Newham Sixth Form College

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Newham Sixth Form College

Report and Financial Statements

for the year ended

31 July 2017

Ambition | Challenge | Equality

Key Management Personnel, Board of Governors and Professional advisers

Key management personnel
Key management personnel are defined as members of the College Leadership Team and were represented by the following in 2016/17:

Eddie Playfair	Principal: Accounting Officer
Ray Ferris	Vice Principal
Nick Christoforou	Director of Finance & Resources
Tracy Oko	Director of Student Services
Alfred Cardona	Head of Quality, Teaching & Learning
Lisa Parkhomchuk	Head of School
Penny Warburton	Head of School

Board of Governors

A full list of Governors is given on page 13 of these financial statements.

Newham Partnership Working, a not for profit mutual organisation, acts as Clerk to the Corporation.

Professional advisers

Financial statements auditors and reporting accountants:
Buzzacott LLP
130 Wood Street
London
EC2V 6DL

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

Bankers:
Lloyds Bank plc
4th Floor
25 Gresham Street
London
EC2V 7HN

Solicitors:
Clarkslegal
One Forbury Square
The Forbury
Reading
Berkshire
RG1 3EB

Contents

Report of the Governing Body

NATURE, OBJECTIVES AND STRATEGIES:

The members of the Corporation present their report and the audited financial statements for the year ended 31 July 2017.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Newham Sixth Form College. The College is an exempt charity for the purposes of Part 3 the Charities Act 2011.

Mission

The College's mission statement is: *"to create a successful learning community".*
The College has also adopted the key principles of: *Ambition, Challenge and Equality*.

Public Benefit

Newham Sixth Form College is an exempt charity under the Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 regulated by the Secretary of State for Education as Principal Regulator for all sixth form colleges in England.

The members of the Governing Body who are trustees of the charity are disclosed on page 13.

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

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

- High–quality teaching with good student outcomes and progression rates
- Widening participation and tackling social exclusion
- Strong student support and student development
- Links with education partners and employers

Strategic planning

Each year the Corporation agrees an ambitious Development Plan for the coming academic year and monitors the performance of the College against this. In the medium the College is aiming to be outstanding by 2020 and has set milestones for achieving this.

The Corporation approved a three-year financial plan in July 2016 for the period 1 August 2016 to 31 July 2019. This plan was submitted to the ESFA in July 2016.

The College has invested in a major building project to provide a much improved entrance, a new Learning Resource Centre, a studio space and additional café and social space for students.

The College's strategic aims are:

To be **successful** by

- *becoming outstanding in all that we do*
- *aiming to be exceptional for student progress*
- *being the first choice college for students and staff*

Report of the Governing Body (continued)

To promote **learning** by

- *developing skilled learners committed to continuous improvement*
- *offering responsive and challenging programmes of study in a stimulating learning environment*
- *ensuring consistently excellent teaching and best practice*

To develop our **community** by

- *valuing diversity and inclusiveness and advancing equality*
- *promoting citizenship and our shared values*
- *making a difference to people's lives and contributing to our local economy*

Financial objectives

The College's financial objectives are:

- to maintain an annual operating surplus before notional pension charges, exceptional items and disposal of fixed assets.
- to pursue alternative sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances
- to generate sufficient levels of income to support the asset base of the College
- to further improve the College's shorter term liquidity
- to fund continued capital investment.

A series of performance indicators have been agreed to monitor the successful implementation of the policies.

Report of the Governing Body (continued)

Performance indicators

KEY RATIOS			
	2017 Actual	**2017 Plan**	**2018 Plan**
Liquidity - *how much of a cash safety net does the College have at its disposal?*			
Cash days in hand	28.30	32.83	31.79
Adjusted current ratio	0.70	1.37	1.97
Borrowing as a % of income	10%	19.5%	19.4%
Margin - *how successful is the College being at delivering a balanced budget?*			
EBITDA as a % of income – education specific	7.5%	7.8%	6.5%
Available reserves as a percentage of income	84.6%	78.1%	82.65%
Income - *how reliant is the College on ESFA income?*			
Dependency on ESFA income	95.1%	96.5%	95.24%
Expenditure - *how successful is the College at keeping wage costs under control?*			
Staff costs (excluding restructuring and including LGPS notional charge) as % of income	75.0%	75.2%	75.6%
Framework for Excellence financial health grade	Good	Good	Good

Note: The College has achieved a financial health grade of outstanding for several years up to this year. The temporary change in financial health of the College is due to the Phase 1 campus redevelopment recently undertaken. This redevelopment was funded by a loan facility, of which the College had £1.45m available at the period end. Therefore the Colleges liquidity is much higher than the 0.70 current ratio shown above.

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The Finance record produces a financial health grading on submission at 31 December.

Although the ESFA continues to measure FE performance in terms of contribution to national targets, individual colleges are now required to submit three-year development plans which are reviewed each year. These development plans focus on four headline targets:

- learner number growth and achievement of ESFA funding targets
- learner success rates
- teacher qualifications
- employer engagement

Report of the Governing Body (continued)

Performance 2016/17: Overview of college success

Overall College performance

- The overall College achievement rate for 2016/17 has increased by 1.0% to 87% (excluding Functional Skills)
- This is now higher than the sector average for sixth form colleges as well as for all posts 16 institutions and is the fourth successive annual increase.

Quality

The college remains ‘good’ based on the judgement of the full Ofsted inspection in October 2015 and its own Self-Assessment in 2016. An Ofsted Monitoring Visit in May 2017 judged the college to have made ‘significant progress’ in addressing some areas for improvement identified in the previous inspection and a subsequent monitoring visit in 2016.

FINANCIAL POSITION

Financial results

The College generated a surplus before actuarial gains in respect of pension schemes in the year of £234k (2016: £268k deficit). The result in 2017 is stated after the impact of the notional charges associated with the Colleges’ Local Government Pension Scheme (LGPS), which totalled £550k (2016: £466k), comprising a notional pension charge of £420k (2016: 336k) included within staff costs, a notional net finance cost of £122k (2016: £124k) included within interest and other finance costs and a notional administration fee of £8k (2016: £6k) included within other operating expenses. Excluding these notional charges the College generated a surplus of £784k (2016: £198k surplus).

The prior year’s staff costs also include £89k of redundancy payments made to staff members as a result of a round of redundancies required to meet the challenges of the 2016/17 budget setting process. No such costs were incurred in the current financial year.

The College has accumulated reserves of £7.6 million (2016: £7.2 million) and cash balances of £1.2 million (2016: £2.9 million). The increase in reserves is attributable to the increased total comprehensive income for the year excluding pensions reserve of £957k (2016: £372k).This more than compensated for the notional charges to the pensions reserves of £0.5m (2016: £1.5m). The College wishes to accumulate reserves from operations to fund the next stages of planned campus development and other investments in the student learning environment.

Tangible fixed asset additions during the year amounted to £4.6 million (2016: £5.4 million). This was split between land and buildings acquired of £4.0 million (2016: £4.9 million) and equipment purchased of £0.6 million (2016: £0.5 million). A total of £4.0 million of this spend has been on Phase One of the campus redevelopment plan (2016: £4.8 million) with the remainder relating to other general capital and IT upgrades.

The College has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2017 the ESFA provided 95.1% (2016: 96.6%) of the College’s total income.

The net current liability position at the end of the financial year (which excludes fixed assets and long term liabilities) was £1.3m (2016: net current assets of £82k). The creditors balance includes a holiday pay accrual of £435k and deferred capital grants of £289k, which are not third party cash liabilities. The remainder of the balance is largely an estimated £903k commitment to pay for the rest of the cost of Phase One of the campus redevelopment. Currently the College has £1.45m of its loan facility unutilised, which can be drawn down to ensure the College can meet liabilities as they fall due.

Report of the Governing Body (continued)

Treasury policies and objectives

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

The College has a separate treasury management policy in place.

Short term borrowing for temporary revenue purposes is authorised by the Principal. Such arrangements are restricted by limits in the Financial Memorandum with the ESFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the ESFA.

Cash flows and liquidity

At £2.0m (2016: £1.2m) net cash inflows from operating activities were strong to provide further capital to fund the purchase of tangible assets. The College has drawn down loans in the period amounting to £1.55 million. The College has a total credit facility in place of £3.0 million and further amounts will be drawn post year end to fund the final payments on the current Phase One building project.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2016/17, the College has delivered activity to justify £14.5 million in ESFA main allocation funding. The College had 2,527 ESFA funded learners, overachieving against a target of 2,512.

Curriculum developments

The College has been proactive in embracing curriculum reform and in training staff so that they are fully prepared for these changes. Curriculum managers took the opportunity to engage with new awarding bodies, such as the University of the Arts London (UAL), in order to give students the best possible preparation for university or employment. Teachers have been fully engaged in curriculum working groups which led to the decision to introduce a college wide linear A- level programme from September 2017. The college has exciting partnerships with several universities and will maintain these in the future.

Payment performance

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

Post-balance sheet events

None.

Future developments

The College is developing its main campus at Prince Regent Lane and will remain open to potential partnerships to generate income, improve efficiency and progress the campus masterplan.

Report of the Governing Body (continued)

RESOURCES:

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

The principal tangible resource is the main college site in Prince Regent Lane.

Financial
The College has £13.5m of net assets (2016: £13.2m). This includes £5.4m pension liability (2016: £4.9), and £1.55m long term debt.

People
The College employs 229 people (expressed as full time equivalents) (2016: 240), of whom 122 are teaching staff (2016: 135).

Reputation
The College has a good reputation locally and nationally. Maintaining a high quality offer is essential for the College's success in attracting students, especially in view of increasing local competition. The College achieved a 'good' judgement in the 2015 Ofsted inspection and staff have continued to work for further improvement since then.

PRINCIPAL RISKS AND UNCERTAINTIES:

The College continues to develop and embed a system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The College maintains a risk register at the College level which is reviewed regularly by senior managers and the Audit & Scrutiny Committee. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

The principal risks are:

1. Static or declining student numbers
2. Static or declining government funding
3. Threats arising from major critical incidents

Many of these factors are outside the College's control and other factors may also adversely affect the College.

The College has considerable reliance on continued government funding through the ESFA. Continual pressure on public funds places a heavy emphasis on the College to increase efficiency. Income per learner has decreased in recent years while costs (notably staff costs) have increased.
This risk is mitigated via constant scrutiny of the college's cost base and search for efficiencies and by ensuring the College is focused on those priority sectors which will continue to attract public funding.

STAKEHOLDER RELATIONSHIPS

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

- Students and their families;
- The Education and Skills Funding Agency (ESFA);
- Further Education and Regional Schools Commissioners;
- Staff and their Trade Unions;
- Local employers and professional bodies;
- Local Authorities, their associations and the Greater London Authority;

Report of the Governing Body (continued)

- The local community;
- Schools, other colleges and universities;
- Specific partnership organisation – regional and subregional;
- Charitable and philanthropic trusts;
- Governing Body

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

Equal opportunities and employment of disabled persons

Newham Sixth Form College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat discrimination and advance equality. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equal Opportunities Policy, including its Race Relations and Transgender Policies, is published on the College's Internet site.

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

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

a) As part of its accommodation strategy the College updates its access audit as needed.
b) The College nominates specific staff, who provide information, advice and arranges support where necessary for students with disabilities.
c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the complaints policy.
e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. There are a number of student support assistants who can provide a variety of support for learning. There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and/or disabilities.
f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Report of the Governing Body (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 4 December 2017 and signed on its behalf by:

G May

Gail May
Chair of the Corporation

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2016 to 31st July 2017 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

i. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and

ii. having due regard to the UK Corporate Governance Code insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2017. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 19 May 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.

Statement of Corporate Governance and Internal Control (continued)

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 in the table below.

Name	Date of Appointment	Term of office	Date of resignation	Status of appointment	Committees served	Attendance (%)
Meg Dabasia	24/06/97	4 years	27/06/16	Independent	Audit &Scrutiny	40
Christopher Owens	13/12/13	4 years	10/10/16	Independent		-
Gail May (Elected Chair 13/10/15, previously Vice-Chair)	01/12/08	4 years		Independent	Search	100
Jessie Robinson	16/10/13	4 years		Independent	Search	50
Jay Nair	16/10/13	4 years		Independent	Audit & Scrutiny –Chair	83
Jonathan Birdwell(Elected Vice – Chair from 01/12/15)	16/10/13	4 years	15/10/17	Independent	Audit & Scrutiny	0
Chinye Jibunoh	12/02/14	4 years	31/10/16	Independent		0
Shazi Ali-Webber	09/02/15	4 years	06/12/16	Independent	Search	100
Terry Paul	24/03/15	4 years		Independent		50
Claire Blakemore	25/03/15	4 years	10/10/16	Independent		-
Joanne Dean	09/02/16	4 years		Independent	Audit & Scruitiny	100
Airey Grant	07/12/16	4 years		Independent		50
Julia Shelton	16/01/17	4 years		Independent		75
Samira Islam	07/02/17	4 years	03/07/17	Independent		66
Wendy Bower	16/05/17	4 years		Independent		0
Allison Locke	24/10/14	4 years		Staff		33
Rayon Walters	16/05/16	4 years		Staff		50
Mohima Khan	05/07/16	1 year	04/07/16	Student		66
Stephen Appiah	05/07/16	1 year	04/07/16	Student		83
Omari Ledeatte-Williams	05/07/17	1 year		Student		-
Habib Rahman	05/07/17	1 year		Student		-
Miklos Sarosi	28/04/17	2 years		Parent		100
Eddie Playfair		Ex-officio		Principal	Search	100
Newham Partnership Working, a not for profit mutual organisation, acts as Clerk to the Corporation.						

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

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

The Corporation conducts its business both through Corporation meetings and two committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are search and audit & scrutiny. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Newham Sixth Form College
Prince Regent Lane
Plaistow
London E13 8SG

Statement of Corporate Governance and Internal Control (continued)

The Clerk to the Corporation, Paul Baglee of Newham Partnership Working, maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

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

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

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

There is a clear division of responsibility in that the roles of the Chair and Principal 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, consisting of three members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

Corporation performance

In October 2015 the College was inspected by Ofsted and the effectiveness of leadership & management and governance was judged as "good". The Governing body agreed that the college's self-assessment grades should be linked to Ofsted judgements. Governance was therefore assessed as "good".

Audit & Scrutiny committee

The Audit & Scrutiny Committee comprises five members of the Corporation (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit & Scrutiny Committee meets on a termly basis with an additional meeting to consider the internal audit plan and preparations for the statutory and regulatory audits. It 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 ESFA as they affect the College's business.

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

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

The Audit & Scrutiny 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 as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve

Statement of Corporate Governance and Internal Control (continued)

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 he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Newham Sixth Form College and the ESFA. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an 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 Newham Sixth Form College for the year ended 31 July 2017 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 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 control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

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

Newham Sixth Form College has an internal audit service, which operates in accordance with the requirements of the ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At a minimum annually, the appointed internal auditors provide the governing body 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, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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

Statement of Corporate Governance and Internal Control (continued)

The Principal has been advised on the implications of the result of his 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, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior leadership 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 leadership team and the Audit & Scrutiny Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit & Scrutiny 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 leadership team and the Audit & Scrutiny Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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 order of the members of the Corporation on 4 December 2017 and signed on its behalf by:

G May

Gail May
Chair

E Playfair

Eddie Playfair
Principal

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

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

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 Education and Skills Funding Agency's terms and conditions of funding under the College's financial memorandum.

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

G May

Gail May
Chair

4 December 2017

E. Playfair

Eddie Playfair
Principal

4 December 2017

Statement of Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the College's Financial Memorandum with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction 2016 to 2017* issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

Approved by order of the members of the Corporation on 4 December 2017 and signed on its behalf by:

G May

Gail May
Chair of the Corporation

Independent Auditor's Report to the Corporation of Newham Sixth Form College

Opinion

We have audited the financial statements of Newham Sixth Form College (the 'College') for the year ended 31 July 2017 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2017 and of its surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material

Independent Auditor's Report to the Corporation of Newham Sixth Form College

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

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

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

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

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

Buzzacott LLP

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 20 December 2017

Independent Auditor's Report on Regularity to the Corporation of Newham Sixth Form College ('the Corporation') and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 13 October 2016 and further to the requirements of the funding agreement with Education and Skills Funding Agency, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Newham Sixth Form College ('the College') during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

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

Respective responsibilities of the Newham Sixth Form College and the reporting accountants

The corporation of Newham Sixth Form College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, 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 review are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2016 to 31 July 2017 have not been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued jointly by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;

Independent Auditor's Report on Regularity to the Corporation of Newham Sixth Form College ('the Corporation') and the Secretary of State for Education acting through Education Funding Agency

- 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 2016 to 31 July 2017 has not been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Buzzacott LLP

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 20 December 2017

Statements of Comprehensive Income

	Notes	2017 £'000	2016 £'000
INCOME			
Funding body grants	2	15,345	15,868
Tuition fees and education contracts	3	241	115
Other income	4	116	179
Investment income	5	3	50
Total income		**15,705**	**16,212**
EXPENDITURE			
Staff costs	6	11,514	11,872
Staff Restructuring	6	-	89
Other operating expenses	7	2,728	2,689
Depreciation	9	1,081	1,701
Interest and other finance costs	8	148	129
Total expenditure		**15,471**	**16,480**
Surplus (deficit) before other gains and losses		**234**	**(268)**
Surplus (deficit) for the year		**234**	**(268)**
Actuarial gain (loss) in respect of pensions schemes	19	25	(1,080)
Total Comprehensive Income for the year		**259**	**(1,348)**

Statement of Changes in Reserves

	Income and Expenditure account (Excluding Pension Reserve)	Pension Reserve	Income and Expenditure account Including Pension Reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 31st July 2015	11,707	(3,317)	8,390	6,199	14,589
Surplus/(deficit) from the income and expenditure account	198	(466)	(268)	-	(268)
Other comprehensive income/actuarial gains	-	(1,080)	(1,060)	-	(1,080)
Transfers between revaluation and income and expenditure reserves	174	-	174	(174)	-
	372	(1,546)	(1,174)	(174)	(1,348)
Balance at 31st July 2016	12,079	(4,863)	7,216	6,025	13,241
Surplus/(deficit) from the income and expenditure account	784	(550)	234	-	234
Other comprehensive income/actuarial gains	-	25	25	-	25
Transfers between revaluation and income and expenditure reserves	173	-	173	(173)	-
Total comprehensive income for the year	957	(525)	432	(173)	259
Balance at 31st July 2017	**13,036**	**(5,388)**	**7,648**	**5,852**	**13,500**

Balance Sheet as at 31 July

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible fixed assets	9	**25,209**	**21,610**
Current assets			
Trade and other receivables	10	279	231
Cash and cash equivalents	14	1,194	2,880
		1,473	**3,111**
Less: Creditors – amounts falling due within one year	11	(2,819)	(3,029)
Net current (liabilities) assets		**(1,346)**	**82**
Total assets less current liabilities		**23,863**	**21,692**
Less: Creditors – amounts falling due after more than one year	12	(4,927)	(3,449)
Provisions			
Defined benefit obligations	13,19	(5,388)	(4,863)
Other provisions	13	(47)	(139)
Total net assets		**13,500**	**13,241**
Unrestricted reserves			
Income and Expenditure account excluding Pension Reserve		13,036	12,079
Pension Reserve	19	(5,388)	(4,863)
Income and expenditure account including Pension Reserve		7,648	7,216
Revaluation reserve		5,852	6,025
Total unrestricted reserves		**13,500**	**13,241**

The financial statements on pages 23 to 45 were approved and authorised for issue by the Corporation on 4 December 2017 and signed on its behalf on that date by:

G May

Gail May

Chair

E Playfair

Eddie Playfair
Accounting Officer

Statement of Cash Flows

	Notes	2017 £'000	Restated 2016 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		234	(268)
Adjustment for non cash items			
Depreciation		1,081	1,701
Deferred capital grants released to income		(305)	(467)
(Increase)/decrease in debtors		(48)	185
Increase/(decrease) in creditors due within one year		606	(204)
Decrease in provisions		(92)	(133)
Pensions costs less contributions payable		428	342
Adjustment for investing or financing activities			
Investment income		(3)	(50)
Interest payable		148	129
Net cash flow from operating activities		**2,049**	**1,235**
Cash flows from investing activities			
Investment income		3	50
Withdrawal of deposits		-	1,218
Payments made to acquire fixed assets		(3,776)	(4,768)
Deferred capital grants received		64	67
		(3,709)	(3,433)
Cash flows from financing activities			
Interest paid		(26)	(5)
		(26)	(5)
Increase / (decrease) in cash and cash equivalents in the year		**(1,686)**	**(2,203)**
Cash and cash equivalents at beginning of the year	14	2,880	5,083
Cash and cash equivalents at end of the year	14	1,194	2,880

Notes to the Accounts:

1. Statement of accounting policies and estimation techniques

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

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 2016 to 2017* and in accordance with Financial Reporting Standard 102 – *"The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"* (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

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

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the 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 presented in the Financial Statements and accompanying Notes.

The College currently has a £3m committed loan facility with Lloyds Bank plc on terms negotiated in spring 2016, this loan is not secured on any College assets and is in excess of the value of net current liabilities. The terms of the existing agreement are committed until December 2022. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future. This is in excess of net current liabilities and will enable to College to meet liabilities as and when they fall due.

Accordingly the College has a reasonable expectation that it is generally financially viable and has adequate resources to continue in operational existence for the foreseeable future, is generally financially viable, and 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 income and expenditure account in the period in which it is earned on a receivable basis.

Notes to the Accounts (continued):

1. Statement of accounting policies and estimation techniques (continued)

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 return on pension plan assets and changes in assumptions underlying the present value of plan liabilities is recognised in other recognised gains and losses.
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.

Non-current Assets - Tangible fixed assets

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

Land and buildings

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

- Freehold Buildings 20-50 years
- Refurbishments/Building Improvements 10 years

During the year the estimated useful life of Refurbishments/Building improvements was reviewed and increased from 10 years to 20 years. The net effect was a reduction in depreciation charge of £356k in the year.

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 20 and 50 years.

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

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

Notes to the Accounts (continued):

1. Statement of accounting policies and estimation techniques (continued)

Non-current Assets - Tangible fixed assets (continued)

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued prior to 31 July 1999, 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.

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost. During the year the estimated useful life of computer equipment was reviewed and increased from 3 years to 5 years .The net effect of this was reduction in the depreciation charge of £187k.

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

- computer software 3 years
- computer equipment 5 years
- furniture, fixtures and fittings 5 years

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. Otherwise they 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. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

Investments

Current investments comprise cash deposits which are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. Investments are stated at cost.

Cash and cash equivalents

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

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

Financial liabilities and equity

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

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

Notes to the Accounts (continued):

1. Statement of accounting policies and estimation techniques (continued)

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

Taxation

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

The College is exempt in respect of Value Added Tax, so that it cannot recover the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

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 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 income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

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

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets 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.

Notes to the Accounts (continued):

1. Statement of accounting policies and estimation techniques (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

- *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 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued):

2 Funding council grants

	2017 £'000	2016 £'000
Recurrent grants		
Education and Skills Funding Agency	14,681	15,252
High Needs Student Funding from Local Authority	362	164
Specific Grants		
Releases of government capital grants	302	452
Total	**15,345**	**15,868**

3 Tuition fees and education contracts

	2017 £'000	2016 £'000
Education contracts	241	115

4 Other income

	2017 £'000	2016 £'000
Other income generating activities	22	43
Other grant income	34	72
Non-government capital grants	3	15
Miscellaneous income	57	49
Total	**116**	**179**

5 Investment income

	2017 £'000	2016 £'000
Other interest receivable	3	50

Notes to the Accounts (continued):

6 Staff costs

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

	2017 No.	2016 No.
Teaching staff	122	135
Non-teaching staff	107	105
	229	**240**

Staff costs for the above persons

	2017 £'000	2016 £'000
Wages and salaries	8,264	9,205
Social security costs	833	806
Other pension costs	1,419	1,421
Payroll sub total	**10,516**	**11,432**
Contracted out staffing services	998	529
	11,514	**11,961**

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal (also the Accounting Officer), Vice Principal, Directors and Heads of School.

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

	2017 No.	2016 No.
The number of key management personnel including the Accounting Officer was:	7	8

Notes to the Accounts (continued):

6 Staff costs (continued)

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

	Key management personnel		Other staff	
	2017 No.	2016 No.	2017 No.	2016 No.
£40,000 to £50,000	3	3	-	-
£50,001 to £60,000	2	3	-	-
£60,001 to £70,000	1	1	-	-
£70,001 to £80,000	-	-	-	-
£90,001 to £100,000	1	1	-	-
	7	**8**	**-**	**-**

Key management personnel compensation is made up as follows:

	2017 £'000	2016 £'000
Salaries	471	536
Employers national insurance	59	65
	530	601
Pension contributions	77	85
Total emoluments	**607**	**686**

- *David Watherston (Acting Director of Finance)left the college in October 2016*

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 Principal (also the Accounting Officer, who is the highest paid officer) of:

	2017 £'000	2016 £'000
Salaries	120	119
Pension contributions	20	19

Notes to the Accounts (continued):

7 Other operating expenses

	2017 £'000	2016 £'000
Teaching costs	550	399
Non-teaching costs	1,328	1,424
Premises costs	850	866
Total	**2,728**	**2,689**

Other operating expenses include:	**2017 £'000**	**2016 £'000**
Auditor's remuneration:		
Financial statements audit	21	20
Internal audit	15	17
Other services provided by the financial statements auditors	-	2
Hire of assets under operating leases	56	56

8 Interest payable

	2017 £'000	2016 £'000
On bank loans, overdrafts and other loans:	26	5
Pension finance costs (note 19)	122	124
Total	**148**	**129**

Notes to the Accounts (continued):

9 Tangible fixed assets

	Land and buildings Freehold	Land and buildings Assets under Construction	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2016	24,634	5,941	3,157	33,732
Additions	4,122	-	557	4,679
Transferred during the year	5,941	(5,941)	-	-
At 31 July 2017	**34,697**	**-**	**3,714**	**38,411**
Depreciation				
At 1 August 2016	9,723	-	2,398	12,122
Charge for the year	736	-	345	1,081
At 31 July 2017	**10,459**	**-**	**2,743**	**13,202**
Net book value at 31 July 2017	**24,238**	**-**	**971**	**25,209**
Net book value at 31 July 2016	20,851	-	759	21,610

The College's policy is to carry all assets at historic cost, except for inherited assets which are included on the balance sheet at valuations existing at 31 July 1999. The assets were valued on incorporation and have not been updated since.

If inherited land and buildings had not been valued, they would have been included at zero cost and zero net value based on cost.

During the year the estimated useful life of Refurbishments/Building improvements was reviewed and increased from 10 years to 20 years. The net effect was a reduction in depreciation charge of £356k in the year. The estimated useful life of computer equipment was also reviewed and increased from 3 years to 5 years .The net effect of this was reduction in the depreciation charge of £187k.

The College has plans in place for the redevelopment of the Prince Regent Land Campus. Phase one of this project has now been completed.

No assets are held under finance leases.

Notes to the Accounts (continued):

10 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade receivables	96	3
Prepayments and accrued income	143	179
Other Debtors	40	49
Total	**279**	**231**

11 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade payables	371	172
Other taxation and social security	795	382
Accruals and deferred income	1,207	1,843
Other Creditors	157	173
Deferred income - government capital grants	289	459
Total	**2,819**	**3,029**

Accruals and deferred income includes £435k (2016: £477k) for employee holiday leave accruals.

12 Creditors: amounts falling due after one year

	2017 £'000	2016 £'000
Bank Loans	1,550	-
Deferred income - government capital grants	3,377	3,449
Total	**4,927**	**3,449**

During the year the College entered into a bank loan with Lloyds Bank plc. The facility value is £3m (with a temporary increase to £3.6m between January and May 2017), at the period end £1.55m of this facility had been drawn. The loan is unsecured and has been agreed as an initial revolving credit facility with no mandatory repayments, on 31 December 2017 the loan converts to a term loan, amortising over a notional 15 year repayment profile, with the first repayment due April 2018. The loan is committed until 31 December 2022.

Notes to the Accounts (continued):

13 Provisions

	Defined benefit Obligations £'000	Other £'000	Total £'000
At 1 August 2016	4,863	139	5,002
Expenditure in the period			
Transferred from income and expenditure account	525	(92)	433
At 31 July 2017	**5,388**	**47**	**5,435**

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 19.

14 Cash and cash equivalents

	At 1 August 2016 £'000	Cash flows £'000	At 31 July 2017 £'000
Cash and cash equivalents	2,880	(1,686)	1,194
Total	**2,880**	**(1,686)**	**1,194**

15 Capital commitments

	2017 £'000	2016 £'000
Commitments contracted for at 31 July	903	3,253

The commitments relate to Phase one of the campus masterplan.

16 Lease Obligations

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

	2017 £'000	2016 £'000
Other		
Not later than one year	30	53
Later than one year and not later than five years	-	30
	30	83

Notes to the Accounts (continued):

17 Contingent liabilities

There are no contingent liabilities to report.

18 Events after the reporting period

There are no events after the reporting period to report.

19 Defined benefit obligations

The College's employees belong to two principal post-employment 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 London Borough of Newham. Both are multi-employer defined-benefit plans.

Total pension cost for the year		**2017 £'000**		**2016 £'000**
Teachers' Pension Scheme: contributions paid		703		784
Local Government Pension Scheme:				
Contributions paid	296		301	
FRS 102 (28) charge	420		336	
Charge to the Statement of Comprehensive Income		716		637
Total Pension Cost for Year		**1,419**		**1,421**

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £148k (2016: £142k) were payable to the schemes and are included in creditors.

Teachers' Pension Scheme

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

Notes to the Accounts (continued):

19 Defined benefit obligations (continued)

The Teachers' Pension Budgeting and Valuation Account

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

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return 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 are:

- New employer contribution rates were set at 16.48% of pensionable pay (including administration fees of 0.08%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The new employer contribution rate for the TPS was implemented in September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

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

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

Scheme Changes

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

Notes to the Accounts (continued):

19 Defined benefit obligations (continued)

the reformed scheme commenced on 1 April 2015.

The pension costs paid to TPS in the year amounted to £703k (2016: £784k)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Borough of Newham Local Authority. The total contribution made for the year ended 31 July 2017 was £452k, of which employer's contributions totalled £296k and employees' contributions totalled £150k. The agreed contribution rates for future years are 14.2% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2017 by a qualified independent actuary

	At 31 July 2017	At 31 July 2016
Rate of increase in salaries*	4.20%	4.00%
Future pensions increases	2.70%	2.20%
Discount rate for scheme liabilities	2.70%	2.60%
Inflation assumption (CPI)	2.70%	2.20%
Commutation of pensions to lump sums	50%	50%

** Note that from 31 July 2017 the assumption for increases in salaries is 1.75% pa for the first 5 years, followed by 4.20% pa thereafter.*

Notes to the Accounts (continued):

19 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	At 31 July 2017	At 31 July 2016
	years	Years
Retiring today		
Males	22.5	22.1
Females	25.0	24.6
Retiring in 20 years		
Males	24.7	24.4
Females	27.4	26.9

Sensitivity analysis	At 31 July 2017 £'000	At 31 July 2016 £'000
Discount rate +0.1%	(411)	(327)
Discount rate -0.1%	422	335
Mortality assumption – 1 year decrease	581	372
Mortality assumption – 1 year increase	(562)	(362)
Pension increases +0.1%	370	295
Pension increases -0.1%	(361)	(288)
Salary increases +0.1%	51	41
Salary increases -0.1%	(51)	(41)

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

	Long-term rate of return expected at 31 July 2017	Fair Value at 31 July 2017	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016
		£'000		£'000
Equities	68.00%	7,748	68.00%	5,325
Bonds	9.00%	985	9.00%	841
Property	6.00%	746	7.00%	683
Cash	13.00%	1,554	18.00%	1,633
Other	4.00%	509	8.00%	736
Total market value of assets		**11,542**		**9,218**

Notes to the Accounts (continued):

19 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2017 £'000	2016 £'000
Fair value of plan assets	11,542	9,218
Present value of plan liabilities	(16,930)	(14,081)
Net pensions liability (Note 13)	**(5,388)**	**(4,863)**

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

	2017 £'000	2016 £'000
Amounts included in staff costs		
Current service cost	716	637
Total	**716**	**637**
Amounts included in interest payable		
Net interest charge	122	124
	122	**124**

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	2,010	557
Changes in assumptions underlying the present value of plan liabilities	(1,985)	(1,637)
Amount recognised in Other Comprehensive Income	**25**	**(1,080)**

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

	2017 £'000	2016 £'000
Surplus/(deficit) in scheme at 1 August	(4,863)	(3,317)
Movement in year:		
Current service cost	(716)	(637)
Employer contributions	296	301
Net interest on the defined liability	(122)	(124)
Administrative expenses	(8)	(6)
Actuarial gain or loss	25	(1,080)
Net defined benefit liability at 31 July	**(5,388)**	**(4,863)**

Notes to the Accounts (continued):

19 Defined benefit obligations (continued)

Asset and Liability Reconciliation

Changes in the present value of defined benefit obligations

	2017 £'000	2016 £'000
Defined benefit obligations at start of period	14,081	11,405
Current Service cost	716	637
Interest cost	363	444
Contributions by Scheme participants	150	163
Experience gains and losses on defined benefit obligations	493	-
Changes in financial assumptions	1,377	1,637
Defined benefit obligations at end of period	**16,930**	**14,081**

Reconciliation of Assets

	2017 £'000	2016 £'000
Fair value of plan assets at start of period	9,218	8,088
Interest on plan assets	241	320
Return on plan assets	1,038	557
Other actuarial gains	972	-
Employer contributions	296	301
Contributions by Scheme participants	150	163
Administrative expense	(8)	(6)
Estimated benefits paid	(365)	(205)
Assets at end of period	**11,542**	**9,218**

20 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 likely that transactions may 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.

The total expenses paid to or on behalf of the Governors during the year were nil (2016: £17; 1 governor). No Governor has received any remuneration or waived payments from the College during the year (2016: None).

Notes to the Accounts (continued):

21 Amounts disbursed as agent

Learner support funds

	2017 £'000	2016 £'000
Funding body grants – bursary support	752	617
Disbursed to students	(621)	(585)
Administration costs	(37)	(30)
Balance unspent as at 31 July, included in creditors	94	2

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.