

Waltham Forest College Report and Financial Statements for the year ended 31 July 2017



WALTHAM FOREST COLLEGE

FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2017

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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 2017.

Legal status

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

Mission

The Corporation reviewed the College's mission during 2013/14 and adopted a revised mission statement on 7 July 2014 as follows:

Waltham Forest College 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 page 14.

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 2016-17 the College achieved this in particular by:

- raising its overall success rates to 84.4%, 2.3% above national average
- expanding its apprenticeship numbers to 1015
- improving the Timely Completion rates for apprenticeships to 65.1%, 6.1% above national average
- embedding work experience into the Study Programme for 87% of learners aged 16-19
- 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. Over 80% of College learners are in the three most deprived bands, over 90% of students are from an ethnic minority, only c 25% 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

Report of the Members of the Corporation (continued)

The Corporation has approved a Strategic Plan for the three year period commencing on 1 August 2014. The College Corporation have agreed a 12 month addendum to this plan pending a more thorough review of strategic objectives during 2017/18. The plan sets out an over-riding vision "to be the College of first choice for vocational excellence"

The Plan re-iterates that the College Core Values are as follows:

- Fairness everyone has an equal opportunity to achieve regardless of their starting point
- Openness we are open, honest and fair in what we say and do and accountable for our actions and inactions
- Respect the abilities, beliefs and cultures of all members of our community are valued, respected and celebrated
- Excellence we strive for excellence in teaching, learning and support and all other aspects
 of our work
- Success people are encouraged to believe in themselves and fulfil their potential both educationally and professionally
- Teamwork we recognise and value the contribution of individuals and teams in achieving the College's mission, vision and goals

The Plan builds on the previously set priorities and has regard to the changes in the national, regional and local context for general further education colleges. The Plan sets out five strategic priorities which constitute identifiable public benefits through the advancement of education:

- · Deliver a responsive, innovative and flexible vocational curriculum
- Deliver outstanding teaching, learning and assessment
- · Develop an outstanding workforce
- · Provide high quality accommodation and resources
- Secure the future by maintaining financial sustainability

The Corporation has reviewed progress during 2016/17 against the objectives set in the three year Strategic Plan 2014-2017. This review has been informed by the outcome of the Ofsted inspection in November 2016 which graded the College as "requiring improvement". The College has continued with its robust Post Inspection Action Plan with measurable outputs to endeavour to ensure that the College achieves a "good" Ofsted rating at the next inspection which is expected to take place in spring 2018.

During the year the comprehensive set of College Key Performance Indicators has been reviewed and monitored closely. The Corporation has received monthly reports of performance against these Key Performance Indicators which reflect targets relating to learner recruitment, attendance and success, and financial health; most of these targets have been fully or partially achieved in 2016/17. The over-riding College objective for 2016/17 was to continue the on-going improvement in student success rates; this objective has been achieved.

In addition, the College has a detailed three year Financial Plan and Financial Performance Indicators reported monthly to the Corporation reflecting targets relating to student recruitment, income generation, expenditure control, cash flow, loan covenants and financial health; 70% of these targets have been fully achieved in 2016/17. The over-riding financial objective for 2016/17 was to ensure the College maintained its "good" financial health rating as measured by the Education & Skills Funding Agency; this objective has been achieved.

Report of the Members of the Corporation (continued)

During 2016/17 the Corporation has continued to robustly consider its long term options. The detailed discussions with Barnet & Southgate College which had begun in 2015/16 regarding potential merger continued until spring 2017 at which time both parties decided not to proceed with a merger option. The College subsequently undertook a Structure & Prospects Appraisal during summer 2017 as a result of which the Corporation concluded that the College should remain as a "stand alone" entity but that informal discussions about opportunities for collaboration should be held with New City College. The decision to remain as a "stand alone" entity was informed by the College's improving performance with regards to the quality of provision, student outcomes and financial health.

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 sector averages which are available.

The College is required to complete the annual Finance Record and a financial forecast for the Education & Skills Funding Agency. The College continues to be assessed by the Education & Skills Funding Agency as having a "good" financial health grading which concurs with the College's own self-assessment.

Implementation of strategic objectives

The College set itself very challenging targets for 2016/17. The main Key Performance Indicators and performance against these during 2016/17 are:

Achieve SFA funding allocation	SFA main and apprenticeships funding achieved
Achieve 16-18 enrolment target of 1,419 learners	Not achieved - 1,203 learners enrolled
Non-funding body income of £3.844 million	Achieved - £3.865 million
Not to exceed staffing budget of £11.280 million and for the proportion of staff costs to income to be 68%	Achieved the target of 68% and at year end costs were £10.934 million
Secure operating break even (excluding pension adjustments)	Achieved operating surplus of £0.111 million (excluding pension adjustments of a charge of £0.476 million)
Secure "good" financial rating	Achieved
Raise 16-18 learner achievement rates to 77%	Achieved - 81%
Raise adult learner achievement rates to 80%	Achieved - 86%
Raise student attendance to 86%	Achieved - 87%

Report of the Members of the Corporation (continued)

FINANCIAL POSITION

Financial results

The College generated a deficit before other gains and losses in the year of £0.365 million (2015/16 deficit of £0.455 million) with total comprehensive income of £4.185 million (2015/16: expenditure £7.076 million). Before FRS 102 (pension) adjustments of £0.476 million the College made a surplus of £0.111 million (2015/16: deficit of £0.174 million)

The surplus excluding the FRS 102 pension adjustment compares to the College's planned budget for a break even position. The surplus arose from the on-going tight financial control and effective management of costs. The College retained "good" financial health as calculated by the Education & Skills Funding Agency for the third successive year as planned. It is planned to sustain this financial health rating in 2017/18 and a budget to meet this objective has been approved by the Corporation.

College income rose by £0.303 million (1.6%) between 2015/16 and 2016/17 due mainly to increases in income from sub-letting and project funding. Funding Agencies' grant and income from fees and education grants remained stable. The College continues to have significant reliance on recurrent grants from the further education sector funding bodies; in 2016/17 the funding bodies provided 81% (2015/16: 82%) of the College's total income.

College expenditure rose by £0.213 million (1.1%) between 2015/16 and 2016/17 to match the Increase in income. The main increase was in other operating expenses, arising from additional partnership and sub-contracting work.

The College has accumulated revenue reserves, including defined benefit pension obligations of a deficit balance of £2.824 million (2015/16: £7.009 million deficit). End of year cash balances of £1.827 million (2015/16: £1.813 million) and net current liabilities of £1.125 million (2015/16: £1.132 million) remained stable between 2015/16 and 2016/17. Cash holdings are expected to continue to be sufficient for the College to be able to meet its liabilities during 2017/18.

Tangible fixed asset additions during the year amounted to £3.867 million. Most of this spend was incurred on the building and fit-out of the new Science, Technology, Engineering and Maths (STEM) Centre which was successfully completed in July 2017. This project was 90% grantfunded by the Greater London Authority.

The College met its loan covenants as at 31 July 2017.

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.

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 2016/17.

Report of the Members of the Corporation (continued)

Cash flows and liquidity

The College's net cash flow from operating activities was £1.178 million (2015/16: £0.296 million). The College remains at risk of adverse short term cash-flow movement especially when the monthly profile of grant payments from the funding bodies is at its lowest level. The College continues to monitor and manage its day to day cash-flow carefully and to work closely with its bank. Cash holdings are expected to continue to be sufficient for the College to be able to meet its liabilities during 2017/18.

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in providing financial stability and resilience to the institution, whilst ensuring that adequate resources are provided annually to deliver the College's core business.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Financial Health

The College remains in "good" financial health. The 2017/18 budget approved by the College Corporation in July 2017 plans for "good" financial health to be retained.

Student Numbers

The learner number target agreed with the Education & Skills Funding Agency (ESFA) for 16-18 year olds in 2016/17 was 1419 learners and the actual enrolment was 1204. This has resulted in a reduction of public funding of £0.899 million in 2017/18 which has been incorporated into the 2017/18 budget. Expenditure savings to offset this income reduction were implemented during 2016/17 to ensure that the College's financial "good" health would be maintained in 2017/18. Student enrolment in autumn 2017 indicates that the College will exceed its funding allocation for 16-18 learners in 2017/18 which would restore the College's funding for 16-18 year olds in 2018/19 back to 2016/17 levels.

The College achieved its ESFA Adult Skills Budget funding allocations for adult students and exceeded allocations for all-age apprentices in 2016/17. The College will be funded for the additional apprentices and this income has been included in the 2016/17 financial statements. No claw-back of any funding by the ESFA is anticipated relating to the College's 2016/17 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. Realistic budgets for these income sources have been set for 2017/18.

Student Achievements

Student achievement rates (calculated on the basis of retention multiplied by the pass rate) on all courses have improved considerably during the year to 85% (2015/16: 79%). Achievement rates have improved for both 16-18 year old students to 81% (2015/16: 74%) and adults to 86% (2015/16: 82%). Overall College achievement rates are now 3% above the national average.

The College recognises the crucial importance of continuing to improve student achievement rates to being significantly above the national average. The College continues to give due priority to improving the student experience overall which includes progression and employability beyond college.

Report of the Members of the Corporation (continued)

Curriculum Developments

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 priorities. The key focus for the College continues to be the drive to improve the student experience including:

- · High expectations for all students
- Integrating English and Mathematics 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 £3.945 million project constructing a new STEM Centre which was open to student use from September 2017. This enables the College to develop its science, technology and engineering curriculum offer.

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.

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 2016 to 31 July 2017, the College paid 80% (2015/16: 77%) of its invoices within 30 days. The College incurred no interest charges in respect of late payment for this period.

Events after the end of the reporting period

Since the end of the reporting period the College has appointed a new Principal Dr Joy Kettyle who will commence her duties in March 2018 and will succeed the out-going Principal Ms Penny Wycherley on her retirement.

Future Prospects

The College is following an active quality improvement strategy. The College was inspected by Ofsted in November 2016 and was graded 3 "Requires Improvement". The College has implemented a robust post inspection action plan to seek to achieve a grade 2 "Good" outcome at the next inspection due to take place in the Spring/Summer Term of 2017/18.

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 2016/17 was the third successive year of "good" financial health.

Report of the Members of the Corporation (continued)

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.

Underpinning the College's financial health is the provision of high quality education and training. The College has implemented an active strategy of quality improvement which has resulted in student attendance and achievement rates exceeding national averages in 2016/17. This has enhanced the College's reputation as a successful local college and has resulted in higher than planed student enrolment in the autumn of 2017.

The College is also implementing a strategy of active curriculum development to introduce new curriculum areas in order to access new student markets. The completion of the new Science, Technology, and Engineering & Maths Centre in July 2017 supports a new curriculum offer in these areas to meet well attested local demand. This project was grant-funded by the Greater London Authority. The College is seeking further funding to develop its hospitality and catering, construction and SEN offers.

During 2015/16 the College actively participated in the Skills Funding Agency's Area Based Review process and started discussion about potential merger with local colleges. In summer 2016 a public commitment was made to pursue a merger with Barnet & Southgate College, though this remained dependent on public consultation. However, following lengthy and detailed discussions the two colleges subsequently decided in spring 2017 to continue collaboration as partners but not to continue to a full merger.

The College subsequently undertook a Structure & Prospects Appraisal during summer 2017 as a result of which the Corporation concluded that the College should remain as a "stand alone" entity but that informal discussions about opportunities for collaboration should be held with New City College. The decision to remain as a "stand alone" entity was informed by the College's improving performance with regard to the quality of provision, student outcomes and financial health.

The College Corporation considers that Waltham Forest College remains a going concern for the forthcoming year from the signing of the accounts to 31 December 2018 and beyond. The three year financial plan submitted to the ESFA in July 2017 sets out forecasts for 2017/18 and 2018/19 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 2017
- the increase in 16-18 learner numbers which the College is experiencing in 2017/18 will translate through to an estimated £0.600 million of additional income in 2018/19 which can be generated 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 2017 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

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Report of the Members of the Corporation (continued)

RESOURCES

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

Financial

The College has £15.418 million (2015/16: £15.307 million) of total net assets, before taking into account £18.242 million (2015/16:£22.316 million) of defined benefit obligations.

People

As at 31 July 2017 the College employed 320 people, or an average over the year then ended of 265 full time equivalents. (2015/16: 319 and 267 respectively).

Reputation

The College has a good and improving reputation locally and nationally, although it is acknowledged that raising awareness of the many successes of the College is a priority. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

The College continues to develop 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 to which the College is exposed. 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 review monitors 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 half termly by the Executive Team's Risk Management Board, chaired by the Principal & Chief Executive, and termly 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 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 issues which may impact adversely on future funding:

- On-going constraints on 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 adult single budget provision including new arrangements for apprenticeship funding implemented in May 2017

Waltham Forest College

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Report of the Members of the Corporation (continued)

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

These risks are mitigated in a number of ways:

- Diversifying income, especially to areas of demand-led funding i.e. apprentices and loans 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:

- Tight budgetary control
- Integrated planning of teaching resources, student recruitment targets and income targets
- Increased efficiency in course delivery larger group sizes and ensuring full staff utilisation
- Reducing reliance on sub-contracting provision to partners
- On-going review of all support staff establishments
- Implementation of property strategy to drive estates efficiencies
- · Robust procurement arrangements

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 Post Inspection Action Plan (PIAP) and Quality Improvement Plan (QIP)
- Robust 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 data to drive prompt remedial action and accountability

Report of the Members of the Corporation (continued)

STAKEHOLDER RELATIONSHIPS

In line with other further education colleges, Waltham Forest College has many stakeholders. These include:

- Students
- Education sector funding bodies
- Staff
- Delivery partners
- Local employers
- Local Authorities
- Local Enterprise Partnerships (LEPs)
- The local community
- Third sector and faith organisations
- Other Further Education institutions
- Trade unions
- Professional bodies
- Examination awarding bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College website and by meetings and events.

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 institution. 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.

Report of the Members of the Corporation (continued)

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 which 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 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 has been approved by the Corporation. This statement seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Acts 2001 and 2005. In support of this statement the College makes the following commitments:

- Physical access Over 95 per cent of the Forest Road site 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.
- 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 learning difficulties, dyslexia, psychological and emotional difficulties
 and basic skills. The College has several members of staff trained in British Sign Language.
 In addition, student support assistants, Makaton Communicators, or other specialists can,
 wherever possible, be employed as required.
- **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 also through the comprehensive tutorial
 system.

Report of the Members of the Corporation (continued)

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 12 December 2017 and signed on its behalf by:

P Butler Chair of the Corporation

College Professional Advisers

Financial Statements and Regularity Auditor:

Grant Thornton UK LLP Grant Thornton House 30 Finsbury Square London EC2P 2YU

Internal Auditor:

Scrutton Bland Fitzroy House Crown Street Ipswich Suffolk IP1 3LG

Bankers:

Barclays Bank Plc. 1 Churchill Place London E14 5HP

Solicitors:

Vanderpump & Sykes Lough Point 2 Gladbeck Way Enfield Middlesex EN2 7JA

Eversheds Kett House Station Road Cambridge CB1 2JY

Statement of Corporate Governance and Internal Control

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

The College endeavours to conduct its business:

- i. in 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. The College has not adopted and therefore does not apply the UK Corporate Governance Code.

In the opinion of the Governors, the College complies with all the provisions of the Code and it has complied throughout the year ended 31 July 2017.

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

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 page 14.

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
- 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 2016-17 the College achieved this in particular by:

- raising its overall success rates to 84.4%, 2.3% above national average
- expanding its apprenticeship numbers to 1015
- improving the Timely Completion rates for apprenticeships to 65.1%, 6.1% above national average
- embedding work experience into the Study Programme for 87% of learners aged 16-19
- strengthening its links with the London Borough of Waltham Forest and involvement in its Employment and Skills Board for the Borough

Statement of Corporate Governance and Internal Control (continued)

- meeting the needs of disadvantaged and marginalised students. Over 80% of College learners are in the three most deprived bands, over 90% of students are from an ethnic minority, only c 25% 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 Appointment	Term of Office	Date of Resignation or Completion	Status of Appointment	Committees Served	Attendance during 2016/17
Mr Y Abidou	25 Jan 2016	2 years		Member	Search; Audit	11/13 (85%)
Mr S Besley (Vice Chair to Sep 17)	09 Nov 2015	4 years		Member	Remuneration	11/13 (85%)
Mr P Butler (Chair)	31 Mar 2014	4 years		Member	Search; Remuneration	13/13 (100%)
Ms E Colquhoun	19 Sep 2016	1 year	12 Jun 2017	Member		5/10 (50%)
Mr D Gjoka	14 Nov 2016	1 Year	31 Jul 2017	Student Member		2/9 (22%)
Ms A Karahan	14 Nov 2016	1 year	24 Jun 2017	Student Member		6/8 (75%)
Ms F Magnus	25 Apr 2016	4 years	31 Jul 2017	Staff (Elected) Member		9/12 (75%)
Ms A Morris	31 Oct 2017	1 year		Member		N/A
Ms S Nijabat	15 Dec 2015	4 years	20 Feb 2017	Member		4/7 (57%)
Ms R Nzomono	6 Apr 2017	4 year		Member	Audit	10/13 (77%)
Mr F Royle	19 Sep 2017	4 year		Staff (Elected) Member		N/A
Ms A Sejdini	31 Oct 2017	9 months		Student Member		N/A
Ms J Sheehy	06 Apr 2017	4 years		Member	Search	6/10 (60%)
Ms T Stacey- White	31 Oct 2017	9 months		Student Member		N/A
Mr T Strong	22 Sep 2015	4 years		Member	Search	9/13 (69%)
Mr K Uddin	25 Jan 2016	4 years		Staff (Elected) Member	***************************************	12/12 (100%)
Mr K Wadhwani	31 Mar 2014	4 years		Member		6/9 (67%)
Clir T V Wheeler	19 Sep 2016	14 months		Member	Search; Audit	11/13 (85%)
Mr G Woolnough (Vice Chair)	27 Jan 2014	4 years		Member	Audit	12/13 (92%)
Ms P Wycherley	19 Jan 2015			Principal & Chief Executive	Search	12/13 (92%)

Ms V Bartlett acts as Clerk to the Corporation

Statement of Corporate Governance and Internal Control (continued)

The average attendance for all Members of the Corporation during 2016/17 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 eleven 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 to be 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 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 page 14) 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 & 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 & 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.

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.

Statement of Corporate Governance and Internal Control (continued)

Corporation performance

The Corporation carried out a self-assessment of its own performance for the year ended 31st July 2017 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 quality of College provision
- · shared understanding and agreement on the strategic direction of the College
- strong scrutiny of financial information as evidenced by 'good' financial health rating

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 Postholders who were, during 2016/17, the Principal & Chief Executive (the Accounting Officer), the Deputy Principal and the Director of Finance. 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.

Details of remunerations for the year ended 31 July 2017 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 twice 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 FE funding bodies as they affect the College's business.

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

Statement of Corporate Governance and Internal Control (continued)

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 the day to day responsibility to the Principal & 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.

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 2017 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2017 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

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

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

• Active risk management arrangements

Statement of Corporate Governance and Internal Control (continued)

The College has an internal audit service, which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. At minimum annually, the Head of Internal Audit (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 & Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Principal & Chief Executive's review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditors
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- Comments made by the College's financial statements auditor, the regularity auditors, 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 2017 meeting the Corporation carried out the annual assessment for the year ended 31 July 2017 by considering documentation from the Principal & Chief Executive and internal audit, and taking account of events since 31 July 2017.

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.

Statement of Corporate Governance and Internal Control (continued)

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 2017
- the increase in 16-18 learner numbers which the College is experiencing in 2017/18 will translate through to additional income in 2018/19 which can be generated 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 2017 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 12 December 2017 and signed on its behalf by:

P Wycherley

Principal & Chief Executive

(Accounting Officer)

P Butler

Chair of the Corporation

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 2016 to 2017 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 12 December 2017 and signed on its behalf by:

P Butler Chair of the Corporation

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 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 12 December 2017 and signed on its behalf by:

P Wycherley Principal & Chief Executive (Accounting Officer)

P Butler Chair of t

Chair of the Corporation

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 2017 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 2017 and of the 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 group 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 Article 22 of 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 have not disclosed in the financial statements any identified material
 uncertainties that may cast significant doubt about the group's or the parent 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 are responsible for the other information. The other information comprises the information included in the annual report, set out on pages 1 to 21 other than the financial statements and our auditor's report thereon. The Corporation are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our

Independent Auditor's Report to the Corporation of Waltham Forest College (continued)

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 Skills Funding Agency and Education Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the 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 Responsibilities of the Corporation set out on page 21, 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 are 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.

Statutory Auditor, Chartered Accountants

London

Date: 18 December 2017

Grant Thornton UK LLP

Independent Auditor's Report on Regularity to the Corporation of Waltham Forest College and Secretary of State for Education acting through the Education & Skills Funding Agency

In accordance with the terms of our engagement letter dated 21 August 2017 and further to the requirements of the financial memorandum with Skills Funding Agency we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Waltham Forest College during the period 1 August 2016 to 31 July 2017 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the corporation of Waltham Forest College, as a body, and the Department, as a body, 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 the Department 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 the Department, 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 2016 to 31 July 2017 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 the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

Independent Auditor's Report on Regularity to the Corporation of Waltham Forest College and Secretary of State for Education acting through the Education & Skills Funding Agency (continued)

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 selfassessment 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 2016 to 31 July 2017 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
Chartered Accountants
London

Date:

Statement of Comprehensive Income

		Year ended 31 July 2017	Year ended 31 July 2016
	Note	£000s	£000s
Income			
Funding body grants Tuition fees and education contracts Other grants and contracts Other Income Investment income Total Income	2 3 4 5 6	15,990 2,728 234 891 11 19,854	15,979 2,805 89 663 15 ———————————————————————————————————
lotal Income		15,054	13,001
Expenditure			
Staff costs Restructuring costs Other operating expenses Depreciation Provision for property related liabilities Interest and other finance costs Total Expenditure	7 7 8 11 16 9	10,755 179 7,003 1,691 (11) 602 20,219	10,842 307 6,484 1,752 25 596
(Deficit) before other gains and losses Profit on disposal of assets		(365) -	(455) 906
(Deficit)/Surplus before tax		(365)	451
Taxation	10	e-	-
(Deficit)/Surplus for the year		(365)	451
Actuarial gain/(loss) in respect of pension schemes	19	4,550	(7,527)
Total Comprehensive Income/(Expenditure) for the year		4,185	(7,076)

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

Statement of Changes in Reserves

	Total Income and Expenditure account	Revaluation reserve	Total
	£'000	£'000	£′000
Balance at 1st 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	4,575	(390)	4,185
Balance at 31st July 2017	(11,544)	8,720	(2,824)
		***************************************	· .

Balance Sheet as at 31 July 2017

	Note	2017 £000s	2016 £000s
Tangible Fixed assets	11	35,135	32,960
Current assets			4
Stock Trade and other receivables Cash and cash equivalents	12 17	1,016 1,827	4 411 1,813
•		2,843	2,228
Less: Creditors: amounts falling due			
within one year	13	(3,968)	(3,360)
Net current liabilities		(1,125)	(1,132)
Total assets less current liabilities		34,010	31,828
Creditors: amounts falling due after more than one year	14	(18,047)	(15,883)
Provisions Defined benefit obligations Other provisions	16 16	(18,242) (545)	(22,316) (638)
Total Net Liabilities		(2,824)	(7,009)
Unrestricted Reserves Income and expenditure account Revaluation reserve		(11,544) 8,720	(16,119) 9,110
Total unrestricted reserves		(2,824)	(7,009)

The financial statements on pages 26 to 47 were approved and authorised for issue by the Corporation on 12 December 2017 and were signed on its behalf on that date by:

P Butler

Chair of the Corporation

P Wycherley

Principal & Chief Executive

Waltham Forest College Financial Statements for the year ended 31 July 17

Statement of Cash Flows

		Year ended 31 July 2017	Year ended 31 July 2016
	Note	£000s	£000s
Cash flow from operating activities			
(Deficit)/surplus for the year		(365)	451
Adjustment for non-cash items Depreciation Decrease in stocks (Increase)/decrease in debtors Increase/(decrease) in creditors due within one year (Decrease) in creditors due after one year	11 12 13 14	1,691 4 (605) 325 (846)	1,752 - 588 (1,964) (499)
(Decrease)/increase in provisions Pension costs less contributions payable	16 19	(93) 476	12 281
Adjustment for investing or financing activities Investment income Interest payable (Profit)/loss on sale of fixed assets	6 9	(11) 602	(15) 596 (906)
Net cash flow from operating activities		1,178	296
Cash flows from investing activities Proceeds from sale of fixed assets Investment income Payments made to acquire fixed assets Deferred capital grants received	11 6 11 14	11 (3,582) 3,261	1,010 15 (949)
		(310)	76
Cash flows from financing activities Interest paid Repayment of amounts borrowed	9	(602) (252)	(596) (252)
		(854)	(848)
Increase/(decrease) in cash and cash equivalents in the year	17	14	(476)
Cash and cash equivalents at the beginning of the year	17	1,813	2,289
Cash and cash equivalents at the end of the year	17	1,827	1,813

Notes to the financial statements for the year ended 31 July 2017

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 2016 to 2017 and in accordance with Financial Reporting Standard 102 – "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102). The College is an exempt charity 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 2017 the College has £1.447m of loans outstanding with Barclays Bank. The loan will be repaid by March 2019. 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 2017. Projections for 2017/18 and 2018/19 indicate that a financial health rating of "good" will be retained throughout this period.
- the increase in 16-18 learner numbers which the College is experiencing in 2017/18 will
 translate through to additional income in 2018/19 which can be generated 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 2017 (continued)

• cash-flow estimates for the period to 31 December 2017 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 the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Notes to the financial statements for the year ended 31 July 2017 (continued)

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 curtallments. 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 2017 (continued)

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 2016/17.

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
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.

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 2017.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Determine whether there are 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. No such indicators have been identified in the year ended 31 July 2017.

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 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding Body Grants

		2017	2016
	·	£000s	£000s
Recurrent Grants		3 - 2 - 2	•
Skills Funding Agency		7,336	6,811
Education Funding Agency		7,499	7,843
Higher Education Funding Council	7	67	186
Specific Grants			
Skills Funding Agency		365	382
Release of Deferred Grants	·	723	757
Total		15,990	15,979

3 Tuition Fees and Education Contracts

			2017 £000s	2016 £000s
Adult Education Fees Fees for FE Loan supported Fees for HE Loan supported International students fees	courses courses	The second secon	714	847 875 372
4.	(x,y) = (x,y)	and the state of t		51
Total tuition fees Education contracts	e e e e e e e e e e e e e e e e e e e		1,758 970	2,145 660
Total			2,728	2,805

4 Other Grants and contracts	2017 £000s	2016 £000s
Other Grants and contracts	234	89
		• :
5 Other Income		
	2017 £000s	2016 £000s
Catering and residence operations Other income generating activities Other income	471 210 210	436 108 119
Total	891	663
6 Investment Income	2017	2016
Takanank masakinakia da ada	£000s	£000s
Interest receivable – bank	11	15
7 Staff Costs		

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:

	2017 Number	2016 Number
Teaching staff Non-teaching staff	120 145	124 143
z 1	265	267
	2017 £000s	2016 £000s
Staff costs for the above persons	7.000	6.005
Wages and salaries Social security costs	7,902 719	8,005 645
Other pension costs	1,350	1,193
Payroll sub total	9,971	9,843
Contracted out staffing services	784	999
	10,755	10,842
Restructuring staff costs - Contractual	137	219
- Non-Contractual	42	88
Total Staff Costs	10,934	11,149
•		. ,

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 and Director of Finance.

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

	2017 Number	2016 Number
The number of key management personnel including the Accounting Officer was:	3	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	
:	2017 No.	2016 No.	2017 No.	2016 N o.
£50,001 to £60,000*	1	-	4	_
£60,001 to £70,000	-	_	-	1
£70,001 to £80,000	1	1	No.	_
£80,001 to £90,000	-	1	P6-	-
£140,001 to £150,000	1	1	*	-
	3	3	4	1
			*	

^{*} These figures include one member of staff who left the College part way during the year; no compensation for loss of office was paid to this member of staff.

Key management personnel emoluments are made up as follows:

	2017 £000s	2016 £000s
Salaries	256	289
Benefits in Kind	17	16
•	273	305
Pension contributions	32	39
Total emoluments	305	344

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

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

Salaries - Accounting Officer Benefits in Kind – Accounting Officer	2017 £000s 125 17	2016 £000s 125 16
Total emoluments	142	141
Pension contributions - Accounting Officer	20	20
Total emoluments plus pension contributions	162	161

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

Compensation paid to former Senior Post-holders

	2017 £000s	2016 £000s
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

	2017 £000s	2016 £000s
Teaching costs Non-teaching costs Premises costs	354 5,384 1,265	375 4,686 1,423
	7,003	6,484
Other operating expenses include:	£000s	£000s
Auditors' remuneration: Financial statements and Regularity audits Other services provided by Financial Statements audito Internal audit	32 r * 1 20	33 7 31
Operating leases – buildings	161	253

^{*}Other services provided by the Financial Statements auditors consist of the Teacher Pension audit (2016 and 2017), the audit of Forest Training Ltd and the College's Corporation Tax return (2016 only).

9 Interest and other finance costs

	2017 £000s	2016 £000s
On bank loans:		
Repayable wholly or partly between two and five years	33	62
Pension finance costs (note 19)	569	534
	602	596

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.

11 Tangible Fixed Assets

	Assets in the	Land and I	ouildings Tenants		
· .	course of Construction	Freehold	Improvements	Equipment	Total
	£000s	£000s	£000s	£000s	£000s
Cost At 1 August 2016 Additions Disposals Transfer	117 3,6 1 6	42,656 180 (618)	818	2,462 71 (288)	46,053 3,867 (906)
At 31 July 2017	3,733	42,218	818	2,245	49,014
Depreciation	***************************************			**************************************	
At 1 August 2016	-	11,445	670	979	13,094
Charge for period	-	1,225	55	411	1,691
Disposals	-	(618)	**	(288)	(906)
At 31 July 2017	**************************************	12,052	725	1,102	13,879
Net book value at 31 July 2017	3,733	30,166	93	1,143	35,135
Net book value at 1 August 2016	117	31,212	148	1,483	32,960
·					
Inherited	-	8,720	-	-	8,720
Financed by capital grant	-	16,843	86	769	17,698
Other	3,733	4,603	7	374	8,717
Net book value at 31 July 2017	3,733	30,166	93	1,143	35,135
	-	:			

Waltham Forest College Financial Statements for the year ended 31 July 17

Notes to the financial statements for the year ended 31 July 2017 (continued)

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.

During the year, £3.616 million was incurred in constructing the new STEM building which was brought into use on 1 August 2017. This has allowed the College to transfer its automotive provision onto its main site from rented accommodation at Priestley Way from 1 August 2017. There are no capital commitments requiring disclosure.

12 Debtors

Trade receivables Prepayments and accrued in Amounts owed by the Skills		÷y	2017 £000s 100 678 238 1,016	2016 £000s 52 178 181 411
			-	
13 Creditors: Amounts	Falling Due	within One Year	2017 £000s	2016 £000s
Bank Loans Payments received on accountrade payables Other taxation and social sec Accruals Deferred Income – Capital G Capital accruals Franchise accruals	curity		252 52 237 836 564 846 506 675	252 30 346 368 830 724 222 588
14 Creditors: Amounts	Falling Due	After One Year	3,968	3,360
	.		2017 £000s	2016 £000s
Bank Loan Deferred Capital Grant	i di verit Li di		1,195 16,852	1,446 14,437
	· ·	:	18,047	15,883

15 Maturity of Debt

Bank loans are repayable as follows:

	2017 £000s	2016 £000s
In one year or less	252	252
Between one and two years	1,195	252
Between two and five years		1,194
	1,447	1,698

The bank has a charge over the full value of the College's Forest Road site as security for the above debt which is a revolving credit facility fully repayable by 1 March 2019. The interest rate is a floating rate at 1.5% above the base rate.

16 Provisions

	Enhanced Pension	Property Related	Defined Benefit Obligations	Total
	£000s	£000s	£000s	£000s
At 1 August 2016 Additions/(adjustments) in the period Expenditure in the period	383 16 (40)	255 (11) (58)	22,316 - (4,074)	22,954 5 (4,172)
At 31 July 2017	359	186	18,242	18,787

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

The provision made for potential dilapidation costs on two leased properties will fall due in stages between August 2017 and April 2019.

The enhanced pension provision relates to the cost of 18 staff who have already left the College's employ and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been calculated in accordance with guidance issued by the funding bodies. The principal assumptions for this calculation are:

	2017	2016
Price inflation	1.3%	1.7%
Discount rate	2,3%	3.5%

17 Cash and Cash Equivalents

	At 1 August 2016 £000s	Cashflows £000s	Other Changes £000s	At 31 July 2017 £000s
Cash in hand and at bank	1,813	14	-	1,827
TOTAL	1,813	14	_	1,827
				

18 Lease Obligations

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

Future minimum lease payments due

	2017 £000s	2016 £000s
Land and Buildings		
Not later than one year	103	165
Later than one year and not later than five years	73	178
	176	343

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 schemes are defined benefit schemes.

Total pension cost for the year	2017 £000s		2016 £000s
Teachers' Pension Scheme: contributions paid Local Government Pension Scheme: Contributions paid FRS 102 Charge Charge (93) Charge to the Statement of Comprehensive	565	864 (253)	582
Income	<u>785</u>		<u>611</u>
Total Pension Cost for Year within staff costs	1,350		1,193

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016. Contributions amounting to £159k (2016:£161k) were payable to the schemes at 31 July 2017 and are included within creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting And Valuation Account

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

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

Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The Valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation 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 of 16.48% was implemented in September 2015. The next valuation of the TPS is currently under way based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location: https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

Scheme Changes

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

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

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

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

The pension costs paid to TPS, including employer and employee contributions, in the year amounted to £872,713 (2016: £904,967).

FRS 102 (28)

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

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

Local Government Pension Scheme

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 2017 were £1.055 million (2016: £1.042 million), of which employer's contributions totalled £0.878 million and employees' contributions totalled £0.177 million. The agreed contribution rates for the period 2017/18 to 2019/20 are for the employer 14.9% plus an annual lump sum payment equivalent to a further 14%, and a range from 5.5% to 7.5% for employees, depending on salary.

Principal Actuarial Assumptions

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

	2017	2016
	%	%
Rate of increase in salaries	3.7	3.2
Future pension increases	2.2	1.7
Discount rate for scheme liabilities	2.5	2.6
Inflation assumption (CPI)	2.2	1.8
Commutation of pensions to lump sums	50	50

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

	2017	2016
Retiring today Males Females	22.4 25.4	23.2 25.6
Retiring in 20 years Males Females	24.6 27.7	25.5 28.0

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 2017	Fair Value at 31 July 2016
	£000	£000
Equities	14,991	13,145
Government Bonds	N/A	N/A
Property	2,142	1,416
Cash	1,428	404
Other Bonds	2,856	3,033
Other	2,380	2,224
Total fair value of assets	23,797	20,222
Actual return on plan assets	1,817	374
The amount included in the balance sheet in respect of follows: Fair Value of plan assets Present value of plan liabilities - Funded	2017 £000 23,797 (42,039)	2016 £000 20,222 (42,538)
Net pensions liability (Note 16)	(18,242)	(22,316)
Amounts recognised in the Statement of Compreh- plan are as follows: Amounts included in staff costs	2017 £000s	2016 £000s
Current service cost	7 57	592
Past Service Cost		-
Total	757	592
	2017	2016
Amounts included in investment income	£000s	£000s
Net interest income	~	-
••	**	_
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Amount recognised in Other Comprehensive Income	2017 £000s	2016 £000s
Return on pension plan assets Changes in assumptions underlying the present value of plan liabilities	3,026 1,524	(378) (7,149)
Amount recognised in Other Comprehensive Income	4,550	(7,527)
Movement in net defined liability during year	2017	2016
	£000s	£000s
Net defined liability in scheme at 1 August Movement in year:	(22,316)	(14,508)
Current service cost	(757)	(592)
Employer contributions	878	864
Admin expenses	(28)	(19)
Net interest on the defined liability	(569)	(534)
Actuarial gain/loss	4,550	(7,527)
Movement in defined benefit liability at 31 July	(18,242)	(22,316)
Asset and Liability Reconciliation Changes in the present value of defined benefit	2017 £000s	2016 £000s
obligations		
Defined benefit obligations at start of period Current service cost Interest cost	42,538 757 1,095	34,173 592 1,285
Contributions by Scheme participants Experience gains and losses on defined benefit obligations	177	178
Changes in financial assumptions Estimated benefits paid	(1,524) (1,004)	7,149 (839)
Defined benefit obligations at end of period	42,039	42,538
Changes in fair value of asset plan assets	ъ.	
Fair value of plan assets at start of period	20,222	19,665
Interest on plan Assets	526	, 751
Return on plan assets	3,026	(378)
Administration expenses	(28)	(19)
Employer contributions Contributions by Scheme participants	878 177	864 178
Estimated benefits paid	(1,004)	(839)
Fair value of plan assets at end of period	23,797	20,222

20 Related Party Transactions

Owing 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 £164 to two members of the Corporation (2015/16: £745 paid to three 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 (2015/16: None).

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

21 Amounts Disbursed as Agent

Learner Support Funds

	2017 £000s	2016 £000s
Funding Body grants – 16-18 Learner Support Fund	363	328
Funding Body grants – Adult Learner Support Fund	511	493
Funding Body grants – Level 3 loans bursary	327	304
	1,201	1,125
Disbursed to Students	(1,135)	(1,054)
Administration charge	(38)	(41)
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Balance unspent as at 31 July	28	30
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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

Since the end of the reporting period the College has appointed a new Principal Dr Joy Kettyle who will commence her duties in March 2018 and will succeed the out-going Principal Ms Penny Wycherley on her retirement.