>Depreciation</b>					
At 1 August 2018	26,874	—	1142	9,946	37,962
Charge for the year	3,735	—	—	710	4,446
Elimination in respect of disposals				(561)	(561)
<b>At 31 July 2019</b>	<b>30,609</b>	<b>—</b>	<b>1,142</b>	<b>10,095</b>	<b>41,487</b>
<b>Net book value at 31 July 2019</b>	<b>80,396</b>	<b>954</b>	<b>—</b>	<b>972</b>	<b>82,323</b>
Net book value at 31 July 2018	83,769	—	—	1,477	85,246

Assets under construction represents the costs of the London Aerospace Technology College (LATC) at Biggin Hill of £743k and Plumstead redevelopment works of £148k scheduled to complete in 2021 and 2023 respectively. Also included in assets under construction is £64k relating to works done to the Orpington lift. Project is due to be completed early 2019/20.

### 12 Trade and other receivables

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Amounts falling due within one year:				
Trade receivables	1,724	1,711	1,385	1,385
Prepayments and accrued income	1,170	1,008	1,505	1,391
<b>Total</b>	<b>2,894</b>	<b>2,719</b>	<b>2,890</b>	<b>2,776</b>

## Notes to the Financial Statements (continued)

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

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans and overdrafts	229	229	229	229
Salix loan	38	38	76	76
Trade payables	520	477	804	708
Other taxation and social security	822	792	722	687
Accruals and deferred income	4,643	4,492	6,327	6,125
Deferred income - government capital grants	1,621	1,621	1,621	1,621
Deferred income - government revenue grants	124	124	120	120
Amounts owing to the ESFA	1,279	952	2,047	1,831
Amounts owing to the ESFA (EFS loan)	278	278	278	278
<b>Total</b>	<b>9,554</b>	<b>9,003</b>	<b>12,224</b>	<b>11,675</b>

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

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
Bank loans	4,832	4,832	5,048	5,048
Salix Loans	—	—	38	38
Amounts owing to DBEIS (EFS loan)	3,845	3,845	4,123	4,123
Deferred income - government capital grants	28,614	28,614	29,571	29,571
<b>Total</b>	<b>37,290</b>	<b>37,290</b>	<b>38,780</b>	<b>38,780</b>

The amounts owed to the Department for Business, Energy and Industrial Strategy (DBEIS) represent a secured term loan for Exceptional Financial Support (EFS) made to Greenwich Community College prior to merger with Bromley College of Further & Higher Education. The loan is secured on 95 Plumstead, Road, Woolwich, London, SE18 7DQ.

### 15 Maturity of Debt

#### (a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group 2019 £'000	College 2019 £'000	Group 2018 £'000	College 2018 £'000
In one year or less	229	229	229	229
Between one and two years	458	458	458	458
Between two and five years	687	687	687	687
Five years or more	3,687	3,687	3,903	3,903
<b>Total</b>	<b>5,061</b>	<b>5,061</b>	<b>5,277</b>	<b>5,277</b>

The Barclays loan facility is repayable by instalments falling due between 1 August 2018 and 31 January 2023. A total of £216k was paid in the year leaving an outstanding balance of £5,061m secured on a portion of the freehold land and buildings of the College.

## Notes to the Financial Statements (continued)

### 16 Provisions (Group and College)

	Defined benefit obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2018	18,046	1,207	19,253
Expenditure in the period	3,018	(110)	2,908
Transferred from income and expenditure account	—	241	241
<b>At 31 July 2019</b>	<b>21,064</b>	<b>1,338</b>	<b>22,402</b>

The enhanced pension provision relates to the cost of staff who have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2019	2018
Price inflation	2.0%	2.30%
Discount Rate	2.2%	1.30%

Defined benefit obligations relate to liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 22.

### 17 Group cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2019 £'000
Cash and cash equivalents	9,238	(2,186)	—	7,052
Inherited upon acquisition	495	(168)	—	327
<b>Total</b>	<b>9,732</b>	<b>(2,354)</b>	<b>—</b>	<b>7,379</b>

### 18 Capital Commitments

There are no Commitments contracted for at 31 July.

## Notes to the Financial Statements (continued)

### 19 Lease Obligations

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

	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>
<b>Future minimum lease payments due</b>			229	229
<b>Land and buildings</b>				
Not later than one year	277	10	314	39
Later than one year and not later than five years	272	—	583	16
	<b>549</b>	<b>10</b>	<b>897</b>	<b>55</b>
<b>Other</b>				
Not later than one year	366	364	272	267
Later than one year and not later than five years	646	645	102	93
	<b>1,011</b>	<b>1,009</b>	<b>374</b>	<b>360</b>

### 20 Contingent liabilities

The College has been notified of an Employment Tribunal from a former employee. The preliminary hearing is 3rd January 2020 and the full hearing will be listed in 2020.

### 21 Events after the reporting period

LSfG is in the process of disposing its property at 19 Upland Road, Bexleyheath. Two offers has been received from prospective buyers to date, but no firm offer has been accepted.

### 22 Defined benefit obligations

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

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

## Notes to the Financial Statements (continued)

### 22 Defined benefit obligations (continued)

Total Pension cost for the year	2019 £000	2018 £000
<b>Pension Costs</b>		
Teachers' Pension Scheme: contributions paid	1,462	1,517
Local Government Pension Scheme		
Contributions paid	1,328	1,141
FRS 102 (28) Charge	1,192	1,829
Charge to the Statement of Comprehensive income	2,520	2,970
Enhanced Pension charge to the Statement of Comprehensive Income	(131)	127
<b>Total Pension Cost for Year</b>	<b>3,851</b>	<b>4,614</b>

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

#### **Teachers' Pension Scheme**

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

## Notes to the Financial Statements (continued)

### 22 Defined benefit obligations (continued)

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

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/9. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019-20 academic year.

The pension costs paid to TPS in the year amounted to £2,304,864 (2017/18: £2,346,958), of which employer's contributions totalled £1,489,694 (2017/18: £1,516,953) and employees' contributions totalled £815,170 (2017/18: £830,005).

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

<https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>

#### *FRS 102 (28)*

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

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

#### *Local Government Pension Scheme*

The Local Government Pension Scheme (LGPS) is a funded defined-benefit scheme, with the assets held in separate funds administered by the London Pension Fund Authority. The total contribution made for the year ended 31 July 2019 was £1,723,302 (2017/18: £1,623,228), of which employer's contributions totalled £1,177,866 (2017/18: £1,140,868) and employees' contributions totalled £483,770 (2017/18: £482,360). The agreed contribution rates for future years are 17.3% for employers and range from 5.5% to 12.5% for employees, depending upon salary.

#### *Principal Actual Assumptions*

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary.

Principal Actuarial Assumptions	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.20%	3.15%
Future pension increases	2.40%	2.35%
Discount rate for scheme liabilities	2.10%	2.65%
Inflation assumption (CPI)	2.40%	2.35%
Commutation of pensions to lump sums	50%	50%

## Notes to the Financial Statements (continued)

### 22 Defined benefit obligations (continued)

#### **Principal Actual Assumptions** (continued)

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

	At 31 July 2019	At 31 July 2018
<i>Retiring today</i>		
Males	21.1	22.0
Females	23.7	24.7
<i>Retiring in 20 years</i>		
Males	22.9	24.3
Females	25.5	27.0

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	75,038	68,676
Present value of plan liabilities	(96,102)	(86,722)
<b>Net pension liability</b>	<b>(21,064)</b>	<b>(18,046)</b>

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

	2019 £'000	2018 £'000
<b>Amounts included in staff costs</b>		
Current service cost	2,431	2,885
Past service cost	-	-
<b>Total</b>	<b>2,431</b>	<b>2,885</b>

	2019 £'000	2018 £'000
<b>Amounts included in finance costs</b>		
Net interest charge	455	614
<b>Total</b>	<b>455</b>	<b>614</b>

## Notes to the Financial Statements (continued)

### 22 Defined pension obligations (continued)

	2019 £'000	2018 £'000
<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension plan assets	4,974	2,183
Experience losses arising on defined benefit obligations		-
Changes in demographic assumptions -	4,626	-
Changes in assumptions underlying the present value	(10,971)	5,447
Liabilities		
Other actuarial gains/(losses) on assets	-	83
<b>Amount recognised in other comprehensive Income</b>	<b>(1,371)</b>	<b>7,713</b>

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

	2019 £'000	2018 £'000
Deficit in scheme at 1 August	(18,046)	(23,316)
Deficit inherited upon merger -	-	-
Movement in year:		
Current service cost	(2,431)	(2,885)
Employer contributions	1,328	1,141
Past service cost	-	-
Admin Expenses	(89)	(85)
Net interest on defined (liability)/asset	(455)	(614)
Admin Expenses	(1,371)	7,713
<b>Net defined benefit (liability)/asset At 31 July</b>	<b>(21,064)</b>	<b>(18,046)</b>

### Asset and Liability Reconciliation

	2019 £'000	2018 £'000
<b>Changes in the present value of defined benefit obligations</b>		
Defined benefit obligations at start of period	86,722	88,493
Defined benefit obligations inherited upon merger		-
Current service cost	2,431	2,885
Interest cost	2,272	2,369
Contributions by Scheme participants	488	479
Experience gains and losses on defined benefit obligations	-	-
Changes in financial obligations	6,345	(5,447)
Estimated benefits paid	(2,685)	(2,057)
Curtailments and settlements	529	-
<b>Defined benefit obligations at end of period</b>	<b>96,102</b>	<b>86,722</b>

## Notes to the Financial Statements (continued)

### 22 Defined benefit obligations (continued)

#### Reconciliation of Assets

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	68,676	65,177
Fair value of plan assets inherited upon merger	-	-
Interest on plan assets	1,817	1,755
Return on plan assets	4,974	2,183
Employer contributions	1,328	1,141
Contributions by Scheme participants	488	479
Changes in financial obligations		83
Estimated benefits paid	(2,685)	(2,057)
Settlement prices received	529	-
Admin Expenses	(89)	(85)
<b>Assets at end of period</b>	<b>75,038</b>	<b>68,676</b>

### 23 Related party transactions

Owing 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 such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

Transactions with funding bodies and HEFCE are detailed in note 2.

#### London South East Academies Trust

Although distinct organisations, the College does act as the sponsor to London South East Academies Trust. Although the sponsorship means various Members of the Corporation and College senior management team are also members, Governors and Trustees of the Academy Trust. In accordance with the Academies' Financial Handbook, the level of involvement and control over the Academy Trust's is restricted, and therefore, it would not be appropriate to consolidate their financial results within the financial statements of the College.

The College provided services to London South East Academies Trust for ICT support, Estate, Facilities, Governance, HR and Finance support during the year and the charges have been included in the accounts.

Senior Management Services -	£135,486	(2017/18: £187,304)
Shared Services Charge -	£53,529	(2017/18: £200,000)

At 31 July 2019, the balance owed to the College by London South East Academies Trust was £nil (2017/18: £387,304).

## Notes to the Financial Statements (continued)

### 24 Amounts disbursed as agent

#### Learner Support Funds

	2019 £'000	2018 £'000
Funding body grants - ESFA	1,666	2,105
Other Funding bodies grants	-	-
	<u>1,666</u>	<u>2,105</u>
Disbursed to students	(1,236)	(1,538)
Administration costs	<u>(187)</u>	<u>(260)</u>
<b>Balance unspent as at 31 July, included in creditors</b>	<b><u>242</u></b>	<b><u>307</u></b>

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.