

Waltham Forest College

Members' Report and Financial Statements for the Year Ended 31 July 2018



WALTHAM FOREST COLLEGE

MEMBERS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2018

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Report of the Members of the Corporation

NATURE, OBJECTIVES AND STRATEGIES:

The members of the Waltham Forest College Corporation present their report and the audited financial statements for the year ended 31 July 2018.

Legal status

Waltham Forest College Corporation was established under The Further and Higher Education Act 1992, with its principal powers being to provide further and higher education, to provide specified secondary education, and to supply goods and services in connection with providing education. The College is an exempt charity for the meaning of Part 3 of the Charities Act 2011.

Mission

The College's mission is that it *will deliver responsive, outstanding teaching, learning and support to meet the needs of individuals and employers and inspire our students to develop the high-quality skills and knowledge they need to be successful in their future lives.*

Public benefit and strategic objectives

Waltham Forest College is an exempt charity under Part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State for Education. The members of the Corporation, who are trustees of the charity, are disclosed on pages 16 and 17.

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

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

- responsive, innovative and flexible vocational curriculum
- high quality teaching, learning and assessment
- student success rates above national average
- strong student support systems
- high quality training environment and resources
- widening participation and tackling social exclusion
- links with employers, industry and commerce
- links with Local Enterprise Partnerships (LEPs)

In 2017/18, the College achieved this by:

- raising its overall achievement rate by 1.2% to 85.6%, (2016/17: 84.4%).
- overall achievement rates are now above general FE and Tertiary College national averages.
- expanding its apprenticeship student numbers.

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Report of the Members of the Corporation (cont'd)

- strengthening its links with the London Borough of Waltham Forest and involvement in its Employment and Skills Board for the Borough.
- meeting the needs of disadvantaged and marginalised students. Approximately 70% of College learners are in the three most deprived bands, over 90% of students are from an ethnic minority, only c 30% of young people have GCSE Maths or English at Grade C on entry.
- The majority and an increasing number of students progress to positive destinations including higher education, employment and further education and training.

The Corporation is reviewing its Strategic Plan for the three-year period from August 2018 until July 2022. The updated plan will focus on delivering four key strategic aims and priorities:

- Excellence and innovation
- Employability and future careers
- Growth and sustainability
- People and culture

The Plan will build upon its previously set priorities and will maximise opportunities for students arising from the changes in the national, regional and local context for general further education colleges.

The Corporation has reviewed its achievements during 2017/18 against the objectives set out in the current Strategic Plan 2014-2018. The review has been informed by the successful outcome of the Ofsted inspection in February 2018, which graded the College as 'good'.

This provides a sound foundation for the College to build upon, as it develops its curriculum, and delivers state-of-the-art learning spaces and resources for its students to achieve.

During the year the College has managed a suite of comprehensive College Key Performance Indicators (KPIs), which have been reviewed and monitored closely. The Corporation has received regular reports of performance against these KPIs which measure performance against targets relating to learner recruitment, attendance and success, and financial health; with the majority of these targets having been fully or partially achieved in 2017/18.

Alongside the Strategic Plan, the College has a detailed three-year Financial Plan and KPIs which are regularly reported to the Corporation, showing targets relating to student recruitment, income generation, expenditure control, cash flow, loan covenants and financial health. The over-riding financial objective for 2017/18 was to ensure the College maintained its 'good' financial health rating as measured by the Education & Skills Funding Agency (ESFA) and this objective has been successfully achieved.

Performance indicators

The College recognises the importance of comparing its performance against sector averages and in particular against indicators of student performance and success. The College continuously monitors its student performance against the extensive range of detailed Further Education (FE) sector averages which are available.

The College is required to complete the annual Finance Record and a financial plan for the Education and Skills Funding Agency (ESFA). The College continues to be assessed by the ESFA as having a 'good' financial health grading, which agrees with the College's own self-assessment of its performance.

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Report of the Members of the Corporation (cont'd)

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of (£463k), (2016/17 deficit of (£365k)); from total income of £20,369k (2016/17: £19,854k). Excluding FRS102 Section 28 pension adjustments of £499k (2016/17 £476k), the College achieved a surplus of £37k (2016/17: surplus £111k).

Operating Surplus / (Deficit)	2017/18	2016/17
	£'000	£'000
Income	20,369	19,854
Expenditure	20,832	20,219
(Deficit) before tax	(463)	(365)
Add back: restructure costs	67	179
Add back FRS102 (section 28) pensions adjustments	499	476
Adjusted operating surplus	103	290

The adjusted operating surplus arose from the ongoing tight financial control and effective management of operating expenditure. The College retained 'good' financial health as calculated by the Education & Skills Funding Agency for the third successive year. The College expects to retain this financial health grade in 2018/19 and for the foreseeable future.

College income improved by £515k (2.6%), year on year, due mainly to an increase in the income achieved from the College's Adult Education Budget funding allocation. Funding Agencies' grant and income from fees and education grants remained stable. The College continues to place significant reliance on recurrent grants from the further education sector's funding bodies and in 2017/18 these funding bodies provided 78.3% (2016/17: 80.5%) of the College's total income.

College expenditure increased by £613k (3.0%) year on year, to deliver the additional income. The main increase was in operating expenses, arising from additional partnership and sub-contracted delivery.

The College holds accumulated net reserves, including defined benefit pension obligations of a positive balance of £1,294k (2016/17: (£2,824k) deficit). End of year cash balances at 31 July 2018 totalled £1,298k (2016/17: £1,827k) and net current liabilities totalled (£1,349k); (2016/17: (£1,125k)), remaining stable between 2016/17 and 2017/18. Cash holdings are expected to continue to be sufficient for the College to meet its liabilities during 2018/19.

Tangible fixed asset additions during 2017/18 totalled £1,242k, as the College continues to replace, update and improve, its learning spaces and resources for its students.

The College met its loan covenants at 31 July 2018, and it is graded financially 'good' when assessed by the ESFA financial health grade model.

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 Procedure in place.

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Report of the Members of the Corporation (cont'd)

Treasury policies and objectives (cont'd)

All borrowing, whether short term for temporary revenue purposes, if required, or to fund long term investment requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum. The College has not required any short-term borrowing during 2017/18.

Cash flows and liquidity

The College's net cash inflow from operating activities was £1,383k (2016/17: £1,178k). The College remains at risk from adverse short-term cash-flow movements especially when the monthly profile of grant receipts from the funding bodies is at its lowest level. The College continues to monitor and manage its day to day cash-flow closely and works closely with its bank. Cash holdings are expected to continue to be sufficient for the College to be able to meet its liabilities during 2018/19.

Reserves Policy

The College has no formal Reserves Policy; however, it recognises the importance of holding appropriate reserves to provide financial stability and resilience to the institution, whilst ensuring that adequate resources are provided annually to deliver the College's core business activity.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Planning

The College is well placed to grow its services for the future. It holds an income and expenditure account surplus at 31 July 2018 of £7,124k (31 July 2017: £6,698k) and an LGPS pension reserve deficit totalling £14,160k; (2016/17: £18,242k).

Taking the LGPS pension reserve deficit into account, which is in line with the majority of most other College in the Further Education (FE) sector; accumulated net reserves are positive in 2017/18 at £1,294k (2016/17: negative net assets (£2,824k)). The table below shows the surplus balance on the College's income and expenditure account, revaluation reserve and its LGPS pension reserve deficit.

Total Unrestricted reserves	2017/18	2016/17
	£'000	£'000
Income and expenditure account surplus	7,124	6,698
Pension reserve (deficit)	(14,160)	(18,242)
Unrestricted reserves	(7,036)	(11,544)
Revaluation reserve	8,330	8,720
Total Unrestricted reserves	1,294	(2,824)

Financial Health

The College remains in 'good' financial health, as assessed by the ESFA. The 2018/19 budget and the three-year plan, approved by the College Corporation in July 2018 forecasts that 'good' financial health will be maintained for the next three years.

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Report of the Members of the Corporation (cont'd)

Financial Health (cont'd)

The College achieved its ESFA Adult Skills Budget funding allocation for adult students and exceeded allocations for all-age apprentices in 2017/18. The College will be funded for the additional apprentices and this income has been included in the 2017/18 financial statements. No claw-back of any funding by the ESFA is anticipated relating to the College's 2017/18 performance.

The College fell short of its student enrolment targets for Higher Education and Level 3 adult provision funded by student loans; this resulted in a shortfall of income from these sources. This was offset by increased income for High Needs Learners and from tuition fees. Challenging but achievable budgets for these income streams have been set for 2018/19.

Curriculum and Quality

Enrolment

The learner number target agreed with the Education & Skills Funding Agency (ESFA) for 16-18 year olds in 2016/17 was 1,419 learners. Actual enrolments were 1,204. This resulted in a reduction of public funding of £899k in 2017/18, which was incorporated into the 2017/18 budget. Expenditure savings to offset this income reduction were implemented during 2017/18 to ensure that the College's financial 'good' health would be maintained. Strong learner enrolment in Autumn 2017 has meant that the College exceeded its funding allocation for 16-18 learners in 2017/18, which has restored the College's funding for 16-18 year olds in 2018/19 back to 2016/17 levels.

Learner Achievement

	Overall				
	Provider Full Year			Provider Group	National
	2015/16	2016/17	2017/18	2015/16	2015/16
Leavers	8,685	8,660	9,434	2,042,590	3,362,560
Achievement %	78.7 %	84.4 %	85.6 %	82.1 %	82.8 %

(Learner Achievement 3-year trend, Education and Training Headline, October 2018)

Overall learner achievement on all courses has significantly improved to 85.6%, since 2015/16, demonstrating a 3-year improvement trend. 16-18 student achievement rates for all courses have reduced slightly to 77.9%, which is 3.0% lower than 2016/17. However, 19+ student achievement rates have increased considerably by 7.5% over the past three years to 89.1%. Overall College achievement rates are now 2.8% above the national average.

The College recognises the crucial importance of continuing to raise its learner achievement rates so that they are significantly above the national average. The College continues to give due priority to improving the learner experience, which includes preparing learners for their chosen destinations, such as further study or employment.

Curriculum Development

The curriculum offered by the College spans all levels, from Entry to Higher Education, and across all types of vocational and other provision.

The Learning, Teaching and Assessment Strategy has been reviewed to reflect national and local

Report of the Members of the Corporation (cont'd)

Curriculum Development (cont'd)

priorities. The key focus for the College continues to be driving improvements in the learner experience including:

- High expectations for all learners
- Integrating maths and English into the vocational curriculum
- Stretch and challenge, differentiation and assessment for learning to meet all learners' needs
- Enhancing learning through the use of technology
- Action planning and one-to-one working with learners
- Learner-centred leadership and active responses to the 'learner voice'

The College is continuing to develop new provision to meet demand from local learners and employers. The capital investment programme in recent years has supported the development of new provision in the creative industries, art, media, fashion, IT, business and access to Higher Education. During 2016/17 the College completed a £3,945k project constructing a new STEM Centre which was open to learner use from September 2017. This enables the College to develop its science, technology and engineering curriculum offer. In addition, the College is now a member of the Mayor's Construction Academy, a prestigious quality mark that supports the development of the construction provision and its expansion into apprenticeships.

The College is developing its sports and public services offer, and has overhauled its provision for learners with learning difficulties and/or disabilities and for under 16-year olds. In addition, by working with partners, the College has maintained existing and developed new provision for apprentices and unemployed learners in rail engineering, flooring, butchery, financial services, construction, care industries, security, creative industries, the security industry, hairdressing and fashion.

Apprenticeships and Employer Engagement

The College has continued to successfully deliver significant levels of apprenticeship funding; totalling £690k for 16-18 year olds (2016/17: £589k) and £1,050k for adult apprenticeships; (2016/17: £1,068k). This has been achieved in a challenging market, which has seen a national reduction in apprenticeship recruitment by employers.

The Business Development Team has engaged heavily with employers throughout the academic year, conducting organisational *Training Needs Analyses* for over 1,500 businesses, which includes over 500 of them based within North East London. This has enabled the College to obtain valuable labour market intelligence and act accordingly. Actions have included the introduction of new apprenticeships to the College's course offerings, for example, *Plumbing* will be introduced in the following academic year.

The College also delivered a number of *Sector-Based Work Academies* to support a high proportion of unemployed learners into employment, across a range of industry sectors including flooring, fashion and railway engineering.

The College has delivered a variety of additional niche projects such as the European Social Fund (ESF), English for Speakers of Other Languages (ESOL) and it delivered the provision within the local community. This positive intervention has enabled learners to progress with the College to higher levels of study. For the first time, the College has secured funding for the *EuRopean Community Action Scheme for the Mobility of University Students (ERASMUS)* to allow students to travel to Europe and gain work experience with employers in the hospitality sectors in Spain and Portugal.

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Report of the Members of the Corporation (cont'd)

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 2017 to 31 July 2018, the College paid 81% (2016/17: 80%) of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College, and this is set out in the table below:

Numbers of employees who were relevant period	FTE employee number
3	1.9

Percentage of time	Number of employees
0%	0
1-50%	3
51-99%	0
100%	0

Total cost of facility time	£10k
Total pay bill	£11,334k
Percentage of total bill spent on facility time	0.09%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Events after the end of the reporting period

Since the end of the reporting period, the College has appointed a new senior post holder, Deputy Principal Curriculum and Quality, Stella McManus, who joined the College in September 2018.

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Report of the Members of the Corporation (cont'd)

Future Prospects

Following its successful inspection by Ofsted in February 2018 when it was graded 'good', the College is following an active quality improvement strategy, as it continues to work towards achieving 'outstanding'.

In parallel, the College has been continuing its rolling three-year financial plan to maintain the financial health of the institution as 'good' as determined by the Education & Skills Funding Agency. The year 2017/18 was the fourth successive year of 'good' financial health.

After three years of implementing a financial recovery plan and proactively managing multiple financial risks, the College has now successfully moved into a position of sustainable 'good' financial health. However, the College recognises that it is still operating within an environment of very tight public finance settlements and will need to continue to manage its resources efficiently and carefully.

The College is also implementing a strategy of active curriculum development to meet the needs of employers. The new Science, Technology, and Engineering & Maths (STEM) Centre completed in July 2017 supports a curriculum offer in these areas to meet well attested local demand.

The College Corporation considers that Waltham Forest College remains a sustainable going concern for the forthcoming year from the signing of the accounts to 31 December 2019 and for the foreseeable future. The three-year financial plan submitted to the ESFA in July 2018 sets out forecasts for 2018/19 and 2019/20 whereby the College retains a 'good' financial health and its underlying financial position continues to improve steadily. The Corporation takes this view for the following reasons that during the next two-year period:

- there is no material uncertainty about the College's financial position and income streams
- the College's financial health is 'good' at 31 July 2018
- the increase in 16-18 learner numbers which the College is experiencing in 2017/18 will translate through to an estimated £600k of additional income in 2018/19 which can be delivered from the current cost base and staff establishment
- the College has in place robust financial forecasting and planning models, complete with sensitivity analysis that allow prompt mitigating management action to be taken if required
- cash-flow estimates for the period to 31 December 2018 and for the following two years indicate that the College will continue to have sufficient cash to meet its short-term
- commitments and obligations and to be able to undertake capital investment to maintain the current volumes and quality of facilities and equipment

RESOURCES

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

Financial

The College has £15,454k (2016/17: £15,418k) of total net assets, before taking into account the liability totalling £14,160k (2016/17: £18,242k) of defined benefit obligations relating to the LGPS pension scheme.

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Report of the Members of the Corporation (cont'd)

People

As at 31 July 2018 the College employed over 300 staff, that being an average in 2017/18 of 268 full time equivalents. (2016/17: 319 staff and 265 full time equivalents respectively).

Reputation

The College has an improving reputation locally and nationally, and proactively raising awareness of its many successes is a priority. Maintaining a quality brand is essential for the College's success to attract students and to develop external relationships.

The College continues to strengthen and embed its systems of internal control, including financial, operational and risk management which are designed to protect the College's assets and reputation.

The Executive Team undertakes a regular comprehensive review of the risks which the College is facing. The College's detailed risk management arrangements identify systems and procedures, including specific preventable actions which should mitigate any potential adverse impact on the College. Internal controls are implemented and the on-going reviews monitor the effectiveness and progress of the risk mitigation actions. As part of the on-going review, the Executive Team regularly consider any new risks arising from changing circumstances or new areas of work being undertaken by the College.

A Risk Register is maintained at the College level which is reviewed regularly by the Executive Team's Risk Management Board, chaired by the Principal & Chief Executive, and by the Audit Committee. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College's finances and reputation, and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system which places a score on each risk before and after mitigating action.

This is supported by a risk management training programme for managers to ensure a high level of risk awareness and a consistent approach to risk management 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.

1. Government funding

The College has considerable reliance on continued Government funding through the further education sector funding bodies. In 2017/18, 78% (2016/17: 81%) of the College's revenue was publicly funded directly through funding agencies. This level of high dependence on direct public funding potentially places the College at financial risk in an environment of falling real public funding.

The College is aware of several challenges which may impact adversely on its future funding:

- On-going constraints surrounding the availability of public funding
- The Government continues to review its priorities for the adult skills sector in order to meet the skills needed for the UK to compete in the global economy
- Changes to the funding methodology and arrangements for devolved adult education budget provision
- the arrangements for apprenticeship levy and non-levy funding, which was introduced in May 2017, has seen much slower national engagement by employers than expected

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Report of the Members of the Corporation (cont'd)

- Strong competition for the recruitment of 16-18 learners
- Students being required to contribute more of their own monies to fund their learning through fees and/or student loans

These risks are mitigated in a number of ways:

- Delivering controlled profitable growth, especially to areas of demand-led funding i.e. apprentices and loan funded provision
- Funding is derived through a number of direct and indirect contractual arrangements
- 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
- Diversifying the course offer to meet local demand

2. Cost Management and Reduction

The College faces on-going pressure to reduce its cost base in the face of on-going falls in the level of public funding, while at the same time investing in new curriculum offers, in quality improvement strategies and in business transformation strategies.

Cost-related risks are mitigated in a number of ways:

- Rigorous budgetary control
- Integrated planning of teaching resources, student recruitment targets and income targets
- Increased efficiency in course delivery – larger group sizes and ensuring appropriate staff utilisation
- Reducing reliance on sub-contracting provision to partners
- On-going review of certain support functions
- Implementation of property strategy to drive estates efficiencies

3. Curriculum Quality

The strength of the College's business and financial performance is largely driven by the quality of its provision and hence its reputation. It is important for the College to demonstrate continuous improvement to ensure learner success rates are at or above national averages.

Curriculum quality-related risks are mitigated in a number of ways:

- Implementation of a robust Quality Improvement Plan (QIP)
- Rigorous self-assessment processes
- Effective curriculum management to ensure students retain and achieve on their courses
- Pro-active quality improvement plans in areas where performance is below average
- On-going training and development of teaching staff to ensure high quality teaching and learning
- Effective use of management reporting to drive prompt remedial action and accountability

STAKEHOLDER RELATIONSHIPS

In line with other further education colleges, Waltham Forest College has many stakeholders, and it recognises the importance of these relationships, by engaging them in regular communication through the College website and by meetings and events.

Report of the Members of the Corporation (cont'd)

SAFEGUARDING AND PREVENT DUTIES

The College has a statutory duty embodied in the Department for Education's (DfE) statutory guidance for schools and colleges, 'Keeping Children Safe in Education', which sets out the responsibilities placed on schools and colleges to safeguard and promote the welfare of children. The College meets these duties through having robust policies and procedures in place and through effective reporting, monitoring and training. There is a dedicated 'BeSafe' Team to ensure disclosures are managed in line with statutory requirements.

The College has a legal responsibility since September 2015 under the Counter-Terrorism and Security Act 2015 to have due regard to the need to prevent people from being drawn into terrorism or other forms of extremism. Waltham Forest College proactively implements its 'Prevent' strategy through a range of actions by:

- Having in place robust policies and procedures and effective arrangements for reporting, monitoring and training
- Promoting policies and values to reflect a tolerant and welcoming community for all learners
- Putting extensive measures in place to protect students from the risk of external elements including the control of entry to the campus, the management of external visitors and speakers, a strong focus on the display of ID information and strong online firewall, security and monitoring.
- Educating students to fulfil their potential and be successful in their future lives
- Fostering positive relationships with police and community partners
- Promoting British values and enabling students to engage successfully with their communities
- Encouraging and developing students' resilience and critical thinking skills to challenge and debate in an informed way

Equipping staff with the knowledge of possible indicators of concern with regards to extremist opinions.

Equality and Diversity

The College is committed to ensuring equality of opportunity for all who learn and work at the organisation. The College is committed to ensuring that all students have the opportunity to succeed and that all parts of the College should provide a consistently high quality service to students.

The College respects and values positively differences in ethnicity, gender, sexual orientation, ability, religion or belief, class, marital status and age. The College strives vigorously to remove conditions that place people at a disadvantage and we will actively combat discrimination. The College arrangements are resourced, implemented and monitored on a planned basis.

The College has a range of policies, procedures and frameworks associated with equality and diversity (including an Equality Scheme) to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on new policies and procedures and publishes the results. Equality impact assessments are also undertaken of existing policies and procedures on a prioritised basis.

The College is positive about employing people with disabilities. The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and

Report of the Members of the Corporation (cont'd)

Equality and Diversity (cont'd)

opportunities for promotion, which are, as far as possible, identical to those for other employees.

Disability Statement

The College has developed a comprehensive Disability Statement. This statement seeks to achieve the objectives set down in the Equality Act of 2010 and follows the guidelines set out in the SEN Code of Practice 2014. In support of this statement, the College makes the following commitments:

- **Physical access** – Over 95 per cent of the Forest Road campus is fully accessible. The College is committed to improving the access arrangements for the benefit of all members of the community.
- **Equipment and resources** – The College has an extensive range of equipment, software and resources available to students with additional learning needs and/or disabilities.
- **Admissions** – 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. Students with an Educational Health Care Plan (EHCP), and therefore allocated High Needs Funding, are welcomed at the College via the outlined referral process and offered suitable courses in line with the Local Authority guidelines.
- **Support to students** – The Learning Support and Foundation Learning teams provide specialist group, individual or in-class support. Within these teams there are staff with specialist expertise in the following areas; autistic spectrum disorders, learning disabilities, dyslexia, social, emotional and mental health challenges. The additional support team includes staff trained in British Sign Language, a Speech and Language Therapist, Visual Impairment specialist and access to an Educational Psychologist. The college can provide access to other specialists as necessary.
- **Specialist programmes** – Specialist programmes are described in programme information guides, and achievements and destinations are recorded and published in the College format.
- **Counselling** – Counselling and welfare services are available to any to student and students are made aware of this provision at Induction and through the comprehensive tutorial system.

Disclosure of Information to the Auditor

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

Approved by order of the Members of the Corporation on 4 December 2018 and signed on its behalf by:



Paul Butler, Chair of the Corporation

Waltham Forest College

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Report of the Members of the Corporation (cont'd)

College Professional Advisers

**Financial Statements and Regularity
Auditor:**

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Waltham Forest College

Members' Report and Financial Statements for the year ended 31 July 2018

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2017 to 31 July 2018 and up to the date of approval of the annual report and financial statements

The College endeavours to conduct its business:

- i. in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ('the Code'); and
- iii. having due regard to the UK Corporate Governance Code 2016 insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance. In the opinion of the Governors, the College complies with all the provisions of the UK Corporate Governance Code and it has complied throughout the year ended 31 July 2018.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015.

Public Benefit

Waltham Forest College is an exempt charity within the meaning of Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education as Principal Regulator for all FE Corporations in England. The Members of the Governing Body, who are trustees of the charity, are disclosed on pages 16 and 17.

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

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

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

In 2017/18 the College achieved this in particular by:

- raising its overall success rates to 85.6%, 1.2% above national average
- expanding its apprenticeship student numbers
- improving the *timely completion* rates for apprenticeships to 65.1%, 6.1% above national average
- strengthening its links with the London Borough of Waltham Forest and involvement in its Employment and Skills Board for the Borough

Waltham Forest College

Members' Report and Financial Statements for the year ended 31 July 2018

Statement of Corporate Governance and Internal Control (cont'd)

- meeting the needs of disadvantaged and marginalised students. Approximately 70% of College learners are in the three most deprived bands, over 90% of students are from an ethnic minority, only c 30% of young people have GCSE Maths or English at Grade C on entry
- The majority and an increasing number of students progress to positive destinations including higher education, employment and further education and training

The Corporation

The Members who served the Corporation during the year and up to the date of signature of this report were as listed in the table below.

Name	Date of Original Appointment	Date of Re-appointment	Term of Office	Due Date for Term Completion	Committees Served	Meeting Attendance 2017/18
1. Youness Abidou Member	23 February 2015	16 January 2018	4 years	16 January 2022	Audit, Search	7/10 (70%)
2. Steve Besley Member	14 December 2010	9 November 2015	4 years	31 December 2019	Remuneration	8/10 (80%)
3. Paul Butler Member <i>Chair</i>	13 May 2013	22 May 2018	4 years	31 May 2022 <i>(Chair until 30 September 2019)</i>	Remuneration, Search	9/10 (90%)
4. Joy Kettle Principal and Chief Executive	26 March 2018				Search	4/4 (100%)
5. Oluwatosin Kuforiji Student Governor	6 November 2018		9 months	31 July 2019		N/a
6. Alison Morris Member	31 October 2017		1 year	31 October 2018		6/7 (86%)
7. Cirielle Mukondolo Student Governor	6 November 2018		9 months	31 July 2019		N/a
8. Renatta Nzomono Member	6 June 2016	6 April 2017	4 years	5 April 2021	Audit	8/10 (80%)
9. Frank Royle Staff Member	19 September 2017		4 years	18 September 2021		10/10 (100%)
10. Angela Sejdini Student Governor	31 October 2017	Ended term of office 31 July 2018	9 months			2/6 (33%)
11. Jacqueline Sheehy Member	18 March 2008	Resigned 10 July 2018	4 years	10 July 2018	Search	8/10 (80%)
12. Terri Stacey-White Student Governor	31 October 2017	Ended term of office 31 July 2018	9 months			4/6 (67%)
13. Tim Strong Member	22 September 2014	22 September 2015	4 years	21 September 2019	Search (Chair)	8/10 (80%)
14. Kalim Uddin Staff Member	25 January 2016		4 years	26 January 2020		9/10 (90%)
15. Kapil Wadhvani Member	13 May 2013	22 May 2018	4 years	31 May 2022	Audit	6/10 (60%)

Name	Date of Original Appointment	Date of Re-appointment	Term of Office	Due Date for Term Completion	Committees Served	Meeting Attendance 2017/18
16. Terry Wheeler Member	2 December 1998	Ended term of office 31 July 2018	7 months		Audit, Search	6/10 (60%)
17. Graham Woolnough Member Vice Chair	20 March 2006	16 January 2018	1 year + 9 months	30 September 2019 (Vice Chair until 30 September 2019)	Audit (Chair)	8/10 (80%)
18. Penny Wycherley Principal and Chief Executive	19 January 2015	Retired 26 March 2018			Search	7/7 (100%)

Ms Val Bartlett acts as Clerk to the Corporation.

The average attendance for all Members of the Corporation during 2017/18 was 79% of potential attendances.

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 staffing-related matters including health and safety and environmental issues. The Corporation met ten times in the year.

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 Remuneration, Search and Audit. Full minutes of all meetings, except those deemed confidential by the Corporation, are available on the College's website at www.waltham.ac.uk or from the Clerk to the Corporation at:

Waltham Forest College
707 Forest Road
London E17 4JB

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

The College's Corporation comprises members, staff members and student members (as set out on pages 16 and 17) appointed under the Instrument of Government of the College. The roles of Chair and Vice Chair of the Corporation are separated from the role of the College's Principal and Chief Executive. The Corporation holds to itself the responsibilities of the strategic direction of the College, approval of major developments and the receipt of regular reports from the Principal and Chief Executive and other officers on the operations of its business.

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

Waltham Forest College
Members' Report and Financial Statements for the year ended 31 July 2018

Statement of Corporate Governance and Internal Control (cont'd)

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Corporation meetings. Briefings are also provided on an ad-hoc basis. The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

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

The Corporation carries out an annual review of the performance of its duties and responsibilities as part of a continuing process of self-evaluation. A review of performance of the Corporation is used to inform the preparation of the College's Self-Assessment Report.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, comprising members who are 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 carried out a self-assessment of its own performance for the year ended 31 July 2018 and graded itself as 'good' on the Ofsted scale.

The Corporation considers that its strengths are:

- well focussed student-centred approach
- successful change in culture and greater concentration on the quality of College provision
- shared understanding and agreement on the strategic direction of the College
- strong scrutiny of financial information as evidenced by the ESFA 'good' financial health grade

It considered that its areas for improvement are:

- managing succession planning for key Corporation roles
- need to consolidate and extend employer engagement with the College and Corporation
- need to ensure membership of the Corporation is kept under regular review to ensure it continues to reflect the full range of required expertise and experience

Remuneration Committee

The Remuneration Committee determines the remuneration of the designated Senior Post-holders who were, during 2017/18, the Principal and Chief Executive (the Accounting Officer), the Deputy Principal Quality and Curriculum and the Deputy Principal Corporate Resources. The Remuneration Committee also determines the pay of the Clerk to the Corporation.

During the year the College's Remuneration Committee comprised the Chair of the Corporation, the Vice Chair of the Corporation, the Chair of the Audit Committee and one independent member.

Waltham Forest College
Members' Report and Financial Statements for the year ended 31 July 2018

Statement of Corporate Governance and Internal Control (cont'd)

Remuneration Committee (cont'd)

Details of remunerations for the year ended 31 July 2018 are set out in Note 7 to the financial statements.

Audit Committee

The Audit Committee comprises four members of the Corporation (who exclude the Principal & Chief Executive and Chair of the Corporation). The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee met three times during the year. It provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion without the presence of College management. The Committee also receives and considers reports from the main Further Education funding bodies as they affect the College's business.

Statement of Corporate Governance and Internal Control (cont'd)

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

Management is responsible for implementation of the 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, financial statement and regularity auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

The review by the Audit Committee extends to a review of the performance of the financial statements and regularity auditors and the internal auditors.

INTERNAL CONTROLS

Scope of Responsibility

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

The Corporation has delegated day-to-day responsibility to the Principal and Chief Executive, 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 she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

Statement of Corporate Governance and Internal Control (cont'd)

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in Waltham Forest College for the year ended 31 July 2018 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2018 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

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

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Governing Body
- Regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate.
- Active risk management arrangements

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

Review of Effectiveness

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

Statement of Corporate Governance and Internal Control (cont'd)

-
- 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 auditor, the regularity auditor, the internal auditors and the appointed funding auditors in their management letters and other reports

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

The Executive 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 Executive Team and Audit Committee also receives regular reports from internal audit and other sources of assurance, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Principal & Chief Executive and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the Principal and Chief Executive and internal audit, and taking account of events since 31 July 2018.

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

Going Concern

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

The Corporation takes this view for the following reasons that during the next two-year period:

- there is no material uncertainty about the College's financial position and income streams
- the College's financial health, is 'good' at 31 July 2018
- the increase in 16-18 learner numbers which the College is experiencing in 2018/19 will generate additional income in 2019/20 which can be delivered from the current cost base
- the College has in place strong detailed financial forecasting and planning arrangements with a sensitivity analysis allowing prompt remedial management action if required
- cash-flow estimates for the period to 31 December 2018 and for the following two years indicate that the College will continue to have sufficient cash to meet its short-term commitments and obligations

Approved by order of the members of the Corporation on 4 December 2018 and signed on its behalf by:



Dr Joy Kettyl
Principal and Chief Executive (Accounting Officer)



Paul Butler
Chair of the Corporation

Waltham Forest College

Members' Report and Financial Statements for the year ended 31 July 2018

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

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

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are not able to identify any material irregular or improper use of the funds by the College, or material non-compliance with the terms and conditions of funding, under the College's financial memorandum.

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

Approved by order of the members of the Corporation on 4 December 2018 and signed on its behalf by:



Dr Joy Kettyl
Principal and Chief Executive
(Accounting Officer)



Paul Butler
Chair of the Corporation

Waltham Forest College

Members' Report and Financial Statements for the year ended 31 July 2018

Statement of the Responsibilities of the Members of the Corporation

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

Within the terms and conditions of the Financial Memorandum between the Education and Skills Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the *2015 Statement of Recommended Practice – Accounting for Further and Higher Education* and with the *College Accounts Direction for 2017 to 2018 financial statements* issued by the Education and Skills Funding Agency which give a true and fair view of the state of affairs of the College and the result for that year.

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

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

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

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

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

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

Approved by order of the members of the Corporation on 4 December 2018 and signed on its behalf by:



Paul Butler, Chair of the Corporation

Waltham Forest College
Members' Report and Financial Statements for the year ended 31 July 2018

Independent auditor's report to the Corporation of Waltham Forest College

Opinion

We have audited the financial statements of Waltham Forest College (the College) for the year ended 31 July 2018 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2018 and of the College's deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting for Further and Higher Education issued in March 2014.

Basis for opinion

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

Who are we reporting to

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

Conclusions relating to going concern

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

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

Other information

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, set out on pages 1 to 23 other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and,

Independent auditor's report to the Corporation of Waltham Forest College (cont'd)

except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

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

Responsibilities of the Corporation for the financial statements

As explained more fully in the Statement of the Responsibilities of the Members of the Corporation set out on page 23, the College's Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

10 DECEMBER 2018

Waltham Forest College
Members' Report and Financial Statements for the year ended 31 July 2018

To the Corporation of Waltham Forest College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

In accordance with the terms of our engagement letter dated 22 June 2018 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts 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 Waltham Forest College during the period 1 August 2017 to 31 July 2018 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Corporation of Waltham Forest College and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Corporation of Waltham Forest College and ESFA those matters we are required to state in a limited assurance 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 Waltham Forest College, as a body, and ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Waltham Forest College and the reporting accountant

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2017 to 31 July 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

Waltham Forest College

Members' Report and Financial Statements for the year ended 31 July 2018

To the Corporation of Waltham Forest College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA') (cont'd)

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the self-assessment questionnaire (SAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the SAQ.

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 2017 to 31 July 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
London

10 DECEMBER 2018

Waltham Forest College
Members' Report and Financial Statements for the year ended 31 July 2018

Statement of Comprehensive Income

		Year ended 31 July 2018	Year ended 31 July 2017
	Note	£'000	£'000
Income			
Funding body grants	2	15,954	15,990
Tuition fees and education contracts	3	3,224	2,728
Other grants and contracts	4	364	234
Other Income	5	823	891
Investment income	6	4	11
Total Income		20,369	19,854
Expenditure			
Staff costs	7	11,267	10,755
Restructuring costs	7	67	179
Other operating expenses	8	7,216	7,003
Depreciation	11	1,807	1,691
Provision for property related liabilities	16	0	(11)
Interest and other finance costs	9	475	602
Total Expenditure		20,832	20,219
Deficit before other gains and losses		(463)	(365)
Profit on disposal of assets		-	-
Deficit before tax		(463)	(365)
Taxation	10	-	-
Deficit for the year		(463)	(365)
Actuarial gain in respect of pension schemes	19	4,581	4,550
Total Comprehensive Income for the year		4,118	4,185

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

The accompanying accounting policies and notes form an integral part of the financial statements.

Waltham Forest College
Members' Report and Financial Statements for the year ended 31 July 2018

Statement of Changes in Reserves

	Total Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2017	(11,544)	8,720	(2,824)
Surplus from the income and expenditure account	(463)	-	(463)
Transfers between revaluation and income and expenditure reserves	390	(390)	-
Other comprehensive income	4,581	-	4,581
Total comprehensive income for the year	<u>4,508</u>	<u>(390)</u>	<u>4,118</u>
Balance at 31 July 2018	<u>(7,036)</u>	<u>8,330</u>	<u>1,294</u>
Balance at 1 August 2016	(16,119)	9,110	(7,009)
Deficit from the income and expenditure account	(365)	-	(365)
Transfers between revaluation and income and expenditure reserves	390	(390)	-
Other comprehensive income	4,550	-	4,550
Total comprehensive income for the year	<u>4,575</u>	<u>(390)</u>	<u>4,185</u>
Balance at 31 July 2017	<u>(11,544)</u>	<u>8,720</u>	<u>(2,824)</u>

The accompanying accounting policies and notes form an integral part of the financial statements.

Waltham Forest College
Members' Report and Financial Statements for the year ended 31 July 2018

Balance Sheet as at 31 July

	Note	2018 £'000	2017 £'000
Tangible Fixed assets	11	34,570	35,135
Current assets			
Stock		12	-
Trade and other receivables	12	741	1,016
Cash and cash equivalents	17	1,298	1,827
		<u>2,051</u>	<u>2,843</u>
Less: Creditors: amounts falling due within one year	13	<u>(3,400)</u>	<u>(3,968)</u>
Net current liabilities		<u>(1,349)</u>	<u>(1,125)</u>
Total assets less current liabilities		33,221	34,010
Creditors: amounts falling due after more than one year	14	(17,253)	(18,047)
Provisions			
Defined benefit obligations	16	(14,160)	(18,242)
Other provisions	16	(514)	(545)
		<u>1,294</u>	<u>(2,824)</u>
Total Net Assets/(Liabilities)		<u>1,294</u>	<u>(2,824)</u>
Unrestricted Reserves			
Income and expenditure account		(7,036)	(11,544)
Revaluation reserve		8,330	8,720
Total unrestricted reserves		<u>1,294</u>	<u>(2,824)</u>

The financial statements on pages 28 to 50 were approved and authorised for issue by the Corporation on 4 December 2018 and were signed on its behalf on that date by:



Paul Butler
Chair of the Corporation



Dr Joy Kettyle
Principal and Chief Executive

The accompanying accounting policies and notes form an integral part of the financial statements.

Waltham Forest College
Members' Report and Financial Statements for the year ended 31 July 2018

Statement of Cash Flows

		Year ended 31 July 2018	Year ended 31 July 2017
	Note	£'000	£'000
Cash flow from operating activities			
(Deficit) for the year		(463)	(365)
Adjustment for non-cash items			
Depreciation	11	1,807	1,691
Decrease in stocks		(12)	4
Decrease /(increase) in debtors	12	275	(605)
(Decrease)/increase in creditors due within one year	13	(324)	325
(Decrease) in creditors due after one year	14	(840)	(846)
(Decrease)/increase in provisions	16	(31)	(93)
Pension costs less contributions payable	19	499	476
Adjustment for investing or financing activities			
Investment income	6	(4)	(11)
Interest payable	9	475	602
Net cash flow from operating activities		<u>1,382</u>	<u>1,178</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets	11	-	-
Investment income	6	4	11
Payments made to acquire fixed assets	11	(1,487)	(3,582)
Deferred capital grants received		299	3,261
		<u>(1,184)</u>	<u>(310)</u>
Cash flows from financing activities			
Interest paid	9	(475)	(602)
Repayment of amounts borrowed		(252)	(252)
		<u>(727)</u>	<u>(854)</u>
Increase/(decrease) in cash and cash equivalents in the year	17	<u>(529)</u>	<u>14</u>
Cash and cash equivalents at the beginning of the year	17	1,827	1,813
Cash and cash equivalents at the end of the year	17	1,298	1,827

The accompanying accounting policies and notes form an integral part of the financial statements.

Notes to the financial statements for the year ended 31 July 2018

1. Accounting Policies

Statement of accounting policies and estimation techniques

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2017 to 2018* 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 an exempt charity in England and Wales and a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention 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 accompanying Members Report. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

As noted in the Members Report, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

At 31 July 2018 the College has £1,195k of loans outstanding with Barclays Bank. The loan will be repaid by 1 January 2022. The bank has a charge over the full value of the College's Forest Road site as security for the loan. The interest rate is floating at 1.5% above base rate.

The College's forecasts and projections, taking account of reasonably possible changes in operating performance show that the College should be able to operate within the level of its current banking facilities and loan covenants, and maintain an appropriate level of financial strength as assessed by the ESFA, for the foreseeable future. Taking all factors into account the Corporation has therefore concluded that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the next twelve month period.

The Corporation takes this view for the following reasons that during the next two-year period:

- there is no material uncertainty about the College's financial position and income streams.
- the College's financial health is 'good' at 31 July 2018. Forecasts for 2018/19 and 2019/20 indicate that a financial health rating of 'good' will be maintained throughout this period.
- the increase in 16-18 learner numbers which the College is experiencing in 2018/19 will generate additional income in 2019/20 which can be delivered from the current cost base.
- the College has in place strong detailed financial forecasting and planning arrangements with a sensitivity analysis allowing prompt remedial management action if required.

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

- cash-flow estimates for the period to 31 December 2018 and for the following two years indicate that the College will continue to have sufficient cash to meet its short term commitments and obligations.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Where part of a government grant is deferred, the deferred element is recognised as deferred income within creditors and allocated between creditors due within one year and creditors due after more than one year as appropriate.

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.

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.

Agency arrangements

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

Post-employment benefits

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll.

The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and in common with other Colleges in the FE sector, Waltham Forest 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

Notes to the financial statements for the year ended 31 July 2018

income statement in the periods during which services are rendered by employees.

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets and actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

Short term Employment benefits

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

Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the on-going pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet, using the enhanced pension spread-sheet provided by the funding bodies.

Non-current Assets - Tangible fixed assets

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

Land and Buildings

The College's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis.

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated evenly over their expected 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 capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

Notes to the financial statements for the year ended 31 July 2018

The cost of building improvements carried out in premises leased by the College is depreciated over the shorter of the life of the lease period or their expected useful economic life.

Finance costs which are directly attributable to the construction of land and buildings are not capitalised as part of the cost of these assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. No impairments of fixed assets have been carried out during 2017/18.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of the land and buildings which were revalued in 1994, but not to adopt a policy of revaluing these properties in the future.

Assets under Construction

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

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £1,000 per individual item is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated over its useful economic life as follows:

Furniture and fittings, Plant	10% per year on a straight line basis
Computer equipment	20% per year on a straight line basis
Computer software	20% per year on a straight line basis
Motor vehicles	25% per year on a straight line basis

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the expected useful economic life of the related asset.

Borrowing costs

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

Leased Assets

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

Notes to the financial statements for the year ended 31 July 2018

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Financial liabilities and equity

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

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

Taxation

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

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

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, and 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. The College has provisions for potential dilapidations relating to two leased properties and for enhanced pensions.

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements. The College has no contingent liabilities as at 31 July 2018.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

- That there are no indicators of impairment of the group's tangible assets. 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.

Notes to the financial statements for the year ended 31 July 2018

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 19, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding Body Grants

	2018 £'000	2017 £'000
Recurrent Grants		
Skills Funding Agency	8,001	7,336
Education Funding Agency	6,872	7,499
Higher Education Funding Council	39	67
Specific Grants		
Skills Funding Agency	202	365
Release of Deferred Grants	840	723
Total	15,954	15,990

3 Tuition Fees and Education Contracts

	2018 £'000	2017 £'000
Adult Education Fees	811	714
Fees for FE Loan supported courses	1,224	764
Fees for HE Loan supported courses	224	280
Apprenticeship Fees	20	-
	-	-
Total tuition fees	2,279	1,758
Education contracts	945	970
Total	3,224	2,728

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

	2018 £'000	2017 £'000
4 Other Grants and contracts		
Other Grants and contracts	<u>364</u>	<u>234</u>
5 Other Income		
	2018 £'000	2017 £'000
Catering and residence operations	366	471
Other income generating activities	157	210
Miscellaneous income	300	210
Total	<u>823</u>	<u>891</u>
6 Investment Income		
	2018 £'000	2017 £'000
Interest receivable – bank	<u>4</u>	<u>11</u>
7 Staff Costs		
The average number of persons (including key management personnel) employed by the College during the period, expressed as full-time equivalents, was:		
	2018 Number	2017 Number
Teaching staff	122	120
Non-teaching staff	146	145
	<u>268</u>	<u>265</u>
	2018 £'000	2017 £'000
Staff costs for the above persons		
Wages and salaries	7,901	7,902
Social security costs	750	719
Other pension costs	1,523	1,350
Payroll sub total	<u>10,174</u>	<u>9,971</u>
Contracted out staffing services	1,093	784
	<u>11,267</u>	<u>10,755</u>
Restructuring staff costs - Contractual	61	137
- Non-Contractual	6	42
Total Staff Costs	<u>11,334</u>	<u>10,934</u>

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

Key management personnel (senior post-holders)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are the Principal, Deputy Principal Curriculum, Quality, and Interim Deputy Principal Corporate Resources.

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

staff

	2018 Number	2017 Number		
The number of key management personnel including the Accounting Officer was:	4	3		
The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employer’s national insurance contributions but including benefits in kind, in the following ranges was:				
	Key Management Personnel		Other staff	
	2018 No.	2017 No.	2018 No.	2017 No.
£30,001 to 40,000*	1	-	-	-
£40,001 to £50,000	1	-	-	-
£50,001 to £60,000*	1	1	2	4
£60,001 to £70,000	-	-	2	-
£70,001 to £80,000	-	1	-	-
£80,001 to £90,000	-	-	-	-
£100,001 to £110,000	1	-	-	-
£140,001 to £150,000	-	1	-	-
	4	3	4	4

* Includes two employees who left the College during the year. No compensation for loss of office was paid to these members of staff.

Key management personnel emoluments are made up as follows:

	2018	2017
	£'000	£'000
Salaries	244	256
Benefits in kind	11	17
	255	273
Pension contributions	25	32
Total emoluments	280	305

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

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	2018 £'000	2017 £'000
Salaries	154	125
Benefits in Kind	11	17
Total emoluments	165	142
Pension contributions	25	20
Total emoluments including pension contributions	190	162

The table above, includes the emoluments of a senior post holder who held the role of Accounting Officer from August 2017 until the date of her retirement in May 2018. Her successor, also a senior post holder, joined the College as Accounting Officer in March 2018 and her emoluments from March 2018 until July 2018, are also included in the above table.

The pension contributions in respect of the Accounting Officer and senior post-holders are employer contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same contribution rate as for other employees.

Compensation paid to former Senior Post-holders

	2018 £'000	2017 £'000
Compensation paid to former senior post-holders	-	-

The members of the Corporation, other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties (Note 20).

8 Other Operating Expenses

	2018 £'000	2017 £'000
Teaching costs	277	354
Non-teaching costs	5,796	5,384
Premises costs	1,143	1,265
	7,216	7,003

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

	£'000	£'000
Other operating expenses include:		
Auditors' remuneration:		
Financial statements and Regularity audits	31	32
Other services provided by Financial Statements auditor *	1	1
Internal audit	20	20
Operating leases – buildings	103	161

*Other services provided by the Financial Statements auditors consist of the Teacher Pension audit (2017/18 and 2016/17).

9 Interest and other finance costs

	2018 £'000	2017 £'000
On bank loans:		
Repayable wholly or partly between two and five years	30	33
Pension finance costs (Note 19)	445	569
	<u>475</u>	<u>602</u>

10 Taxation

Members of the Corporation consider that the College was not liable for any Corporation Tax arising out of its activities during this period.

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

11 Tangible Fixed Assets

	Assets in the course of Construction £'000	Land and buildings Freehold £'000	Tenants Improvements £'000	Equipment £'000	Total £'000
Cost					
At 1 August 2017	3,733	42,218	818	2,245	49,014
Additions	465	302	-	475	1,242
	-	-	-	(235)	(235)
Disposals					
Transfer	(3,733)	3,510	-	223	-
At 31 July 2018	465	46,030	818	2,708	50,021
Depreciation					
At 1 August 2017	-	12,052	725	1,102	13,879
Charge for period	-	1,337	55	415	1,807
Disposals	-	-	-	(235)	(235)
At 31 July 2018	-	13,389	780	1,282	15,451
Net book value at 31 July 2018	465	32,641	38	1,426	34,570
Net book value at 1 August 2017	3,733	30,166	93	1,143	35,135
Inherited	-	8,330	-	-	8,330
Financed by capital grant	-	16,502	38	617	17,157
Other	465	7,809	-	809	9,083
Net book value at 31 July 2018	465	32,641	38	1,426	34,570

The transitional rules set out in FRS102 Tangible Fixed Assets have been applied on implementing FRS102. Accordingly, the book values at implementation have been retained.

Land and buildings were last revalued for the purpose of the 1994 financial statements at depreciated replacement cost by CB Richard Ellis, Chartered Surveyors.

12 Debtors

	2018 £'000	2017 £'000
Trade receivables	102	100
Prepayments and accrued income	438	678
Amounts owed by the Education and Skills Funding Agency	201	238
	741	1,016

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

13 Creditors: Amounts Falling Due within One Year

	2018 £'000	2017 £'000
Bank Loans	252	252
Payments received on account	29	52
Trade payables	326	237
Other taxation and social security	794	836
Accruals	425	564
Deferred Income – Capital Grants	846	846
Capital accruals	260	506
Franchise accruals	468	675
	<u>3,400</u>	<u>3,968</u>

14 Creditors: Amounts Falling Due After One Year

	2018 £'000	2017 £'000
Bank Loan	943	1,195
Deferred Capital Grant	16,310	16,852
	<u>17,253</u>	<u>18,047</u>

15 Maturity of Debt

Bank loans are repayable as follows:

	2018 £'000	2017 £'000
In one year or less	252	252
Between one and two years	943	1,195
Between two and five years	-	-
	<u>1,195</u>	<u>1,447</u>

The bank has a charge over the full value of the College's Forest Road campus as security for the above debt, which is a revolving credit facility repayable by 1 January 2022. The interest rate is a floating rate at 1.50% above the base rate.

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

16 Provisions

	Enhanced Pension	Property Related	Sub-total	Defined Benefit Obligations	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2017	359	186	545	18,242	18,787
Additions/(adjustments) in the period	6	-	6	-	6
Expenditure in the period	(37)	-	(37)	(4,082)	(4,119)
At 31 July 2018	328	186	514	14,160	14,674

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

The provision made for potential dilapidation costs on two leased properties will fall due in stages between August 2018 and April 2019.

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

	2018	2017
Price inflation	1.3%	1.3%
Discount rate	2.3%	2.3%

17 Cash and Cash Equivalents

	At 1 August 2017 £'000	Cashflows £'000	Other Changes £'000	At 31 July 2018 £'000
Cash in hand and at bank	1,827	(529)	-	1,298
TOTAL	1,827	(529)	-	1,298

18 Lease Obligations

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

Future minimum lease payments due	2018 £000	2017 £'000
Land and Buildings		
Not later than one year	73	103
Later than one year and not later than five years	-	73
	73	176

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

19 Defined Benefit Obligations

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

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

Total pension cost for the year	2018 £'000	2017 £'000
Teachers' Pension Scheme: contributions paid	583	565
Local Government Pension Scheme: Contributions paid	886 <u>54</u>	878 <u>(93)</u>
FRS 102 Charge Charge to the Statement of Comprehensive Income	<u>940</u>	<u>785</u>
Total Pension Cost for Year within staff costs	<u>1,523</u>	<u>1,350</u>

Contributions amounting to £163k; (2017: £159k) were payable to the schemes at 31 July 2018 and are included within creditors.

Teachers' Pension Scheme

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

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

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

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

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

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

The latest actuarial review of the TPS was carried out as at 31 March 2012. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

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

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

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

Employer and employee contributions paid to TPS in the year amounted to £806k (2016: £873k).

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by the London Borough of Waltham Forest. The total contributions made for the year ended 31 July 2018 were £997k, (2016/17: £1,055k), of which employer's contributions totalled £823k in 2017/18; (2016/17: £878k) and employees' contributions totalled £174k in 2017/18, (2016/17: £177k). The agreed contribution rates for the period 2017/18 to 2019/20 are for the employer to contribute 14.9% of members' pensionable salaries, plus an annual lump sum payment equivalent to a further 14.0%. Employee contributions range from 5.5% to 7.5%, based on their pensionable salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 July 2018 by a qualified independent actuary:

	2018	2017
	%	%
Rate of increase in salaries	3.7	3.7
Future pension increases	2.3	2.2
Discount rate for scheme liabilities	2.9	2.5
Inflation assumption (CPI)	2.2	2.2
Commutation of pensions to lump sums	50	50

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

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

	2018	2017
<i>Retiring today</i>		
Males	22.5	22.4
Females	25.5	25.4
<i>Retiring in 20 years</i>		
Males	24.7	24.6
Females	27.9	27.7

The College's estimated share of the assets and liabilities in the scheme and the expected rates of return were:

	Fair Value at 31 July 2018	Fair Value at 31 July 2017
	£'000	£'000
Equities	17,438	14,991
Property	2,378	2,142
Cash	793	1,428
Other Bonds	2,642	2,856
Other	3,171	2,380
Total fair value of assets	26,422	23,797
Actual return on plan assets	2,669	1,817

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

	2018 £'000	2017 £'000
Fair Value of plan assets	26,422	23,797
Present value of plan liabilities - Funded	(40,582)	(42,039)
Net pensions liability (Note 16)	(14,160)	(18,242)

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

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

Amounts included in staff costs	2018 £'000	2017 £'000
Current service cost	911	757
Past Service Cost	-	-
Total	911	757

Amounts included in investment income	2018 £'000	2017 £'000
Net interest income	-	-
	-	-

Amount recognised in Other Comprehensive Income	2018 £'000	2017 £'000
Return on pension plan assets	2,074	3,026
Changes in assumptions underlying the present value of plan liabilities	2,507	1,524
Amount recognised in Other Comprehensive Income	4,581	4,550

Movement in net defined liability during year	2018 £'000	2017 £'000
Net defined liability in scheme at 1 August	(18,242)	(22,316)
Movement in year:		
Current service cost	(911)	(757)
Employer contributions	886	878
Admin expenses	(29)	(28)
Net interest on the defined liability	(445)	(569)
Actuarial gain/loss	4,581	4,550
Movement in defined benefit liability at 31 July	(14,160)	(18,242)

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

Asset and Liability Reconciliation

	2018	2017
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	42,039	42,538
Current service cost	911	757
Interest cost	1,040	1,095
Contributions by Scheme participants	189	177
Experience gains and losses on defined benefit obligations		
Changes in financial assumptions	(2,507)	(1,524)
Estimated benefits paid	(1,090)	(1,004)
Defined benefit obligations at end of period	<u>40,582</u>	<u>42,039</u>

Changes in fair value of asset plan assets

Fair value of plan assets at start of period	23,797	20,222
Interest on plan Assets	595	526
Return on plan assets	2,074	3,026
Administration expenses	(29)	(28)
Employer contributions	886	878
Contributions by Scheme participants	189	177
Estimated benefits paid	(1,090)	(1,004)
Fair value of plan assets at end of period	<u>26,422</u>	<u>23,797</u>

20 Related Party Transactions

Due to the nature of the College's operations and the composition of the Corporation (members 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 Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Corporation during the year was £408 to two members of the Corporation, (2016/17: £164 paid to two members of the Corporation). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and College events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2016/17: None).

No other transactions were identified which should be disclosed under Financial Reporting Standard 102.

Notes to the financial statements for the year ended 31 July 2018 (cont'd)

21 Amounts Disbursed as Agent

Learner Support Funds

	2018 £'000	2017 £'000
Funding Body grants – 16-18 Learner Support Fund	351	363
Funding Body grants – Adult Learner Support Fund	639	511
Funding Body grants – Level 3 loans bursary	327	327
	<u>1,317</u>	<u>1,201</u>
Disbursed to Students	(1,278)	(1,135)
Administration charge	(39)	(38)
	<u> </u>	<u> </u>
Balance unspent as at 31 July	-	28
	<u> </u>	<u> </u>

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

22 Post Balance Sheet Events

In November 2018, the College was notified of a High Court ruling relating to the equalisation of Guaranteed Minimum Pensions (GMPs), for members of the Local Government Pension Scheme (LGPS). The College has been advised that the ruling is unlikely to have an effect on the valuation of the LGPS scheme, however, this will be confirmed in 2019.