LONDON
SOUTH EAST
COLLEGES

Report and Financial Statements for the year ended 31 July 2016

Contents

Members Report

NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the year ended 31 July 2016.

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.

Mission

The Corporation re-affirmed the Mission and Vision at its meeting in May 2016.

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

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 is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on page 18 below.

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.

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

Members Report (continued)

Public Benefit (continued)

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

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 at organisation that shares best practice and 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 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 2015/16 against the strategic plan

Progress against these strategic aims and objectives in 2015/16 is explained below:-

The College achieved 2,737 EFA funded learners compared to its allocation of 2,660 (103%) the College achieved 118% of its Adult Skills Budget allocation, and met the directly funded HE income target.

Expansion of the Higher Education portfolio continued, building on the strategic alliance with Canterbury Christ Church University (CCCU) which was formed in 2012/13, and the partnership with University of Greenwich. The College successfully achieved validation for a number of new programmes which were offered in 2015/16. These included a BSc top up in Social Work Studies and a Foundation Degree in Health Promotion and Public Health. New sports related programmes were validated but failed to recruit. The College achieved University Centre status which has been used to promote the offer.

Members Report (continued)

Review of progress in 2015/16 against the strategic plan (continued)

In response to demand within the local community, and in particular the anticipated shortage in secondary school places, the College had its second directly funded intake into its 14-16 College. The curriculum is delivered through the Bromley Technical Academy brand and the Academy exceeded its enrolment target recruiting 117 learners. The 14-16 provision was subject to an Ofsted monitoring visit during the year and Ofsted were pleased with the quality of provision on offer.

The college outturn has seen a slight decline by 0.9% in overall achievement rates to 83.5%. The small decline in overall achievement rates, relate specifically to the increase in the volume of English and maths aims and the reported outturn for these leaning aims. Overall vocational achievement rates report year on year improvement by 0.4% to 88.5%.

In its unrelenting drive to improve standards of Teaching, Learning, and Assessment, the College has further invested in its Teaching Skills Academy in order to improve standards and share best practice. This initiative has been well received by staff and there has been a significant increase in the number of CPD sessions delivered during the year. This has resulted in 91% of lesson observations being graded as good or outstanding, exceeding the target of 85%.

In accordance with its approved plans, the College invested circa £750k during the year in IT equipment, new technologies, its estate, and equipment for learning. In addition, the College has commenced the second phase of the development of its Hospitality and Catering Career College through the approval of a £2.5m project to build a Bistro with a retail outlet, together with an additional training kitchen and pastry kitchen. This project will help to address demand of the skills shortages in a key LEP priority area and will be partly funded by the LEP.

Although not originally envisaged when the strategic plan was prepared, on 1 January 2016, Bromley College formerly federated with Greenwich Community College and the federation agreement provided for Bromley College to assume the executive management responsibilities of Greenwich Community College on the federation date.

During the year, the Corporation of Bromley College formerly resolved to merge with Greenwich Community College and Bexley College with effect from 1 August 2016. This matter is explained on more detail under Events After the Reporting Period.

Financial objectives

The College's financial objectives are:

i. To achieve an adjusted operating surplus (pre FRS102 pension costs) of 1.5% of turnover;
ii. Achieve a cash inflow from operating activities of at least £1.75m;
iii. A current ratio target of at least 1.2 (excluding loan classification changes);
iv. To maintain a minimum bank balance of £2.5m;
v. A ratio of staff costs against income (excluding re-structuring) of no more than 62%;
vi. A viable level of long term borrowing with debt servicing costs of no more than 7% of total income; and
vii. Achievement of all financial bank loan covenants.

Members Report (continued)

Financial objectives (continued)

A series of annual performance indicators have been agreed to monitor the achievement of the financial objectives. Save for objectives (i), (ii) and (v), all of the financial objectives were achieved for the year. The Federation arrangements with Greenwich Community College (GCC) together with the merger activities and costs associated with the triple merger with GCC and Bexley College have impacted on the operating position and the year end position of the College. If it had not been for these activities, the College would have achieved objectives (i) and (ii).

As a consequence of the capacity required to support the federation and mergers together with additional resources to support increased volumes of learners taking English and maths qualifications, the ratio of staff costs against income excluding restructuring was slightly higher than target at 63%. Staff costs will be reviewed in 2016/17 following the merger.

The College is committed to observing the importance of sector measures and indicators and use the FE Choices website which looks at measures such as success rates. The College is required to complete the annual Finance Record for the Skills Funding Agency. The Finance Record produces a financial health grading. The current rating of 'Good' is considered to be an appropriate assessment prior to merger.

FINANCIAL POSITION

Financial Results

In 2015/16 the College generated an operating surplus of £110k prior to exceptional costs and an overall operating deficit of £0.46m after such costs (2014/15: a restated surplus of £0.46m).

The operating deficit position for 2015/16 includes £0.6m exceptional merger and quality costs This also included the interest charge on the College's share of the Local Government Pension Scheme (LGPS) of £0.23m.

The College has accumulated income and expenditure account reserves of £4.5m and cash balances of £4.7m. The College wishes to continue to accumulate reserves and cash balances in order to create a contingency fund, but this is balanced with the need to reinvest in the College estate and restructure following merger.

Total income in the year was £30.9m which is a £1.4m increase from 2014/15. The College continues to have significant reliance on the SFA and EFA for its principal funding source, largely from recurrent grants. In 2015/16 the SFA and EFA provided 74% of the College's total income (2014/15: 78%). The reduction relates to changes in SFA funding eligibility requirements and the introduction of 24+ loans.

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.

Members Report (continued)

FINANCIAL POSITION (continued)

Treasury policies and objectives (continued)

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 Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows & Liquidity

The College aims to generate a cash surplus from operating activities each year and £0.7m was achieved (2014/15: £3.6m). The College also aims to maintain an appropriate balance between continuing capital investment and net current liabilities (which decreased by £0.3m to £0.7m at 31 July 2016).

College liquidity remained reasonably strong during the year with cash balances of £4.7m (2014/15: £5.6m). During the year the College has continued to invest in its estate and equipment with total capital expenditure during the year being £0.9m (2014/15: £4.5m).

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.

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 (£0.7m achieved in 2015/16).
- Manage cash flow and liquidity so that variable cash demands to 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.

Members Report (continued)

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student Numbers

In 2015/16 the College has delivered activity that has produced £21.3m of funding body main allocation funding from the SFA and EFA (2014/15 - £21.6m). Total student numbers were 7,891 against 8,939 in the previous year. The decrease is primarily due to a reduction in Government funding for adults together with eligibility changes.

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 2015/16 headline classroom based success rates are expected to be broadly the same as the previous year of 84.7%.

Curriculum Developments

Methods of teaching and learning are under continuous review and development in order to ensure that the curriculum meets the needs of the local population and employers. This process is formalised through a strategic planning process that reviews current information to assess the College's ability to meet local and regional employment needs.

The College continues to work with a number of key employer partners including, FLR Spectrum, Berkeley Homes, Travelbag, the London Borough of Lewisham and Lloyds of London

In response to government funding changes and the creation of study programmes for 16-18 year old learners, the College has continued to remodel its study programmes in response to Government Education Policy and funding changes In addition, these programmes have been refined in order to maximise the potential of young people (16-19) to allow them to progress onto higher education and/or skilled employment by ensuring that vocational routes to higher education and employment are seen as high quality and a genuine alternative to academic routes.

The Study Programme has three key elements: 1. A substantial qualification, e.g. BTEC First (Level 2) and BTEC National (Level 3). 2. Working towards Level 2 GCSE C Grade and above in English and maths (if a learner is not already at this level), and 3. Work experience or other work-preparation programme as part of the Bromley Advantage Strategy. The delivery model for study programmes is based upon project based approaches using flip and active learning to stimulate learners to achieve outstanding results.

The College has strategically moved into recruiting 14-16-year-old learners and enrolled its second cohort in September 2015. The curriculum model follows the Key Stage 4 education requirements to offer core subjects of English, Maths and Science alongside the opportunity to take a range of GCSEs and the opportunity to take a vocational qualification.

The vocational elements of the 14-16 curriculum make up the Progress 8 requirements for this age group and the delivery is blended with the core academic subjects through project based learning. Some learners who came at year 11 complete the most appropriate course to enable them to maximise their achievements, though this may not be the full Progress 8 measure, and more akin to a progress 5 measure.

Members Report (continued)

Curriculum Developments (continued)

The College is developing and expanding its curriculum to appeal to a broad cohort of learners including both self-funding and government funded. Key areas being developed include a Business School concept to deliver business and commercial courses to employers, our Hospitality, Food and Enterprise College which operates a commercial restaurant, and the new Sport England standard sports facility which allows the College to run mandatory Sports courses which are a prerequisite to working in the sport industry. Curriculum planning and development has been done in conjunction with Greenwich and Bexley to ensure a coherent curriculum offer match to employer need, and taking into account learner travel patterns.

Apprenticeships have remained a key priority for the College and the College continues to expand its apprenticeship offer in industries where it has a strong reputation and provides quality results and a 'return on investment' for employers. Work is underway to prepare for the introduction of the new Standards, the new funding reforms and the new Apprenticeship Levy, which will all be introduced in April 2017. The strategic direction of apprenticeships is to continue to improve the provision so that it becomes outstanding in all areas, with less provision being offered through a few outstanding partner organisations and more numbers being delivered through the College.

The College has developed its capacity to run Traineeships as a distinct offer for those learners requiring a comprehensive programme containing English, maths, appropriate vocational qualification and work experience. There are pre-Apprenticeship and Traineeship courses for all learners to ensure they are prepared for their substantial programme of study.

The Bromley College University Centre (BCUC) brand has been developed and signage and corporate messaging has utilised this. A HE strategy paper clearly defines the market as predominately adult and those in work. Subsequent marketing messages have targeted these segments. The HE curriculum offer has been streamlined to focus on 4 key areas where there is significant job growth - STEM, Health & Well Being, Education and ITT and Business Management. New programmes have been developed to allow for progression routes from L3 programmes and onto L6 top up programmes. A full audit of the HE provision and resourcing was conducted by and external consultant, with recommendations on different ways to deploy staff to ensure maximum utilisation.

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 99% of its invoices within 30 days compared with the Treasury target of 95%; the College is working to improve this payment performance. The College incurred no interest charges in respect of late payment for this period.

Events after the Reporting Period

On 9 July 2016, the Corporation of Bromley College resolved to merge with Greenwich Community College, and Bexley College on 1 August 2016. The Greenwich Community College and Bexley College Corporation formerly dissolved on 31 July 2016, and the Corporation of Bromley College has accepted all of the assets and liabilities of both Corporations. All stakeholders including the banks and pension authorities have consented to the merger.

Members Report (continued)

Future Prospects

The five-year Strategic Plan which covers 2015 to 2020 incorporates the aspirations and developments for the College during the medium term.

The College recognises the challenges the sector is facing with significant Government changes to the provision of post 16 education, together with significant departmental spending cuts, and the area based reviews of Colleges. The College views the area based reviews as a positive measure for the sector and will be playing a leading and active role in the local area review.

The College merged with Bexley College and Greenwich Community College on 1 August 2016. This merger is strategically important for the College in order to ensure its long term future in the context of the ongoing area based review process. The merger will increase the size of geographical area served by the College together with its turnover and will offer greater opportunities for economies of scale and future growth. Although only the Bromley College Corporation will continue after the merger, the three Colleges will trade as London South East Colleges (LSEC) in order to collectively refer to the merged group of colleges.

The College will face some significant challenges during the first year post merger and a programme of strategic alignment is planned to optimise the delivery of the combined curriculum across all College sites together with the business support systems and teams. The established Bromley College leadership team will continue to take forward the merged college; and this team has been strengthened with the addition of staff from Bexley College.

The College also acknowledges the challenges it faces in terms of learner recruitment and short term demographic changes. Plans are in place to grow its commercial income in order to mitigate this risk. In addition, the College will concentrate delivery in priority areas for funding and plans to increase the number of 16-18 classroom based training places available. In addition, the College plans to grow its employer responsive provision through Traineeship and Apprenticeship training opportunities offered to those learners who are 16-18 and 19-24 through the introduction of the Apprenticeship Levy in April 2017.

The College continues to develop its University Centre with the introduction of accelerated degree programmes and degree apprenticeship courses.

Having undertaken a number of major capital projects and re-developments in recent years, limited capital funds for further investment are available to the College. However, the College plans to complete Phase 2 of its Hospitality and Catering Facilities and improve capacity for 14-16-year-old learners when funds are available.

A key future challenge is the achievement of English and maths qualifications for those learner who have not yet achieved a high grade GCSE. The volume of these learners continues to grow, and is anticipated to grow further as the first learner intake leaves school having completed the new specification GCSE next year. This growth in volume is combined by a national shortage of English and maths teaching staff, leaving this as one of the key challenges for the college.

The College will also focus on improving outcomes for learners and the reputation of the College when compared to national benchmarks.

Members Report (continued)

Future prospects (continued)

Preparations for the new QAA Annual Provider Review are underway, a new QAA Task and Finish Group will drive this work. The partnership agreement with CCCU is under review. Links with Buckingham University are developing, focusing on the Food and Enterprise Higher Education provision to offer progression routes for the Careers College students. Higher and Degree Apprenticeships are being developed. The College was not successful in its bid for an investment to develop Degree Apprenticeships further, but work is progressing with CCCU.

Key priorities for 2016/17 are: preparations for the QAA / APR, including briefing Governors, collating key documents and agreeing timelines. We must also review our offer and consider how to position ourselves competitively in the surrounding market. In addition, a Student Voice Action Plan is to be implemented to ensure there is adequate representation from HE students on the HE student council. Finally, the BCUC brand will be reviewed in light of the LSEC merger.

The College is a partner in the Bromley UTC Trust project together with Canterbury Christ Church University and Kings College Hospital. The UTC Trust had originally planned to open a 14-19 UTC in 2019 specialising in the field of health, wellbeing and sports sciences. As the project has developed this has evolved into an 11-19 Free School covering the same areas of specialism.

In order to facilitate this change the governance of the project will be transferred into the Bromley Educational Trust, and both this transfer and the Free School have been approved by the DFE.

The College's forecasts and financial projections indicate that it will be able to operate within its bank facilities and covenants for the merged College the foreseeable future. The College has submitted copied of its 5 year financial plans for the merged College to the SFA and its providers of loan finance for review and no going concern issues have been raised.

The merger with Greenwich Community College and Bexley College on 1 August 2016 will create a degree of short term turbulence and cost for the merged College. In this regard the College has secured financial support for the merger including committed finance facilities from its current providers of bank finance. This merger should ensure the College is well placed in the context of the area based reviews, and this together with its future plans, ensures the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. For this reason, will continue to adopt the going concern basis in the preparation of its Financial Statements.

RESOURCES

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

Financial

The College has £13.8m of net assets (including £8.8m pension liability) and long term debt of £5.4m (excluding the deferred capital grants of £28.0m).

The College has an accumulated income and expenditure account reserve (excluding Pension Reserve) of £12.9m (2014/15 £13.9m) and cash balances of £4.7m (2014/15 £5.6m). The College wishes to continue to accumulate reserves and cash balances in order to help fund future major capital investment.

Members Report (continued)

Future prospects (continued)

People
The College employs 381 people (expressed as full time equivalents) of whom 168 are teaching staff. This is a slight increase from 2014/15 (370) and reflects the additional resources required to support the merger and additional English and maths qualifications.

Reputation
The College has a good reputation for responsive high quality education and training. The College attracts students both from the London Borough of Bromley, 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 is monitored during the year.

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 SFA and EFA. In 2015/16 80% of the College's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The College is aware of several issues which may impact on future funding. These include the introduction of the Apprenticeship Levy which requires significant changes to the delivery of apprenticeship frameworks, how they are assessed, and how they are funded. In particular, much of the detail of the new levy system is unclear at this time, and these changes may impact on demand and cash flow with different systems bring in place for levy paying employers and non-levy paying employers.

In addition further funding changes and reductions for Further Education are expected to continue for at least the medium term, these include possible cuts to the funding rates for qualifications, reductions in the number of qualifications which are eligible for funding, and changes to learner eligibility requirements.

This risk is mitigated in a number of ways:-

Members Report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- By ensuring the College has a plan 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;
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies;
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding; and
- Through active participation in the area based reviews of College, and consideration of opportunities to work more closely with other local College's.

Merger

Bromley College of Further and Higher Education merged with Greenwich Community College (GCC) and Bexley College on 1 August 2016, with the dissolution of the Corporations for the latter Colleges. Both GCC and Bexley College were in a weak financial position and their academic achievements were also below that of Bromley College, this is particularly the case for GCC. Although this merger is strategically important and will result in long term stability, Bromley College will inherit significant operating deficits from the former Colleges and the merged College will need time to turn its financial position around and ensure outcomes for learners improve across the merged College.

This risk is mitigated in a number of ways:

- Preparation of medium term financial plans for the merged college;
- Setting and achieving planned growth targets;
- Close monitoring of costs and ensuring strong financial control;
- Strategies to improve in teaching and learning across the College;
- Setting clear targets for learners and close monitoring of those targets, with timely interventions; and
- Promotion of the new brand across the wider geographical reach of the College.

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 the three way merger on 1 August 2016 this risk is likely to increase as this will create a period of uncertainty and change for some staff.

This risk is mitigated in a number of ways:

- Development of an Organisational Development Framework;
- Continuation of the change management and culture work which commenced prior to merger;
- Commitment to continuing investment in staff development;

Members Report (continued)

Retention and recruitment of staff (continued)

- Comprehensive and current Human Resources policies and procedures;
- Strong support to managers from the Human Resources department;
- Regular review of staff turnover analysis;
- Regular review of recruitment strategies;
- Continuing to build on the good reputation of the College; and
- Maintaining the financial strength of the College.

STAKEHOLDER RELATIONSHIPS

The College has many stakeholders which include:

- Students
- Education sector funding bodies
- Staff
- Local employers (with specific links)
- Local Authorities
- London Enterprise Panel (LEP)
- The local community
- Canterbury Christchurch University (HEI Partner)
- University of Greenwich (HEI Partner)
- Other FE institutions
- Trade unions

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

Equal Opportunities

The College is successful in recruiting a very diverse range of students including a relatively high proportion of students from black and minority ethnic backgrounds (in comparison with the immediate local population) and a significant number of students with disabilities.

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 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.

Members Report (continued)

STAKEHOLDER RELATIONSHIPS (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 order of the Members of the Corporation on 8 December 2016 and signed on their behalf by:

Mr R Dawe, 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.

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 ("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.

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 2016. 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 May 2015, which it formally adopted in July 2015.

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 Corporation

The members, who served on the Corporation during the year and up to the date of signature of this report, were as listed below. The Corporation conducts its business through meetings of the full Board and a number of committees: Audit (A), Governance and Search (GS) 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.bromley.ac.uk.

The list of Members who served during the period of the Financial Statements is recorded in the following table.

Members of the Corporation serving on the College Board during 2015/16

Category	Name	Expiry of Term of Office	Term of Office	Date of Resignation	Committee Membership	Attendance
Independent	Roger Dawe	31/07/17	1st		**Chair of Corporation** Chair of Strategy, Governance and Search Committee Finance Committee Chair of Remuneration Committee	100%
Independent	Victoria Whittle	31/07/17	2nd		Remuneration Committee	56%
Independent	Cllr Nicholas Bennett	31/07/17	1st			83%
Independent	Peter Absalom	31/07/17	1st		Audit Committee	83%
Independent	Penny Bance	31/07/17	1st		Audit Committee	100%
Independent	Kath Clarke	31/07/17	1st			100%
Independent	Katy Woolcott	31/07/17	1st		Finance Committee	86%
Independent	Angela Hands	31/07/17	2nd		Strategy, Governance and Search Committee	90%
Independent	Caroline Jolliff	31/07/17	2nd		**Vice Chair of Corporation -** Governance and Search Committee, Remuneration Committee, Chair of Bromley Education Trust (BET) Member of BET	92%
Independent	Frank Toop	31/07/17	2nd		**Vice Chair of Corporation** Chair of Finance Committee Strategy, Governance and Search Committee Remuneration Committee	94%
Independent	Charles Yates	31/07/17	1st		Vice Chair, Finance Committee	80%
Independent	Marek Michalski	31/07/17	2nd		Chair of Audit Committee	100%
Principal	Sam Parrett	Ex-officio	N/A		Governance and Search Committee Finance Committee	94%
Staff Member	Liz Watson	31/07/17	1st			83%
Student Member	Alfie Stokes	31/07/17	1st			N/A – appointed Sept 2016
Independent	Moyra Pickering	31/07/17	1st			50%
Independent	Mark Burnett	31/07/17	1st		Audit Committee	50%
Independent	David Thompson	31/07/17	1st			50%
Independent	Cllr Stephen Brain	31/07/17	1st			100%

Category	Name	Expiry of Term of Office	Term of Office	Date of Resignation	Committee Membership	Attendance
Independent	Cllr Sizwe James	31/07/17	1st			100%
Independent	Tim Feast	31/07/17	1st			100%
Independent	Lisa Judd	31/07/17	1st	31/03/16		33%
Independent	Christine Whatford	31/07/17	1st	06/07/16	Finance Committee	100%
Student	Richard Coward	31/07/16	1st	31/12/15		50%

Mr R Dawe was appointed as Chair of the Corporation on 1 August 2013.

Statement of Corporate Governance and Internal Control (continued)

The Corporation, as at the July 2016 meeting, comprised of 22 members, with one vacancy. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall 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 normally meets twice per term.

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 Clerk to the Corporation, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations.

The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

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

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making 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. The Corporation has a Search Committee, which comprises four members, 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 committee is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

In preparation for the merger with Greenwich Community College and Bexley College, a number of new appointments were made to the Corporation in order to ensure there was representation from the governing bodies of Greenwich Community College and Bexley College on the Bromley College Corporation.

Corporation performance
Governors conduct an annual review of their performance and are asked to assess themselves against certain criteria and after completing the review governors are invited to attend a review meeting with the Chair and Vice Chair of the Corporation to review their performance.

Remuneration Committee
Throughout the year ended 31 July 2016, the College's Remuneration Committee comprised four members of the Corporation. The Committee's responsibilities are to make recommendations to the Corporation on the remuneration and benefits of the Principal and other senior post-holders.

Statement of Corporate Governance and Internal Control (continued)

Details of remuneration for the year ended 31 July 2016 are set out in note 7 to these financial statements.

Audit Committee
The Audit Committee comprises four members all of whom were members of the Corporation (but not Chair or College Principal). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors 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 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 Audit 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 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 Corporation prior to the financial statements being approved.

Scope of Responsibility for Internal Control
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 purpose of the system of internal control
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all 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 Bromley College of Further and Higher Education throughout the year ended 31 July 2016 and up to the date of approval of this annual report and financial statements.

Statement of Corporate Governance and Internal Control (continued)

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 2016 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
- the adoption of formal project management disciplines, where appropriate.

Bromley College of Further and Higher Education has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's *Joint 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 and the regularity 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

Statement of Corporate Governance and Internal Control (continued)

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 8 December 2016 meeting, the Corporation will carry out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2016.

The Internal Auditors Annual Report, presented to the Audit Committee on 4 October 2016, and the Audit Committee's Annual Report, approved on 24 November 2016 contain the opinion that '*Bromley 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*".

Going Concern

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

Approved by Members of the Corporation on 8 December 2016 and signed on its behalf by:

Mr R Dawe
Chair

Mrs S Parrett
Principal & Accounting Officer

Governing Body's statement on the College's regularity, proprietary and compliance with funding body terms and conditions of funding

The Corporation has considered its responsibility to notify the Skills Funding Agency (SFA) of material irregularity, impropriety and non-compliance with SFA terms and conditions of funding, under the financial memorandum and funding agreement in place between the College and the SFA. 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 SFA's terms and conditions of funding under the College's financial memorandum and funding agreement.

We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date. If any instances are identified after the date of this statement, these will be notified to the SFA.

Mr R Dawe
Chair

Mrs S Parrett
Principal & Accounting Officer

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 Financial Memorandum between the Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions and with the Accounts Direction for 2015/16 issued jointly by the SFA and EFA, 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 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 SFA are used only in accordance with the Financial Memorandum with the SFA 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 SFA are not put at risk.

Approved by Members of the Corporation on 8 December 2016 and signed on its behalf by:

Mr R Dawe, Chair

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

We have audited the College financial statements ("the financial statements") of Bromley College of Further and Higher Education for the year ended 31 July 2016 set out on pages 28 to 59. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Corporation of Bromley College of Further and Higher Education and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 17, the Corporation is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Members report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2016 and of the College's deficit of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

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

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

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
Registered Auditors

Date: 20 December 2016

Reporting Accountant's Assurance Report on Regularity to the Corporation of the College and Secretary of State for Business, Innovation and Skills acting through the Skills Funding Agency

In accordance with the terms of our engagement letter 26 April 2016 and further to the requirements of the funding agreement with 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 The Bromley College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of The Bromley College and the 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 Bromley College 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 Bromley College and Skills Funding Agency for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Bromley College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw to our conclusion includes:

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

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2015 to 31 July 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP
Buzzacott LLP
Chartered Accountants

20 December 2016
Date

Statement of Comprehensive Income

	Notes	2016 £'000	Restated 2015 £'000
Income			
Funding body grants	2	23,040	23,222
Tuition fees and education contracts	3	4,633	4,736
Other grants and contracts	4	1,830	1,004
Other Income	5	1,388	590
Endowment and investment income	6	25	28
Donations and Endowments	7	-	-
Total income		**30,916**	**29,580**
Expenditure			
Staff costs	8	19,336	18,021
Fundamental restructuring costs	8	190	156
Other operating expenses	9	8,351	7,507
Depreciation	12	3,156	3,059
Interest and other finance costs	10	345	375
Total expenditure		**31,378**	**29,118**
(Deficit)/surplus before other gains and losses		**(462)**	**462**
Loss on disposal of assets	12	(10)	-
(Deficit)/Surplus before tax		**(472)**	**462**
Taxation	11	-	-
(Deficit)/surplus for the year		-	-
Actuarial loss in respect of pensions schemes	24	(2,152)	(425)
Total Comprehensive income for the year		**(2,624)**	**37**
Represented by:			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		(2,624)	37

Statement of Changes in Reserves

	Income and Expenditure account	Revaluation reserve	Restricted Reserves	Total
	£'000	£'000	£'000	£'000
Restated balance at 1st August 2014	6,140	10,295	8	**16,442**
Surplus/(deficit) from the income and expenditure account	462	-	-	**462**
Other comprehensive income	(425)	-	-	**(425)**
Transfers between revaluation and income and expenditure reserves	460	(460)	-	-
Balance at 31st July 2015	6,637	9,835	8	**16,479**
Surplus/(deficit) from the income and expenditure account	(472)	-	-	**(472)**
Other comprehensive income	(2,152)	-	-	**(2,152)**
Transfers between revaluation and income and expenditure reserves	460	(460)	-	-
Total comprehensive income for the year	(2,164)	(460)	8	**(2,624)**
Balance at 31 July 2016	**4,472**	**9,375**	**-**	**13,854**

Balance sheet as at 31 July

	Notes	2016 £'000	Restated 2015 £'000
Non current assets			
Tangible Fixed assets	12	57,095	59,320
		57,095	**59,320**
Current assets			
Trade and other receivables	13	2,306	944
Short term deposits	14	3,000	3,000
Cash and cash equivalents	19	1,744	2,558
		7,050	**6,502**
Less: Creditors – amounts falling due within one year	15	**(7,789)**	**(7,570)**
Net current liabilities		**(739)**	**(1,068)**
Total assets less current liabilities		**56,356**	**58,252**
Less: Creditors – amounts falling due after more than one year	16	(33,387)	(35,284)
Provisions			
Defined benefit obligations	18	(8,800)	(6,189)
Other provisions	18	(315)	(300)
TOTAL NET ASSETS		**13,854**	**16,479**
Reserves			
Restricted reserves		8	8
Income and expenditure account		4,472	6,636
Revaluation reserve		9,374	9,835
Total Reserves		**13,854**	**16,479**

The financial statements on pages 28 to 58 were approved and authorised for issue by the Corporation on 8 December 2016 and were signed on its behalf on that date by:

Mr R Dawe
Chair

Mrs S Parrett
Principal & Accounting Officer

Statement of Cash Flows

	Notes	2016 £'000	Restated 2015 £'000
Cash flow from operating activities			
(Deficit) for the year		(472)	462
Adjustment for non-cash items			
Depreciation		3,156	3,059
Disposal of fixed assets		10	-
Increase in debtors		(1,362)	(192)
Increase in creditors due within one year		203	1,275
Decrease in creditors due after one year		(1,397)	(1,390)
Increase/(decrease) in provisions		15	(62)
Pensions costs less contributions payable		466	318
Adjustment for investing or financing activities			
Investment income	6	(25)	(28)
Interest payable	10	117	145
Net cash flow from operating activities		708	3,586
Cash flows from investing activities			
Investment income		25	28
Payments made to acquire fixed assets		(931)	(4,542)
		(906)	(4,514)
Cash flows from financing activities			
Interest paid	10	(117)	(145)
Repayments of amounts borrowed	17	(498)	(495)
		(616)	(640)
Decrease in cash and cash equivalents in the year		**(814)**	**(1,568)**
Cash and cash equivalents at beginning of the year	14,19	5,558	7,126
Cash and cash equivalents at end of the year	14,19	4,744	5,558

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 2015 to 2016 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.

Transition to the 2015 FE HE SORP
The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP. The Corporation have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the consolidated results of the College is provided in note 27.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

The application of first time adoption allows certain exemptions from the full requirements of the FRS 102 and the 2015 FE HE SORP in the transition period. The following exemptions have been taken in these financial statements:

- Revaluation as deemed cost – at 1st August 2014, the College has retained the carrying values of freehold properties as being deemed cost and measured at fair value
- Lease incentives – the College has continued to recognise the residual benefits associated with lease incentives on the same basis as that applied at the date of transition

Basis of accounting
The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going concern
The activities of the College, together with the factors likely to affect its future development and performance are set out in the Members report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £5.9m of loans outstanding with bankers on terms negotiated in between 2006 and 2008. Additionally there is £3m of Revolving Credit Facility available for drawdown with all being secured by a fixed charge on College assets. The terms of these agreements are for up to another 3 years. The College's forecasts and financial projections indicate that it will be able to operate within its bank facilities and covenants for the merged College the foreseeable future. The College has submitted copied of its 5 year financial plans for the merged College to the SFA and its providers of loan finance for review and no going concern issues have been raised.

The merger with Greenwich Community College and Bexley College on 1 August 2016 will create a degree of short term turbulence and cost for the merged College. In this regard the College has secured financial support for the merger including committed finance facilities from its current providers of bank finance. This merger should ensure the College is well placed in the context of the Area Based Reviews, and this together with its future plans, ensures the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. For this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Recognition of income
Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process 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 (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method 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 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.

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.

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.

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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 gains and losses.

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

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings - Related Pension Scheme (SERPS).
Actuarial gains and losses are recognised immediately in other recognised 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 less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or

prior to the date of transition to the 2015 FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings
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.

When the College merged with Orpington College on 1st August 2011 the College revalued its land and buildings. The revalued amounts are included in these accounts. These assets will be revalued every five years in future.

On adoption of FRS 102, 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.

Equipment inherited from the local education authority is included in the balance sheet at valuation. Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- Computer equipment – 3 - 5 years on a straight -line basis
- Smartboards – 10 years on a straight -line basis
- Office equipment – 3 - 5 Years
- Furniture, fixtures and fittings – 10 years on a straight-line basis.
- Plant – 15 to 20 years as appropriate.

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. 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.

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 FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group 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.

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.

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.

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

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

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

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

Agency arrangements
The College acts as an agent in the collection and payment of discretionary support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Statement of comprehensive Income and are shown separately in Note 26, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

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

Other key sources of estimation uncertainty

Notes to the Financial Statements (continued)

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

Local Government Pension Scheme
The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 July 2016. 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.

2 Funding Council Grants

	2016	Restated 2015
Recurrent grants	**£'000**	**£'000**
Skills Funding Agency	6,233	6,588
Education Funding Agency	15,185	15,055
Higher Education Funding Council	198	165
Specific Grants		
Releases of government capital grants	1,424	1,414
Total	**23,040**	**23,222**

3 Tuition fees and education contracts

	2016	2015
	£'000	**£'000**
Adult education fees	1,372	1,496
Apprenticeship fees and contracts	129	98
Fees for FE loan supported courses	598	653
Fees for HE loan supported courses	944	1,005
Total Tuition Fees	3,043	3,252
Education contracts	1,590	1,484
Total	**4,633**	**4,736**

4 Other grants and contracts

	2016	Restated 2015
	£'000	**£'000**
Erasmus	41	-
Other grants and contracts	1,789	1,004
Total	**1,830**	**1,004**

Notes to the Financial Statements (continued)

5 Other income

	2016 £'000	2015 £'000
Catering and residences	117	32
Other income generating activities	822	-
Non-government capital grants	-	40
Miscellaneous income	449	518
Total	**1,388**	**557**

6 Investment income

	2016 £'000	Restated 2015 £'000
Other investment income (interest)	25	28
	25	**28**
Pension finance income	-	-
Total	**25**	**28**

7 Donations

	2016 £'000	2015 £'000
Unrestricted donations	-	-
Total	**-**	**-**

There are no unrestricted donations as at 31 July.

8 Staff costs

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

	2016 No.	2015 No.
Teaching staff	168	167
Non-teaching staff	213	203
	381	**370**

Notes to the Financial statements (continued)

8 Staff costs (continued)

Staff costs for the above persons

	2016 £'000	Restated 2015 £'000
Wages and salaries	15,824	14,960
Social security costs	1,173	1,022
Other pension costs	2,339	1,836
Payroll Sub Total	**19,336**	**17,818**
Contracted out staffing services	-	203
	19,336	**18,021**
Fundamental restructuring costs - Contractual	190	156
Total Staff Costs	**19,526**	**18,177**

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team that comprised the Principal, Deputy Principal and Chief Operating Officer. Staff costs include compensation paid to key management personnel for loss of office.

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

	2016 No.	2015 No.
The number of key management personnel including the Principal was:	3	4

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

Notes to the Financial Statements (continued)

8 Staff costs (continued)

	Key management personnel		Other staff	
	2016	2015	2016	2015
	No.	No.	No.	No.
£ 60,001 to £70,000	-	-	1	1
£ 70,001 to £80,000	-	-	4	2
£ 80,001 to £90,000	-	-	2	-
£100,001 to £110,000	-	2	-	-
£120,001 to £130,000	2	-	-	-
£190,001 to £200,000	1	1	-	-
	3	**3**	**7**	**3**

Key management personnel compensation is made up as follows:

	2016	2015
	£'000	£'000
Salaries	385	362
Retention and additional responsibility allowances	41	-
Payment for untaken annual leave	18	12
Employers National Insurance	56	53
Benefits in kind	3	3
Total Key management personnel compensation	**502**	**430**
Pension Contributions	66	63
Total emoluments	**568**	**493**

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

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

Notes to the Financial Statements (continued)

8 Staff costs (continued)

	2016 £'000	2015 £'000
Salaries	165	152
Retention and additional responsibility allowances	17	-
Payments for untaken annual leave	9	12
Benefits in kind	1	1
	192	**165**
Pension contributions	27	21

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.

9 Other operating expenses

	2016 £'000	Restated 2015 £'000
Teaching costs	3,550	2,809
Non-teaching costs	2,703	2,892
Premises costs	2,098	1,806
Total	**8,351**	**7,507**

Other operating expenses include:	2016 £'000	Restated 2015 £'000
Auditors' remuneration:		
Financial statements audit*	29	27
Internal audit**	26	36
Hire of asset under operating leases	265	198

10 Interest payable

	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:	117	145
	117	145
On finance leases	-	-
Pension finance costs (note 25)	228	230
Total	**345**	**375**

11 Taxation

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

Notes to the Financial Statements (continued)

12 Tangible fixed assets

	Equipment Freehold	Equipment	Assets under con-struction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	66,461	10,237	-	76,698
Additions	147	622	172	941
Disposals	-	(802)	-	(802)
At 31 July 2016	**66,608**	**10,057**	**172**	**76,837**
Depreciation				
At 1 August 2015	8,605	8,773	-	17,378
Charge for the year	2,585	571	-	3,156
Elimination in respect of disposals	-	(792)	-	(792)
At 31 July 2016	**11,190**	**8,552**	**-**	**19,742**
Net book value at 31 July 2016	**55,418**	**1,505**	**172**	**57,095**
Net book value at 31 July 2015	57,856	1,464	-	59,320

Land and buildings were valued in 2011 at depreciated replacement cost by a firm of independent chartered surveyors.

Notes to the Financial Statements (continued)

13 Debtors

Amounts falling due within one year:	2016 £'000	2015 £'000
Trade receivables	983	617
Prepayments and accrued income	679	327
Amounts owed by the Skills Funding Agency	644	-
Total	**2,306**	**944**

14 Current investments

	2016 £'000	2015 £'000
Short term deposits	3,000	3,000
Total	**3,000**	**3,000**

Deposits are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with three months maturity at the balance sheet date. The interest rates for these deposits are fixed for the duration of the deposit at time of placement.

15 Creditors: amounts falling due within one year

	2016 £'000	Restated 2015 £'000
Bank loans and overdrafts	500	498
Trade payables	103	225
Other taxation and social security	657	538
Accruals and deferred income	5,097	4,686
Deferred income - government capital grants	1,415	1,424
Deferred income - government revenue grants	17	199
Total	**7,789**	**7,570**

16 Creditors: amounts falling due after one year

	2016 £'000	Restated 2015 £'000
Bank loans	5,431	5,931
Deferred income - government capital grants	27,956	29,353
Total	**33,387**	**35,284**

Notes to the Financial Statements (continued)

17 Maturity of Debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2016	2015
	£'000	£'000
In one year or less	500	498
Between one and two years	3,949	500
Between two and five years	157	3,949
In five years or more	1,326	1,482
Total	**5,931**	**6,429**

Bank loans at interest rates of 1.5% and 5.3% repayable by instalments falling due between 1 August 2013 and 31 March 2018, totalling £5,431,000 are secured on a portion of the freehold land and buildings of the College.

18 Provisions

	Defined benefit obligations	Enhanced pensions	Total
	£'000	£'000	£'000
At 1 August 2015	6,189	300	6,489
Expenditure in the period	(923)	(25)	(948)
Transferred from income and expenditure account	3,534	40	3,574
At 31 July 2016	**8,800**	**315**	**9,115**

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

The enhanced pension provision relates to the cost of staff who have already left the College's employ 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:

	2016	2015
Price inflation	2.30%	3.46%
Discount Rate	1.30%	1.68%

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

Notes to the Financial Statements (continued)

19 Cash and cash equivalents

	At 1 August 2015 £'000	Cash flows £'000	Other changes £'000	At 31 July 2016 £'000
Cash and cash equivalents	2,558	(814)	-	1,744
Total	**2,558**	**(814)**	**-**	**1,744**

20 Capital Commitments

	2016 £'000	2015 £'000
There are no Commitments contracted for at 31 July	-	-

21 Lease Obligations

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

	2016 £'000	Restated 2015 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	38	36
Later than one year and not later than five years	16	51
	54	**87**
Other		
Not later than one year	241	225
Later than one year and not later than five years	531	728
	772	**953**

22 Contingent liabilities

There are no contingent liabilities.

Notes to the Financial Statements (continued)

23. Events after the reporting period

With effect from 1 August 2016, in accordance with a legal transfer of undertaking; the activities, assets and liabilities of Greenwich Community College and Bexley College were transferred to Bromley College. The merged college will trade under the brand of London South East Colleges (LSEC).

The following assets and liabilities were transferred in accordance with the legal transfer of undertakings:

<u>Greenwich Community College</u>

	£'000
Fixed assets	11,659
Net current liabilities	(1,570)
Creditors – amounts falling due after more than one year	(3,759)
Provisions	(11,340)
	(5,010)

Net current liabilities transferred comprise:

	£'000
Inventory	9
Debtors	144
Cash at bank and in hand	812
Creditors: amounts falling due within one year	(2,535)
	(1,570)

The net assets transferred represent the following funds:

	£'000
Restricted funds	-
GCC Trust Legacy Reserve	36
Unrestricted funds	-
Income and expenditure account	(11,843)
Revaluation reserve	6,797
	(5,010)

The College summary income and expenditure account for the year ended 31 July 2016 was as follows:

Notes to the Financial Statements (continued)

23. Events after the reporting period (continued)

	£'000
Income	7,454
Expenditure	(10,369)
Deficit	**(2,915)**

Bexley College

	£'000
Fixed assets	22,124
Net current assets	376
Creditors – amounts falling due after more than one year	(4,596)
Provisions	(5,252)
	12,652

Net current assets transferred comprise:

	£'000
Debtors	138
Cash at bank and in hand	2,105
Creditors: amounts falling due within one year	(1,867)
	376

The net assets transferred represent the following funds:

	£'000
Unrestricted funds:	
. Income and expenditure account	12,652
	12,652

The College summary income and expenditure account for the year ended 31 July 2016 was as follows:

	£'000
Income	9,322
Expenditure	(9,720)
Deficit	**(398)**

Notes to the Financial Statements (continued)

Events after the reporting period (continued)

Following the merger with Greenwich Community College and Bexley College on 1 August 2016, the quantum of overall loan debt of the College increased by £4.3m, through the debts inherited upon merger. The main commercial lenders to the College, Barclays, and Allied Irish Bank, have both consented to the merger under the terms of the existing loan arrangements for each College and continue to support the merged College as key stakeholders.

Further to the merger, it was necessary to ensure the merged College had a single Local Government Pension Scheme (LGPS) administrator. In this regard a Directions Order was provided by the Department for Communities and Local Government to transfer all of the LGPS members into the Scheme administered by the London Pensions Fund Authority. This transfer has no impact on the benefits of the members in the scheme. Following the transfer on 1 August 2016, the employer contribution rate has reduced from 19.3% to 15.8%, but the College is now required to make additional deficit reduction payments each year.

The merger with Greenwich Community College and Bexley College is explained in more detail within the Members Report.

24 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 Borough of Bromley. Both are multi-employer defined-benefit plans.

Total Pension cost for the year		**2016**		**2015**
		£000		**£000**
Pension Costs				
Teachers' Pension Scheme: contributions paid		1,145		960
Local Government Pension Scheme				
Contributions paid	923		776	
FRS 102 (28) Charge	271		100	
Charge to the Statement of Comprehensive income		1,194		876
Enhanced Pension charge to the Statement of Comprehensive Income		-		-
Total Pension Cost for Year		**2,339**		**1,836**

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

Notes to the Financial Statements (continued)

24 Defined benefit obligations (continued)

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

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

The Teachers' Pension Budgeting and Valuation Account (continued)
The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

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

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

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

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

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

Notes to the Financial Statements (continued)

24 Defined benefit obligations (continued)

Scheme Changes

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

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

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire.

There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

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

The pension costs paid to TPS in the year amounted to £1,789,418 (2014/15: £1,605,362), of which employer's contributions totalled £1,144,535 (2014/15: £959,788) and employees' contributions totalled £644,882 (2014/15: £645,574).

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 Borough of Bromley. The total contribution made for the year ended 31 July 2016 was £1,239,482 (2014/15: £776,472), of which employer's contributions totalled £922,791 (2014/15: £779,472) and employees' contributions totalled £316,691 (2014/15: £271,388). The agreed contribution rates for future years are 16% for employers and range from 5.5% to 12.5% for employees, depending upon salary.

Notes to the Financial Statements (continued)

24 Defined pension obligations (continued)

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 2016**	**At 31 July 2015**
Rate of increase in salaries	3.2%	3.7%
Future pension increases	1.8%	2.2%
Discount rate for scheme liabilities	2.5%	3.8%
Inflation assumption (CPI)	1.7%	2.2%
Commutation of pensions to lump sums	50%	50%

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 2016	**At 31 July 2015**
Retiring today		
Males	23.2	23.1
Females	25.6	25.5
Retiring in 20 years		
Males	25.5	25.4
Females	28.5	28.4

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

	2016 £'000	**2015 £'000**
Fair value of plan assets	(37,922)	(30,617)
Present value of plan liabilities	29,122	24,428
Net pensions (liability)	**(8,800)**	**(6,189)**

Notes to the Financial Statements (continued)

24 Defined pension obligations (continued)

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

	2016 £'000	Restated 2015 £'000
Amounts included in staff costs		
Current service cost	1,161	876
Past service cost	-	-
Total	**1,161**	**876**

	2016 £'000	Restated 2015 £'000
Amounts included in finance costs		
Net interest income	218	218
Total	**218**	**218**

	2016 £'000	Restated 2015 £'000
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	2,980	1,860
Experience losses arising on defined benefit obligations	-	(2,271)
Changes in assumptions underlying the present value liabilities	(5,102)	-
Amount recognised in Other comprehensive Income	**(2,122)**	**(411)**

Notes to the Financial Statements (continued)

24 Defined pension obligations (continued)

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

	2016 £'000	Restated 2015 £'000
Surplus/(deficit) in scheme at 1 August	(6,189)	(5,432)
Movement in year:		
Current service cost	(1,161)	(876)
Employer contributions	923	776
Past service cost	-	-
Admin Expenses	(33)	(28)
Net interest on defined (liability)/asset	(218)	(218)
Admin Expenses	(2,122)	(411)
Net defined benefit (liability)/asset At 31 July	**(8,800)**	**(6,189)**

Asset and Liability Reconciliation

	2016 £'000	Restated 2015 £'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	30,617	26,495
Current service cost	1,161	876
Interest cost	1,161	1,137
Contributions by Scheme participants	313	265
Experience gains and losses on defined benefit obligations	-	2,271
Changes in financial obligations	5,102	-
Estimated benefits paid	(432)	(427)
Curtailments and settlements	-	-
Defined benefit obligations at end of period	**37,922**	**30,617**

Notes to the Financial Statements (continued)

24 Defined benefit obligations (continued)

Reconciliation of Assets

	2016	Restated 2015
Fair value of plan assets at start of period	**£'000**	**£'000**
Interest on plan assets	24,428	21,063
Return on plan assets	943	919
Employer contributions	2,980	1,860
Contributions by Scheme participants -	923	776
Changes in financial obligations	313	265
Estimated benefits paid	(432)	(427)
Admin Expenses	(33)	(28)
Assets at end of period	**29,122**	**24,428**

25 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.

<u>Bromley Educational Trust and Bromley UTC Trust.</u>
Although distinct organisations, the College does act as the sponsor to Bromley Educational Trust and University Technical College. 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 Bromley Educational 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 - £115,602
Shared Services Charge - £80,000

At 31 July 2016 the balance owed to the College by Bromley Educational Trust was £273,951. The College provided services to Bromley University Technical College Trust for Project management, Finance and other support during the year. The following charge has been included in the accounts.

Project Management, Finance and Other Support - £14,146.

At 31 July 2016 the balance owed to the College by the University Technical College was £1,143.

Greenwich Community College
On the 1st January 2016 Bromley College entered into a Federation Agreement with Greenwich Community (GCC). This agreement provided for the College to provide all senior management resources to GCC and a basis for such charges was agreed at cost. In addition, in order to assist with capacity, efficiency and quality issues at GCC, the College assisted with the delivery of a number of courses using its own staff and resources. Finally, the Corporation of GCC agreed to contribute towards the cost of external consultants and experts in connections with its merger with Bromley College, and such costs were recharged to GCC without any element of profit. Further detail on these charged are analysed below:

Delivery support provided to GCC - £132,526
Federation Management Charges - £444,259
Contribution towards merger costs - £230,593

At 31 July 2016 the balance owed to the College by Greenwich Community College in respect of the above was £165,701.

26 Amounts disbursed as agent

Learner Support Funds

	2016 £'000	2015 £'000
Funding body grants - SFA - hardship support	526	305
Funding body grants - SFA - childcare	-	304
Funding body grants - EFA	552	521
Funding body grants - EFA Free School Meals	431	228
Funding body grants - residential bursaries	1	8
Other Funding bodies grants	10	32
	1,521	1,398
Disbursed to students	(775)	(976)
Administration costs	(124)	(184)
Balance unspent as at 31 July, included in creditors	622	238

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.

27 Transition to FRS 102 and the 2015 FE HE SORP

The year ended 31st July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31st July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1st August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial position, financial performance and cash flows, is set out below.

Notes to the Financial Statements (continued)

27 Transition to FRS 102 and the 2015 FE HE SORP (continued)

	Note	1st August 2014	31st July 2015
		£'000	£'000
Financial Position			
Total reserves under previous SORP			
Employee leave accrual		17,450	17,426
Release of non-government capital grants		(1,007)	(993)
Changes to measurement of net finance cost on defined benefit plans		-	32
Changes in annual leave		-	14
Total effect of transition to FRS 102 and 2015 FE HE SORP		(1,007)	(947)
Total reserves under 2015 FE HE SORP		16,443	16,479

	Year ended 31st July 2015
	£'000
Financial performance	
Surplus for the year after tax under	805
Release of non-government grants received	32
Reversal of capital grants amortisation	-
Pensions provision – actuarial loss	(411)
Changes to measurement of net Finance cost on defined benefit plans	(357)
Admin Expenses	(28)
Pensions provisions – Increase in net of Service costs and employer contribution	(19)
Changes in holiday accruals	14
Total effect of transition to FRS 102 and 2015 FE HE SORP	(769)
Total comprehensive income for the year under 2015 FE HE SORP	37

Notes to the Financial Statements (continued)

27 Transition to FRS 102 and the 2015 FE HE SORP (continued)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 17 days unused leave for teaching staff and 14 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 22 days of any unused holiday entitlement at the end of the leave year. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £1.007 million was recognised at 1 August 2014, and £0.993 million at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £1.014 million has been charged to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

The College has previously been in receipt of certain capital grants from sources other than those classified as "government" under FRS 102 and the 2015 FE HE SORP. Under the previous UK GAAP and 2007 SORP, these were able to be capitalised and amortised over the remaining useful economic life of the relevant fixed assets. This accounting treatment is no longer available for non-government grants and the grants have therefore been accounted for under the performance model and treated as if they had been credited to Comprehensive Income immediately that the performance conditions had been met. A corresponding adjustment has been made to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

c) Change in recognition of defined benefit plan finance costs

The net pension finance cost recognised in the Income and Expenditure account for the year ended 31st July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

d) Presentation of actuarial gains and losses within Total Comprehensive Income

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Total Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. All such gains and losses are now required under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other