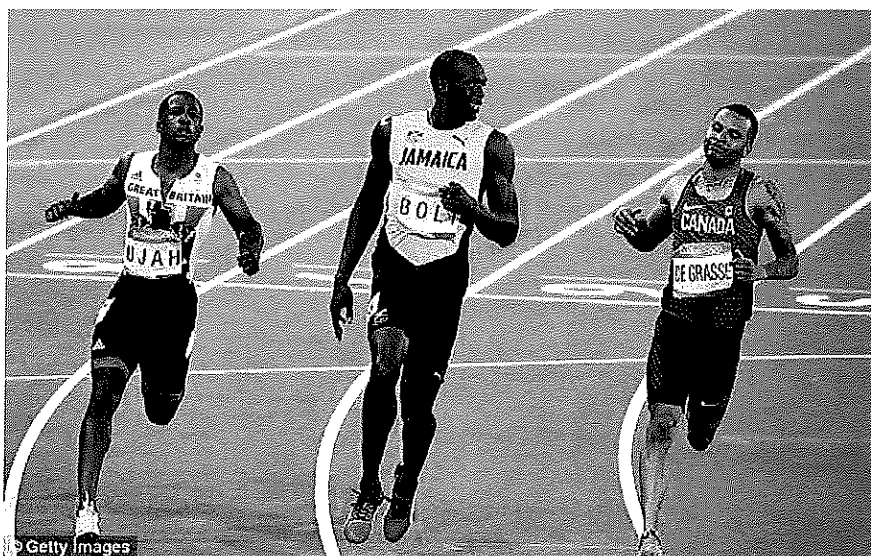
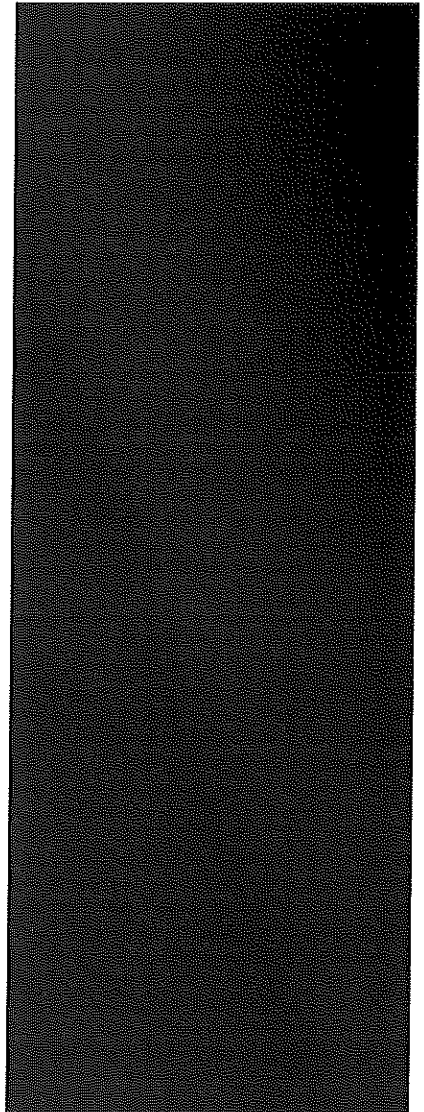


Report and Financial Statements

31 July 2016

M^{Sir George}
MONOUX
College



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

Accounts Direction Handbook 2015 to 2016

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 2015/16:

David Vasse – Principal (from 1.9.16)

David Ball - Interim Principal; Accounting officer (from 24.11.15 to 31.8.16, underlying role Vice Principal – Corporate Services)

Paolo Ramella Principal - Accounting officer (until 23.11.15)

Holly Bembridge – Vice Principal Curriculum

Louis Strover – Assistant Principal

Yaseen Akhtar – Assistant Principal Student Services (from 11.7.16)

Mary Prince – Interim Assistant Principal Student Journey (until 30.6.16)

Board of Governors

A full list of Governors is given on page 27 of these financial statements.

Mr R Smith acted as Clerk to the Corporation throughout the period.

Professional advisers

Financial statements auditors and reporting accountants:

Buzzacott LLP
Wood Street
London

Internal auditors:

MacIntyre Hudson
Newbridge Street
London

Bankers:

Lloyds Bank PLC
Gresham Street
London

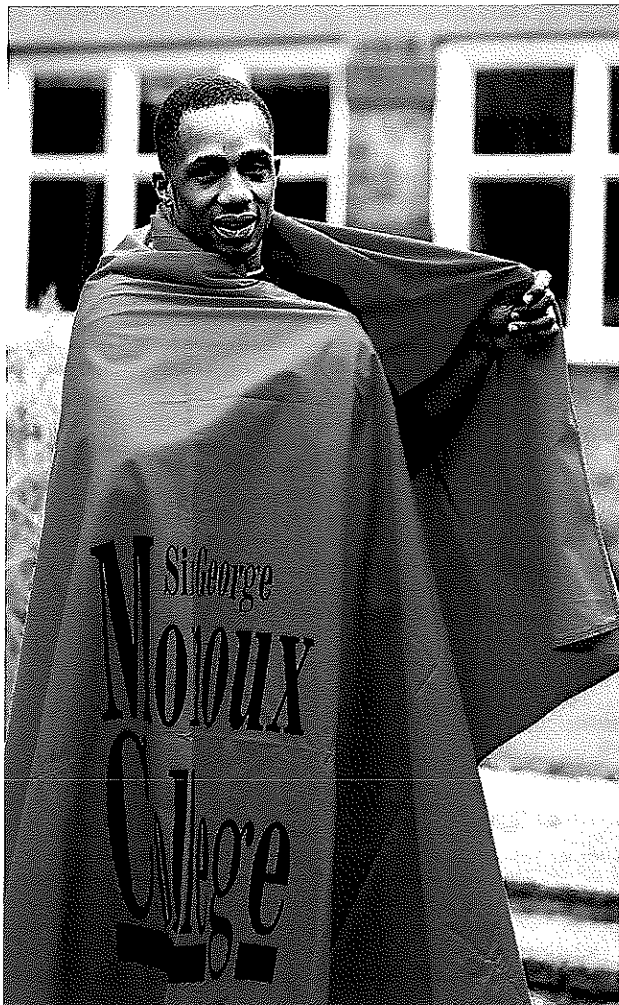
Solicitors:

Birketts
Station Road
Cambridge

Insurance:

Zurich Insurance Group
Parkway
Fareham

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NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

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

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

Mission

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

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

Public Benefit

Sir George Monoux College is an exempt charity under part 3 of the Charities Act 2011 and from 1 September 2013, is regulated by the Secretary of State for Education as Principal Regulator for all Sixth Form Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 27.

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 for the advancement of education:

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

NATURE, OBJECTIVES AND STRATEGIES (continued)

Our approach and core values

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

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

Implementation of Strategic Plan

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

The major outcomes of this review and subsequent 6 key aims of the new three year 2015 – 2018 Strategic Plan are outlined below. However, following the events of 2015/16 a new Strategic Plan will be developed for the period 2017-2020.

Staff Expectations

Putting the students first in all we do.

This will be demonstrated by:

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

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

This will be demonstrated by:

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

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

Staff Expectations

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

This will be demonstrated by:

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

1) Excellent Learner Experience

a) Teaching, Learning and Assessment

➤ **Vision**

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

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

➤ **We will achieve this by:**

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

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

1) Excellent Learner Experience (continued)

a) Teaching, Learning and Assessment (continued)

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

b) Dynamic curriculum

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

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

1) Excellent Learner Experience (continued)

b) Dynamic curriculum (continued)

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

c) Tutorial and wider learning experience (Enrichment)

- **Vision**

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

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

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

1) Excellent Learner Experience (continued)

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

➤ **We will achieve this by:**

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

2) Leadership and Management

➤ **Vision**

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

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

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

➤ **We will achieve this by:**

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

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

2) Leadership and Management (continued)

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

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

- **Vision**

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

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

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

➤ **Vision**

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

➤ **We will achieve this by:**

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

5) Investing in People

➤ **Vision**

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

➤ **We will achieve this by:**

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

NATURE, OBJECTIVES AND STRATEGIES (continued)

Implementation of Strategic Plan (continued)

6) Investing in Learning

- **Vision**
To ensure the long term future viability of the College.

- **We will achieve this by:**
 - ◆ Using the College resources to achieve excellence in the learning environment, so that all in the College community can meet their potential.

 - ◆ Ensuring that all staff are employed in the most appropriate roles and providing excellent training and support - continuing to invest in our staff to enable all to perform to the best of their ability.

 - ◆ Maximising financial resources via income diversification, efficiency and cost control.

The College's specific objectives for 2015/16 and achievement of those objectives is addressed below.

Performance indicators

Academic targets:

Success rates fell to 77.6% in 2014/15, substantially below the College's targets. Despite some areas of continuing good performance overall this is an unacceptable outcome for the students who attended the College. In 2015/16 the rate is expected to rise to at least 81%.

Retention is not expected to meet the target of 95%. During the year the College changed its approach to retaining students; those with poor attendance and major disciplinary issues were removed. The reduction in retention will be offset by improved pass rates.

Progression to Higher Education, including to Russell Group Universities was on target. In 2015/16 542 students were made offers at university (90% of those that applied). One hundred of the offers were from Russell Group universities.

NATURE, OBJECTIVES AND STRATEGIES (continued)

Performance indicators (continued)

Financial targets:

The College remained in outstanding financial health.

The College exceeded its recruitment target of 2,071 students, having 2,091 fundable students on roll at the census date.

The surplus exceeded the target of 0.5% of income, before allowing for exceptional items in the year.

Cash flow from operating activities was positive.

Payroll costs at 71% were above the target of 70% (payroll includes subcontracted cleaning and security services) due to the issues described below in College Management. It is forecast to be under 70% in 2016/17.

Solvency was maintained at an efficient level.

FINANCIAL POSITION

Financial results

The College generated an operating deficit in the year of £233,000 (after £230,000 of FRS 102 related pension costs) (2014/15 – deficit of £3,000).

The College has accumulated reserves of £3.854 million (after pension fund deficit of £4.501m) and cash balances of £1.702 million. The College aims to make surpluses before local government pension scheme adjustments of at least 0.5% of income.

Tangible fixed asset additions during the year amounted to £99,000.

The College has significant reliance on the education sector funding bodies and its successor bodies for its principal funding source, largely from recurrent grants. In 2015/16 the funding bodies provided 99% of the College's total income.

The College recruited well in September 2015, having fundable students of 2,091 –better than the 2,071 it was funded for.

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.

FINANCIAL POSITION (continued)

Treasury policies and objectives (continued)

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

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

Cash flows

At £564,000 inflow (2014/15 £935,000 inflow), operating cash inflow was strong. The net cash flow was an inflow of £26,000.

Liquidity

The College had two loans at the start of the period that were taken out to fund capital programs that were completed in 2005. The senior debt of £0.958 million is at a fixed interest rate. The floating rate loan was wholly repaid in 2015/16.

Reserves

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of an organisation, whilst ensuring that adequate resources are provided for the College's core business. The College currently holds £46,000 of restricted reserves. As at the balance sheet date, the Income and Expenditure account reserve stands at £188,000 (2015: £2.262 million). It is the Corporation's intention to increase reserves over the life of the Strategic Plan, by the generation of annual operating surpluses.

The College has accumulated reserves of £8.355m (£3.854 million after pension fund deficit of £4.501m) and cash balances of £1.702 million. The College aims to make surpluses before FRS 102(28).

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers

In 2015/16 the College has delivered activity that has produced £10,630,000 in funding body main allocation funding (2014/15 – £10,844,000). The College had 2,071 funding body funded students.

The number of student enrolments has been reduced in 2016/17 due to planned changes in entry requirements. The College has moved to a risk based approach to ensure that students are enrolled on programs that are consistent with their abilities and ambitions. Stronger use of diagnostic tools and individual learner support will be used to improve the quality of outcomes for young people.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Student achievements

Success rates declined to 77.6% in 2014/15. This is expected to improve to 81% in 2015/16.

College Management

Following the poor performance in the 2014/15 outcomes for students the Principal, Paolo Ramella, elected to leave the College in November 2015. Following a short interim period where the Corporation commissioned a review of the College it was decided that David Ball be appointed Interim Principal for the rest of the academic year. Two turnaround directors, Sid Hughes (ex Principal of Newham Sixth Form College) and Bernie Borland (ex Principal of St Francis Xavier Sixth Form College), were appointed to assist with improving performance.

The Corporation has appointed David Vasse (formerly of John Leggott College) as the new Principal from 1 September 2016.

Yaseen Akhtar has been appointed as Assistant Principal from 11 July 2016. This means that the College has its first permanent senior management team since 2013.

Three new faculty heads have also been appointed.

Ofsted

The College was inspected in February 2016.

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

The College required improvement because:

- ◆ Leaders and managers have not maintained the good quality of provision and outcomes seen at the previous inspection.
- ◆ Teaching and learning are not consistently good to ensure that students of all abilities make the progress of which they are capable.
- ◆ Teachers do not plan activities and resources well enough to meet students' different abilities; students' targets are not always challenging enough and feedback on their work does not always identify what they need to do to improve.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

College Management (continued)

Ofsted (continued)

- ◆ Not enough students achieved their main qualifications over the last two years and not enough make the progress expected, compared with their previous attainment.
- ◆ Students' achievement of qualifications in English and mathematics is too low and rates of improvement are too slow, especially in mathematics.
- ◆ Attendance rates remain too low, particularly in foundation level English and mathematics; a significant minority of students have poor attendance and arrive late to lessons.

The College has these strengths:

- ◆ The vast majority of students complete their courses and a very high proportion progress to higher education, often at prestigious universities.
- ◆ Students develop a good knowledge of different career and employment routes and understand the skills and attitudes required to be successful in later life.
- ◆ College staff promote equality and diversity well and students demonstrate a good understanding of British values and are respectful of each other's differences.
- ◆ High-quality support services help students gain self-confidence and enable them to develop into mature, independent young adults who make a valuable contribution to college life.
- ◆ Students feel very safe at college and develop a very good understanding of how to keep themselves safe from a broad range of potential risks to their safety and well-being.
- ◆ The new senior leadership team and governors have a clear and realistic understanding of the strengths and weaknesses across the provision; this is leading to well-targeted actions to secure improvement.

Curriculum developments

Curriculum provision and College aims are clearly aligned to East London sub-regional priorities, in particular through pathways into business, scientific activities, health & social work and education. The College will play a significant role in improving high skill growth in the sub-region. The College is also committed to providing a pathway from Level 2 to Level 3 (including 296 English GCSE students and 391 maths GCSE students) for students who do not have sufficient achievement points to progress to Level 3 after Year 11 (15% of the current cohort are working at this level). This contributes to a critical requirement in the sub-region.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum developments (continued)

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

The College would anticipate joining the London Sixth Form Improvement Partnership at a future date once the partnership can be clearly assimilated to the College's capacity to improve and improvement priorities. The College will also seek to develop productive partnerships with local 11-16 and 11-18 schools to ensure further efficiency in post-16 provision. The College has joined PiXL6 as part of its drive to improve the quality of its performance. This is primarily a national quality improvement partnership, with a procurement arrangement available. The College will increase its partnerships with employers during 2017 and will make a significant contribution to young people's employability and 'passport to work' initiatives. The College has planned investment to facilitate this growth.



The new funding regime emphasised the importance of sport and enrichment as part of Study Programs. Significant progress has been made in the first full year of focus on this area. The BCIF funded fitness/ weights facility was completed in the summer and opened in September 2015. The Sport England project continues to exceed its target delivery. Many links have been made with other sports organisations, including becoming an Academy for Essex County Cricket Club. A non-turf pitch for all year round use has been secured from the English Cricket Board and was installed in June 2016.



CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum developments (continued)



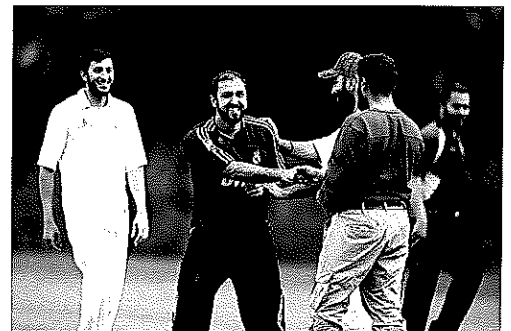
CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum developments (continued)

The College focus in the year was the move to linear A levels and improving the attendance of the students.



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



CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE (continued)

Curriculum developments (continued)

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During the accounting period 1 August 2015 to 31 July 2016, the College has aimed to pay all of its undisputed invoices within 30 days. Over 99% of all invoices (by value) were paid within 30 days. The College incurred no interest charges in respect of late payment during this period.

Future developments

The College funding income has been set at £10.82m from the EFA. The cuts to funding for third year post 16 students and the necessity to provide all students without a minimum of grade C in English and/ or mathematics access to those qualifications puts strains on college resources.

The College has improved its recruitment in 2015/16, which has increased funding in 2015/16, but this was offset by significant reductions in disadvantage funding that appears to affect only 4 colleges. There is one year of transitional funding. The College budgets carefully over periods of one, two and five years, though uncertainty about future funding policy will always make this speculative beyond two years. However this process is used to identify potential financial weaknesses and give time to implement solutions to achieve the long term strategic aims of the College. The College will consider the best way to a stable and successful future after the 2016/17 enrolment.

RESOURCES

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



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

RESOURCES (continued)

Financial

The College has £3.854 million of net assets (including £4.501 million pension liability) and long term debt of £0.958 million.

FRS 102 (28)

The College has fully implemented the provisions of FRS102 (28) relating to retirement benefits, although the corporation remains extremely concerned about the impact of FRS 102 on the future finances of the College.

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

The deficit grew from £2.378m to £4.501m (see note 15), primarily due to remeasurements. The size of the deficit is intrinsically linked to bond rates, which are historically low levels. A rise in bond rates would significantly reduce the deficit but the risk remains that the current situation leads to higher pension contributions for support staff.

People

The College employs 152 people (expressed as full time equivalents), 89 of whom are teaching staff.

Reputation

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

Principal risks and uncertainties

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

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

RESOURCES (continued)

Principal risks and uncertainties (continued)

A risk register is maintained at the College level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the College.

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

Funding targets are not met

The College has considerable reliance on continued government funding through the EFA. In 2015/16, 99% of the College's revenue was ultimately public funded and this level of requirement is expected to continue.

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

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

This risk is mitigated in a number of ways:

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

RESOURCES (continued)

Principal risks and uncertainties (continued)

Student results do not improve quickly enough

The decline in success rates and lower level of value added resulted in a requires improvement ofsted grade. Rapid improvement is required.

The College has a Post Inspection Action Plan that addresses the issues and works with the designated inspector to rapidly improve.

Safeguarding and radicalisation

Protection of students in all areas, including against radicalisation is a key theme at the College.

The College was part of an Ofsted review of the sector and its actions to deal with radicalisation were praised. Work continues on the integration of "British Values" into student life.

The College has an extensive network of support for students who may experience safeguarding issues. Regular training is provided to all staff.

Area review

The College's Area Review started in April 2016 and will end in December. Uncertainty will remain until the outcome. It is now considered likely that the College will remain as an independent establishment.

This risk is mitigated in a number of ways:

- ◆ An independent options report
- ◆ Engagement with the process
- ◆ Negotiations with potential partners
- ◆ Focus on quality at the College

RESOURCES (continued)

Stakeholder relationships

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

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

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

Equal opportunity and employment of disabled persons

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

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

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

Disability statement

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

RESOURCES (continued)

Disability statement (continued)

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

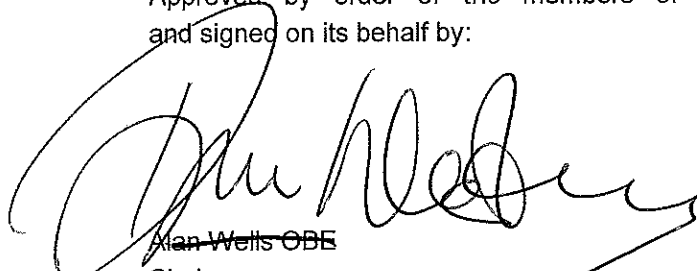
In particular the College makes the following commitments:

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

Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 6 December 2016
and signed on its behalf by:



Alan Wells OBE
Chair

Statement of Corporate Governance and Internal Control 31 July 2016

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the college to obtain a better understanding of its governance and legal structure. The statement covers the period 1 August 2015 to 31 July 2016 and up to the date of approval of the annual report and financial statements.

The College endeavours to conduct its business:

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

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

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31 July 2016. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

Statement of Corporate Governance and Internal Control 31 July 2016

The Corporation

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

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

Name	Status of appointment	Date of appointment	Date of resignation	Term of office	Committees served	Attendance*
Mr A Alizadeh	Student	1.8.16		1 year		N/A
Mrs. S Arif	Independent	7.7.14	4.1.16	4 years	R	100%
Ms. C Benefo	Student	1.8.15	31.7.16	1 year	Q	50%
Ms. R Bhalla	Independent	1.8.13		4 years	P(Ch)	67%
Mr. C Bond	Staff	21.10.13		4 years	Q	83%
Ms C Brearley	Independent	1.8.16		4 years		N/A
Mr. J Bush	Independent	10.12.13		4 years	R(Ch)	83%
Ms T Chirouf	Independent	10.10.15		4 years	Q	67%
Mr. T Ellis	Staff	12.12.11	11.12.15	4 years	R, G	100%
Mr. T Foakes	Independent	7.7.15		4 years	A	100%
Ms. J Holmes	Independent	9.5.15	14.1.16	4 years	A, Q	100%
Mr S Jones	Independent	22.3.16		4 years	R	100%
Mr. D Johnston	Independent	22.10.12	21.10.16	4 years	Q(Ch)	50%
Ms. U Kalla	Student	1.8.15	31.7.16	1 year	Q	50%
Ms M Lewin	Independent	22.10.16		4 years		N/A
Mr. S McLean	Independent	7.7.14		4 years	R	67%
Ms M Mahiz	Parent	11.10.15	31.7.16	1 year	Q	60%
Mr. R Moore	Independent	9.5.15		4 years	R, P	83%
Ms J Niner	Independent	22.3.16	3.5.16	4 years		100%
Mr. A Owens	Independent	7.7.14		4 years	Q(VCh), G(Ch)	100%
Mr. P Ramella	Principal	1.1.11	23.11.15		Q	100%
Ms K Shaid	Staff	12.12.15		4 years	G	100%
Mr B Sisodaria	Student	1.8.16		1 year		N/A
Mr D Vasse	Principal	8.10.16				N/A
Mr. A Wells OBE	Independent	1.8.13		4 years	G, P	100%
Mr. B Westbury	Independent	15.2.15		4 years	A(Ch)	83%
Mr R Smith	Clerk	1.1.11				

Key to sub-committees

A = Audit

P = Personnel, Appraisal and Remuneration

Q= Quality and Performance

Ch= Chair

G = Governance & Nominations

R = Resources

VCh= Vice Chair

Statement of Corporate Governance and Internal Control 31 July 2016

The Corporation (continued)

Committee	Overall attendance
Audit	100%
Governance and Nomination	100%
Personnel, Appraisal and Remuneration	89%
Quality and Performance	60%
Resources	92%

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

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

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

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

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

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

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

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

Statement of Corporate Governance and Internal Control 31 July 2016

The Corporation (continued)

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

Appointments to the Corporation

Any new appointments to the Corporation are a matter for consideration of the Corporation as a whole. The Corporation has a Governance and Nominations Committee, which in the year ended 31 July 2016, consisted 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

The Corporation assessed its performance at the meeting on 6 December 2016. The College remains in a strong financial position and the Corporation appointed a new Principal. The Corporation fulfilled all its statutory responsibilities and took swift action to deal with underperformance in the results released in summer 2015.

Personnel, Appraisal and Remuneration Committee

Throughout the year ending 31 July 2016, the College's Personnel, Appraisal and Remuneration Committee comprised three members of the Corporation, until a resignation reduced it to three members. The Committee's responsibilities are to make recommendations to the Board on the remuneration and benefits of the Principal and other senior postholders and it also exercises oversight of the HR function and sets the framework of terms and conditions for the generality of staff.

Details of remuneration for the year ended 31 July 2016 are set out in note 5 to the financial statements.

Audit Committee

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

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

Statement of Corporate Governance and Internal Control 31 July 2016

Audit Committee (continued)

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

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

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

Internal control

Scope of responsibility

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

The Corporation has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibility assigned to him in the Financial Memorandum between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should it be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Sir George Monoux College for the year ended 31 July 2016 and up to the date of approval of the annual report and financial statements.

Statement of Corporate Governance and Internal Control 31 July 2016

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 ongoing 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 financial statements. This process is regularly reviewed by the Corporation.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

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

The College has an internal audit service, which operates in accordance with the requirements of the Interim Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation of the College on the recommendation of the Audit Committee. At least annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity within the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management controls and governance processes.

The College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Council on the recommendation of the Audit Committee. As a minimum, annually, the Head of Internal Audit (HIA) provides the Council with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement of Corporate Governance and Internal Control 31 July 2016

Review of effectiveness

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

- ◆ the work of the internal auditors
- ◆ the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- ◆ comments made by the College's financial statements auditors and the appointed funding auditors in their management letters and other reports.

The Principal has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the internal auditor, risk committee and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training.

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

The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the senior management team and internal audit, including a review of the key risks to the college and a review of the risk management process, and taking account of events since 31 July 2016.

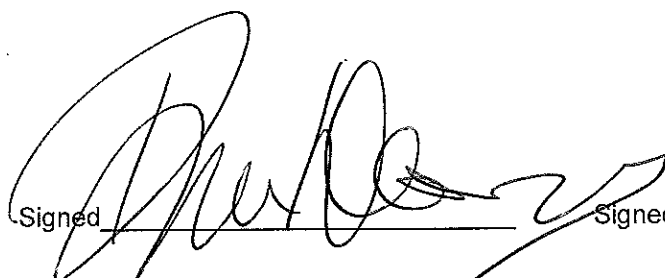
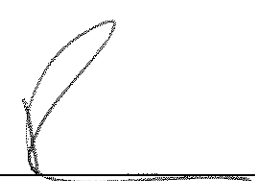
Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the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

Statement of Corporate Governance and Internal Control 31 July 2016

Going Concern

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

Approved by order of the members of the corporation on 6th December 2016 and signed on its behalf by:

Signed		Signed	
Date	6 December 2016	Date	6 December 2016
Chair		Principal	

Governing Body's Statement of the College's regularity, propriety and compliance with Funding body 31 July 2016

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

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

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

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

Statement of the Responsibilities of the Members of the Corporation

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

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

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

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

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

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

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

Members of the Corporation are responsible for ensuring expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the Skills Funding Agency and EFA are used only in accordance with the Financial

Statement of Responsibilities of the Members of the Corporation 31 July 2016

Memorandum with the Skills Funding Agency and the EFA and any other conditions that may be prescribed from time to time.

Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency and the EFA are not put at risk.

Approved by order of the members of the corporation on the 6 December 2016 and signed on its behalf by:

Signed

Date: 6 December 2016

Chair

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

31 July 2016

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

We have audited the College financial statements ("the financial statements") of Sir George Monoux College for the year ended 31 July 2016 set out on pages 41 to 66. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

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

As explained more fully in the Statement of the Corporation's responsibilities set out on page 35, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Independent Auditor's Report to the Corporation of Sir George Monoux College
31 July 2016

Opinion on financial statements

In our opinion the financial statements:

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

Matters on which we are required to report by exception

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

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



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

16 December 2016

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

In accordance with the terms of our engagement letter dated 28 October 2016 and further to the requirements of the funding agreement with Education Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Sir George Monoux College during the period 1 August 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 Education Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Sir George Monoux College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Joint Audit Code of Practice. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 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.

Independent Auditor's Report on Regularity to the Corporation of Sir George Monoux
31 July 2016

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 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.


_____ 16 December 2016

Buzzacott LLP

Date

Chartered Accountants

Statement of Comprehensive Income 31 July 2016

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 Restated £'000
Income			
Funding body grants	1	11,168	10,510
Tuition fees and education contracts	2	3	6
Grants	3	18	15
Other income		63	91
Investment income	4	5	6
Total income		11,257	10,628
Expenditure			
Staff costs	5	8,168	7,350
Other operating expenses	6	2,567	2,547
Interest and other finance costs	7	166	155
Depreciation	8	589	579
Total expenditure		11,490	10,631
(Deficit) / surplus before other gains and losses		(233)	(3)
Gain on investments		2	3
Deficit for the year		(231)	—
Actuarial loss in respect of the pension scheme	15	(1,895)	(400)
Total Comprehensive Income for the year		(2,126)	(400)
Represented by			
Restricted Comprehensive Income		2	3
Unrestricted Comprehensive Income		(2,128)	(403)
		(2,126)	(400)

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

Statement of Changes in Reserves Year to 31 July 2016

	Income and expenditure account £'000	Revaluation reserve £'000	Restricted reserve £'000	Total £'000
Restated balance at 1 August 2014	2,607	3,728	40	6,375
Surplus (deficit) from the income and expenditure account	1	—	—	1
Other Comprehensive Income:				
Actuarial loss on pension	(400)	—	4	(396)
Transfers between revaluation and income and expenditure reserves	54	(54)	—	—
Balance at 31 July 2015	2,262	3,674	44	5,980
Surplus (deficit) from the income and expenditure account	(233)	—	—	(233)
Other Comprehensive Income:				
Actuarial loss on pension	(1,895)	—	2	(1,893)
Transfers between revaluation and income and expenditure reserves	54	(54)	—	—
Total Comprehensive Income for the year	(2,074)	(54)	2	(2,126)
Balance at 31 July 2016	188	3,620	46	3,854

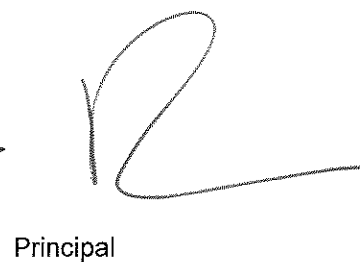
Balance sheet 31 July 2016

	Notes	31 July 2016 £'000	31 July 2015 Restated £'000
Non Current Assets			
Tangible Fixed Assets	8	11,144	11,634
Investments	9	46	44
		<u>11,190</u>	<u>11,678</u>
Current assets			
Trade and other receivables	10	12	34
Cash and cash equivalents		1,702	1,676
		<u>1,714</u>	<u>1,710</u>
Creditors: amounts falling due within one year	11	<u>(1,015)</u>	<u>(1,045)</u>
Net current assets		<u>699</u>	<u>665</u>
Total assets less current liabilities		<u>11,889</u>	<u>12,343</u>
Creditors: amounts falling due after one year	12	<u>(3,534)</u>	<u>(3,985)</u>
Net assets excluding pension liability		<u>8,355</u>	<u>8,358</u>
Pension liability	15	<u>(4,501)</u>	<u>(2,378)</u>
Net assets		<u>3,854</u>	<u>5,980</u>
Deferred capital grants			
Revaluation reserve		3,620	3,674
Income and expenditure account		188	2,262
Total unrestricted reserves		<u>3,808</u>	<u>5,936</u>
Restricted reserve		46	44
Total reserves		<u>3,854</u>	<u>5,980</u>

The financial statements on pages 41 to 66 were approved by the corporation on 6 December and were signed on its behalf by:



Chair of the Corporation



Principal

Cash flow statement 31 July 2016

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 Restated £'000
Cash flow from operating activities			
Deficit for the year		(231)	(3)
Adjustments for non-cash items			
Depreciation	8	589	579
Decrease/(increase) in debtors		22	(2)
Increase/(decrease) in creditors due within one year		5	(34)
(Decrease) / increase in creditors due after one year		(111)	245
Decrease in provisions		—	(70)
Pension costs less contributions payable		129	74
Adjustment for investment or financing activities			
Investment income		(5)	(6)
Interest payable		166	155
Net cash flow from operating activities		564	938
Cash flows from investing activities			
Investment income		5	6
Gains on investments		(2)	(3)
Payments made to acquire fixed assets		(99)	(522)
		(96)	(519)
Cash flow from financing activities			
Interest paid		(67)	(80)
Repayments of amounts borrowed		(375)	(275)
		(442)	(355)
Increase in cash and cash equivalents in the year		26	64
Cash and cash equivalents at the beginning of the year		1,676	1,612
Cash and cash equivalents at the end of the year		1,702	1,676

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 trustees 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 results of the College is provided in note 21.

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.

Basis of accounting

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

Going Concern

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

The College currently has £0.9m of loans outstanding with bankers on terms negotiated in 2000. The terms of the existing agreement are for repayment in quarterly instalments ending in 2020. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of Income

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

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

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.

Post retirement benefits

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

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.

Post retirement benefits (continued)

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 LBWFPPF is a funded scheme. The assets of the LBWFPPF are measured using closing fair values. LBWFPPF 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.

Short-Term Employment Benefits

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

Non-Current Assets - Tangible Fixed Assets

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

Land and Buildings

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

Non-Current Assets - Tangible Fixed Assets (continued)

Land and Buildings (continued)

the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings. The College revalued the land and buildings in 1993, but not to adopt a policy of revaluations of these properties in the future.

Equipment

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

Subsequent expenditure on existing fixed assets

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

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

Maintenance of Premises

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

Taxation

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

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

Cash and cash equivalents

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

Provisions

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

Agency Arrangements

The College acts as an agent in the collection and payment of Bursary Funds. Related payments received from the EFA or its successor organisations and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in note 20 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs two members of staff dedicated to the administration of Bursary applications and payments.

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.

Judgements In Applying Accounting Policies and Key Sources of Estimation

Uncertainty (continued)

- ◆ 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, 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 15, 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.

Notes to the financial statements 31 July 2016

1 Funding body grants

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Funding body grant	11,033	10,390
Release of deferred capital grants (note 11)	135	120
	<u>11,168</u>	<u>10,510</u>

2 Tuition fees and education contracts

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Educational contracts		
Other education contracts	3	6
	<u>3</u>	<u>6</u>

3 Grants

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Sport England	18	15

4 Investment income

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Other interest receivable	5	6

5 Staff costs

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

	Year ended 31 July 2016	Year ended 31 July 2015
Teaching staff	89	91
Non teaching staff	63	60
	<u>152</u>	<u>151</u>

Notes to the financial statements 31 July 2016

5 Staff costs (continued)

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Staff costs for the above persons:		
Wages and salaries	5,474	5,113
Social security costs	427	396
Other pension costs (including pension adjustment of £129,000 (2015 £74,000))	796	536
	<u>6,697</u>	<u>6,045</u>
Contracted out staffing services	1,471	1,305
	<u>8,168</u>	<u>7,350</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the Senior Leadership Team which comprises the Principal, Vice Principals and Assistant Principals.

The number of senior post-holders and other staff who received annual emoluments, excluding pension:

	2016	2015
The number of key management personnel including the Accounting Officer was	<u>5</u>	<u>5</u>

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

	Year ended 31 July 2016	Year ended 31 July 2015	Year ended 31 July 2016	Year ended 31 July 2015
	Key management personnel	Key management personnel	Other staff	Other staff
£30,001 - £40,000	—	1	—	—
£50,001 - £60,000	—	—	1	1
£60,001 - £70,000	2	—	—	—
£70,001 - £80,000	—	2	—	—
£90,001 - £100,000	1	—	—	—
£110,001 - £120,000	1	1	—	—
	<u>4</u>	<u>4</u>	<u>1</u>	<u>1</u>

In 2015/16 one key manager was contracted by a third party. The gross costs were in the £90,001-£100,000 band. The cost net of VAT was in the £70,001-£80,000 band.

5 Staff costs (continued)

In 2014/15 two key managers were contracted by a third party. The gross costs were in the £90,001-£100,000 band and the £60,001-£70,000 band. The cost net of VAT were in the £80,001-£90,000 band and the £40,001-£50,000 band.

A pay award of 1% was made to all staff. The College is part of the collective negotiations carried out by the Sixth Form College Association.

Key management personnel

	<u>2016</u>	<u>2015</u>
Salaries	273,477	189,763
Pension contributions	49,846	24,775
Contractor costs	71,000	123,000
Total emoluments	<u>394,323</u>	<u>307,538</u>

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

	<u>Year ended 31 July 2016 £</u>	<u>Year ended 31 July 2015 £</u>
Salary – post-holder to 23 November 2015	115,021	110,879
Pension contributions – post-holder to 23 November 2015	<u>27,907</u>	<u>15,632</u>
Salary – post-holder from 24 November 2015	67,290	
Pension contributions - post-holder from 24 November 2015	<u>8,028</u>	

Compensation for loss of office paid to former key management personnel

Compensation paid to the former post-holder - non-contractual	68,788
Estimated value of other benefits, including provisions for pension benefits	<u>20,450</u>

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

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

Senior post-holders, including the Principal and other higher paid staff, received a 1% cost of living payrise, as did other staff.

Notes to the financial statements 31 July 2016

6 Other operating expenses

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Teaching costs	746	558
Non teaching costs	1,232	1,351
Premises costs	589	638
Total	2,567	2,547
Other operating expenses include:		
Auditors' remuneration:		
. External audit	19	19
. Internal audit	17	17
. Other services provided by the financial statement auditors	3	1
. Other services provided by the internal auditors	5	3

7 Interest payable

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	67	80
Pension finance costs	99	35
	166	115

8 Tangible fixed assets

	Freehold £'000	Equipment £'000	Total £'000
Cost or valuation			
At 1 August 2015	17,207	1,580	18,787
Additions	23	76	99
Disposals	—	(72)	(72)
At 31 July 2016	17,230	1,584	18,814
Depreciation			
At 1 August 2015	6,305	848	7,153
Charge for year	404	185	589
Disposals	—	(72)	(72)
At 31 July 2016	6,709	961	7,670
Net book values			
At 31 July 2016	10,521	623	11,144
Net book values			
At 31 July 2015	10,902	732	11,634

Notes to the financial statements 31 July 2016

8 Tangible fixed assets (continued)

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

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

	<u>£'000</u>
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	<u>Nil</u>

9 Investments

	31 July 2016 £'000	31 July 2015 £'000
Balance at 1 August 2015	44	41
Appreciation on revaluation	2	3
Balance at 31 July 2016	<u>46</u>	<u>44</u>

The investment is in the Charities Official Investment Fund.

10 Debtors

	31 July 2016 £'000	31 July 2015 £'000
Due within one year		
Trade debtors	—	13
Prepayments and accrued income	12	21
	<u>12</u>	<u>34</u>

11 Creditors: amounts falling due within one year

	31 July 2016 £'000	31 July 2015 £'000
Bank loans and overdrafts	254	289
Trade creditors	24	42
Other creditors	1	1
Deferred capital grants	135	122
Accruals and deferred income	601	591
	<u>1,015</u>	<u>1,045</u>

Included above are holiday accruals of	219	120
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Notes to the financial statements 31 July 2016

12 Creditors: amounts falling due after one year

	31 July 2016 £'000	31 July 2015 £'000
Deferred capital grants	2,830	2,941
Bank loans	704	1,044
	<u>3,534</u>	<u>3,985</u>

13 Borrowings

	31 July 2016 £'000	31 July 2015 £'000
Due within:		
One year	254	289
Between one and two years	269	305
Between two and five years	435	739
	<u>958</u>	<u>1,333</u>
Represented by		
Floating rate loan at 6.60515% repayable by instalments falling due between 1 August 2003 and 31 December 2017. Interest is charged at 1% above the base rate.	—	137
Fixed rate loan at 6.1% repayable in equal quarterly instalments from 4 January 2005 to 2 January 2020	958	1,196
	<u>958</u>	<u>1,333</u>

14 Cash and cash equivalents

	At 31 July 2015 £'000	Cashflows £'000	At 31 July 2016 £'000
Cash and cash equivalents	<u>1,676</u>	<u>26</u>	<u>1,702</u>

15 Pensions and similar obligations

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

Total pension scheme cost for the year

	<u>2015/16</u> £'000	<u>2014/15</u> £'000
Teachers Pension Scheme: contributions paid	487	376
Local Government Pension Scheme:		
. Contributions paid	180	205
. FRS102 (28) charge	<u>129</u>	<u>69</u>
. charge to the income and expenditure account (staff costs)	309	274
Enhanced pension released:		
. from provisions	—	(70)
. from creditors	—	(53)
Total pension costs for the year	<u>796</u>	<u>527</u>

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

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

Teachers' Pension Scheme

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

15 Pensions and similar obligations (continued)

Teachers' Pension Scheme (continued)

The Teachers' Pension Budgeting and Valuation Account

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

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The Teachers' Pension Scheme Budgeting and Valuation Account

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

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

Valuation of The Teachers' Pension Scheme

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

- ◆ employer contribution rates were set at 16.48% of pensionable pay (including a 0.08% levy for administration);
- ◆ total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;

15 Pensions and similar obligations (continued)

Teachers' Pension Scheme (continued)

Valuation of The Teachers' Pension Scheme

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

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

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>).

Scheme Changes

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

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

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

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

The pension costs paid to TPS in the year amounted to £487,000 (2015: £376,000).

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.

15 Pensions and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 July was £274,209 of which employers contributions totalled £179,558 and employees contributions totalled £94,651. The agreed contribution rates for future years are 9.9% for employers and 5.5-7.5% for employees.

Principal Actuarial Assumptions	As at 31 July 2016	As at 31 July 2015
Rate of inflation (CPI)	1.7%	2.3%
Rate of increase in salaries	3.2%	3.8%
Rate of increase for pensions	1.8%	2.3%
Discount rate for scheme liabilities	2.6%	3.9%

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

	At 31 July 2016	At 31 July 2015
<i>Retiring today</i>		
Males	23.2	23.1
Females	25.6	25.5
<i>Retiring in 20 years</i>		
Males	25.5	25.4
Females	28.0	27.9

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

	Value at 31 July 2016 £'000	Value at 31 July 2015 £'000
Equities	2,861	2,754
Other Bonds	660	585
Property	308	251
Other	484	418
Cash in transit awaiting investment	88	167
Total Market Value of assets	4,401	4,175

15 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

	As at 31 July 2016 £'000	As at 31 July 2015 £'000	As at 31 July 2014 £'000	As at 31 July 2013 £'000	As at 31 July 2012 £'000
Present values of scheme liabilities	(8,902)	(6,553)	(5,233)	(5,197)	(4,673)
Deficit in the scheme	(4,501)	(2,378)	(1,829)	(2,031)	(2,101)

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

Amounts included in staff costs	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Employer service cost (net of employee contributions)	309	241
Total	309	241

Amounts included in investment income	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Net interest cost	(89)	(65)
Total	(89)	(65)

Amount recognised in Other Comprehensive Income	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Remeasurements	(1,895)	(400)
Total	(1,895)	(400)

15 Pensions and similar obligations (continued)

Local Government Pension Scheme (continued)

Movement in deficit during year

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Deficit in scheme at 1 August	(2,378)	(1,829)
Movement in year:		
. Employer service cost (net of employee contributions)	(309)	(241)
. Employer contributions	180	167
. Net return on assets / (net interest on liabilities)	(89)	(65)
. Administration expenses	(10)	(10)
. Actuarial loss	(1,895)	(400)
Deficit in scheme at 31 July	<u>(4,501)</u>	<u>(2,378)</u>

Asset and liability reconciliation

	2016 £'000	2015 £'000
Liabilities at start of period	6,553	5,233
Service cost	309	241
Interest cost	255	229
Employee contributions	95	86
Remeasurements	1,808	865
Benefits paid/transfers paid	(118)	(101)
Liabilities at end of period	<u>8,902</u>	<u>6,553</u>

Reconciliation of assets

Assets at start of period	4,175	3,404
Expected return on assets	166	164
Remeasurements	(87)	465
Administration expenses	(10)	(10)
Employer contributions	180	167
Employee contributions	95	86
Benefits paid/transfers paid	(118)	(101)
Assets at end of period	<u>4,401</u>	<u>4,175</u>

The estimated value of employer contributions for the year ended 31 July 2017 is £204,000.

Deficit contributions

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

16 Capital Commitments

There were no capital commitments contracted for at the year end (2015 – none).

17 Financial Commitments

At 31 July 2016 the College had commitments under non – cancellable operating leases as follows:

	31 July 2016 £'000	31 July 2015 £'000
Other		
No later than one year	83	83
Later than one year and not later than five years	165	248
Later than five years	248	331

18 Restricted Reserves

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

The capital base of the Rothery Bequest is described in note 9. Revenue generated by the fund within the framework of the will.

19 Related Party Transactions

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

Transactions with the funding body are detailed in notes 1 and 20.

20 Amounts disbursed as agent

	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Funding body grants	495	488
Administration fess	(24)	(23)
	471	465
Disbursed to students	(435)	(425)
Balance unspent at 31 July	36	40

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

21 Transition to FRS102 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.

	At 1 August 2014 £'000	At 31 July 2015 £'000
Financial position		
Total reserves under previous SORP	6,464	6,051
Employee leave accrual	(140)	(121)
Release of non-government capital grants	54	50
	(86)	(71)
Balance unspent at 31 July	6,378	5,980

21 Transition to FRS102 and the 2015 FE HE SORP (continued)

Financial performance	Year ended 31 July 2015 £'000
Surplus for the year under the previous SORP	29
Reversal of capital grants amortisation	(2)
Pensions provision – actuarial loss	(400)
Changes to measurement of net finance cost on defined benefit plans	(40)
Changes to current service cost on pension scheme	(9)
Movement in holiday pay accrual	19
Gain on investments within restricted fund	3
Total effect of transition to FRS102 and FE HE SORP	(429)
Total Comprehensive Income for the year under 2015 FE HE SORP	(400)

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 6 days unused leave for teaching staff and 4 days unused leave for non-teaching staff. In addition, certain non-teaching employees are entitled to carry forward up to 5 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 £139,000 was recognised at 1 August 2014, and £121,000 at 31 August 2015. Following a re-measurement exercise in 2015/16, the movement on this provision of £90,000 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 invoiced to the income recognised in the 2015 results that related to the annual amortisation of the capital grants involved.

21 Transition to FRS102 and the 2015 FE HE SORP (continued)

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 Comprehensive Income.