

LAMBETH COLLEGE

**FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 JULY 2016**

Approved 15 December 2016

OPERATING AND FINANCIAL REVIEW

NATURE, OBJECTIVES AND STRATEGIES

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

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the affairs of Lambeth College. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2011.

College objectives

Lambeth College 'The Careers College' objective is to deliver excellence for its learners. This will enable them to be successful in work and in life. Lambeth is a vocational college dedicated to enabling local people to access new and improve existing job prospects.

Strategic Plan and Financial Recovery Plan

The College Corporation has a strategic plan covering the period 1 August 2012 to 31 July 2017.

The main cornerstones which underpinned the College's strategy were growth to meet demand, quality to ensure learners achieve their potential and securing the financial sustainability of the College.

The key objectives of the College's strategic plan are:

- To ensure continuous improvement in learner success.
- To develop and maintain a responsive and collaborative curriculum.
- To provide excellent teaching, learning and training as part of a high quality learner experience.
- To ensure opportunities for success for the diverse communities in Lambeth and beyond, enabling social cohesion and mobility/prosperity.
- To secure long-term financial sustainability whilst investing in high quality resources.

During the course of the year under review the college's finances came under severe pressure (see below) and the College has had to adapt its strategy to give greater priority to securing financial stability. A key priority for the college is now to secure the future of the college's

provision by forming a stronger body to deliver further education by a merger with at least one other education corporation.

On 21 July 2016 the corporation approved a new Financial Recovery Plan with a key aim of stabilising "the financial position of the college [during the 2016/17 academic and financial year] through recovery and retrenchment" whilst identifying "a partner with whom a long term relationship can be built".

Financial Objectives

The College's financial affairs are governed by the Financial Memorandum with the SFA which, inter alia, sets objectives preventing the continuing operation of the College in deficit and limits the amount of borrowing which the College can undertake.

The College's financial objectives had been set in the Financial Recovery Plan which the SFA accepted in May 2014:

- to meet the requirements of the Financial Memorandum;
- to ensure the financial viability of the College by stabilising income, including growth in key areas of 16-18 and apprenticeship provision.
- to make significant efficiency savings through estates rationalisation and modernisation and through changes to the modes of curriculum delivery;
- to maintain sound financial management and tight budgetary control and to seek value for money in all activities;
- to return to "satisfactory" financial health by 31 July 2015 and "good" financial health by 31 July 2016;
- to meet the terms of the bank loan covenant;
- to invest in new vocational training facilities to support growth in student numbers;
- to continue to improve the quality of the College's provision.

The majority of these objectives have not been met.

The objectives to be achieved by the end of 2016/17 set in the new Financial Recovery Plan include:

- achieving an underlying operating deficit of no more than £2m;
- ensuring that staffing costs do not exceed 70% of college income;
- generating at least £3m of cash from operating activities;
- agreeing a strategic partnership, ideally a merger, with a partner by 31st July.

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FINANCIAL POSITION

Financial results

In 2015/16, the College had a deficit for the year of £7.0 million compared to a deficit of £3.3 million in 2014/15.

In addition there was an actuarial loss in respect of the College's share of the Local Government Superannuation Scheme of £7.5 million, compared with 2014/15 (£3.2 million) giving rise to a negative figure for Total Comprehensive Income for the year of £14.4 million which compares to a negative figure for Total Comprehensive Income for 2014/15 of £6.5 million.

Funding body income in 2015/16 at £21.0 million was £3.1 million (13%) lower than in 2014/15. The College continues to rely significantly on the SFA and the EFA as its principal sources of funding. In 2015/16 these funding bodies provided 79% (2014/15: 73%) of the College's recurrent income. The increase in dependence on the funding bodies as a source of income in 2015/16 was mainly due to the absence of income from the European Social Fund in the year. Income from the European Commission contributed £2.2 million to turnover in 2014/15 or 7% of total college income.

The College's turnover fell by £6.8 million or 20% from £33.2 million to £26.4 million. However the College's expenditure only fell by £3.1 million or 9% from £36.5 million to £33.4 million. The rate of decline in payroll costs at 17% from £18.8 million to £15.7million almost matched the decline in turnover. However the costs of contractors discharging staff work rose by £0.7 million from £3.0 million to £3.7million. This increase in contractors' costs, which was occasioned by a policy of not filling senior staff roles with employees in order to allow for a merger with fewer human resource issues, led to an increase in the proportion of income used to pay staff and contractor costs rising from 66% of turnover to 73% of turnover. Other Operating Expenses only fell by 5%. Depreciation costs rose by £0.3M from £2.0 million to £2.3 million as a result of the opening of the Henry Thornton building on the College's Clapham campus. Interest Costs rose by £0.1 million or 8% from £1.8 million to £1.9 million. These combination of factors illustrate why expenditure has not fallen as rapidly as income and therefore the deficit has increased.

The large negative figure for Total Comprehensive Income of £14.4 million mentioned above explains why the College's

Total Reserves fell from £7.4 million to a negative figure of £7.0 million.

Tangible Fixed Assets have increased by £2.2 million from £55.1 million to £57.3 million as a result of expenditure on completing the Henry Thornton Building on the Clapham Campus and preparatory work for the Vauxhall Nine-Elms Skills Centre.

The College's net current assets show a continuing adverse trend this year with a decline from a negative figure of £1.4 million at 31 July last year to a negative figure of £7.4 million at 31 July this year. Of particular note of the elements comprising the negative figure of £8.1 million of net current assets are "trade payables" or creditors of £3.6 million, bank loans and overdrafts of £2 million, and amounts owed to the SFA of £1.4 million. The money owed on trade payables had increased from £1 million owed at 31 July 2015.

Creditors – amounts falling due after more than one year have risen from £25.0 million at 31 July 2015 to £27.2 million at 31 July 2016. In the new presentation of the balance sheet this figure includes deferred government capital grants which were £11.1 million at 31 July 2016 compared to £10.1 million at 31 July 2015. In the normal run of events this component of long term creditors will not need to be satisfied with cash but will be released to the Statement of Comprehensive Income to match the depreciation on the Tangible Fixed Assets they have funded. Creditors – amounts falling due after more than one year also include bank loans which rose from £14.9 million at 31 July 2015 to £16.1 million at 31 July 2016.

The deficit in the College's share of the Local Government Superannuation Scheme administered by the London Pension Fund Authority has increased by £8.0 million or 43% from £18.7 million to £26.8 million. The main reason driving this increase in the pension scheme deficit liabilities was a fall in the discount rate for scheme liabilities from 3.8% to 2.5%. In order to put this bad news into perspective it should be pointed out that the amount of money paid into the scheme by the College and scheme participants exceeded the estimated benefits paid and the College's share of the assets in the scheme increased from £30.8 million to £32.5 million.

The college had a positive net cash flow from operating activities of £1.8 million. However this figure was 93% of the level achieved in 2014/15 (£1.9 million) and only achieved through the large increase in trade payables noted above.

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The College's financial health had been rated as "inadequate" by the SFA in 2014/15. The Corporation's most recent rating of the College's financial health occurred on 21 July 2016 when they rated the College's financial health as "inadequate". This rating has subsequently been endorsed by the SFA.

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 these risks. The College has a treasury management policy in place. It was last approved by the Corporation in April 2014.

During 2015/16 the College had four types of loan arrangements in place with Barclays Bank. First was a legacy loan taken out to part fund the Clapham VI Form Centre and extended to part fund additional curriculum facilities at Clapham and Vauxhall. There was £18.9 million outstanding on this loan at 31 July 2016. Secondly there was a revolving credit facility providing working capital. There was £2.0 million outstanding on this loan at 31 July 2016. Thirdly there are a series of money market loans taken out to provide bridging finance for the development of the Vauxhall Nine Elms Skills Centre until such time as the College sells the Vauxhall site. There was £1.2 million outstanding under these loans at 31 July 2016. Finally there was an overdraft facility of £0.8 million. £0.1 million of this facility was used at 31 July 2016. (The overdraft facility terminated at the end of August 2016).

Both the financial condition covenants in the College's loan arrangements with Barclays Bank were breached during the course of 2015/16.

Cash flows and liquidity

The College's liquidity declined during the year with short term investments and cash falling from £3.2 million at 31 July 2015 to £0.0 million at 31 July 2016. In addition to the College's poor operating performance liquidity declined because of the £4.5 million spent on Tangible Fixed Assets (mainly on completing the Henry Thornton Building and preparatory work on the Vauxhall Nine-Elms Skills Centre).

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student activity and achievement

The College provides a wide range of educational and training activities starting with the nurseries it runs at its Clapham and Brixton Centres and continuing to the higher education programmes it runs in collaboration with London Metropolitan University and Canterbury Christ Church University.

Roughly two-thirds of the college's activity is with adults and one third with 16-18 year olds.

In the year under review 6,769 adult students and trainees left specialist vocational courses and of these students and trainees 87% achieved the qualification they were aiming for. Comparable figures for the previous year (2014/15) were 8,673 students and trainees with 84% achievement. The College is continuing to improve its achievement rates but remains below national average rates (89% in 2014/15).

In the year under review 1,697 students and trainees funded by the EFA (16-19 year olds and some students up to the age of 25 with learning difficulties and/or disabilities) left specialist vocational courses and of these students and trainees 82% achieved the qualification they were aiming for. Comparable figures for the previous year (2014/15) were 1,488 students and trainees with 80% achievement. The College is continuing to improve its achievement rates but remains below national average rates (85% in 2014/15).

Curriculum developments

As part of its Lambeth – the Careers College ethos the college developed its Career Ready Standards during the year with an increased emphasis on work experience, attendance and punctuality.

The College benefited from the opening of the Henry Thornton Building with specialist Sports and Nursery facilities.

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 and services or the date on which the invoice was received. The target set by the Treasury for payments to suppliers within 30 days is 95%. Because of intense

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pressure on the college's liquidity most suppliers were **not** paid within 30 days of receipt of invoice during the year under review.

Future developments

The Corporation has adopted a budget for 2015/16 which plans to reduce the college deficit to £2.2 million in 2016/17 as part of the process of recovery and retrenchment described above. The budget provides for fitting out the College's new Brixton Centre which is currently being built up the EFA.

Because of its weak financial position the College can only continue to trade with the assistance of exceptional financial support from the SFA. A total of £5.2 million of exceptional financial support has been requested for 2016/17. Of this sum £1.2 million was paid in October 2016 and £0.7 million in November 2016.

The College is required to continue to develop and implement its Financial Recovery Plan and to seek a merger partner.

Following the recommendations of the Government Area Review of Post-16 Education in Central London the corporation decided to join the London South Bank University family, subject to the development of a full business case.

The College is negotiating an agreement with Carillion plc to develop its Vauxhall Nine Elms Skills Centre and has secured a £22million grant from the London LEP to part-fund this development.

GOING CONCERN ASSUMPTION

As described above, the College incurred a deficit of £7.0 million (2015: £3.3 million) before actuarial losses of £7.5 million (2015: £3.2 million). At 31 July 2016, the cash resources totalled £0.0 million compared to £3.2 million at 31 July 2015. The College has net current liabilities of £7.4 million as at 31 July 2016 (2015: £1.4 million). Based on the financial results and position for the year ended 31 July 2016, the College breached its financial covenants in relation to the loan from Barclays Bank. However the Bank has subsequently provided a waiver of breach of loan covenants for 2015/16. This supports the College's decision not to treat any of its loans as short term.

As described in the "Future Developments" section the College has adopted a budget for 2016/17 which shows a deficit of approximately £2 million. The College believes it will require £5.2 million of exceptional financial support from the SFA during the year. Of this figure £2.6 million had been paid by the date these financial statements were signed in December 2016. The continued availability of exceptional financial support for the College is assessed on a monthly basis by the Skills Funding Agency, and therefore the financial support is not committed for a period of at least twelve months from the date of approval of these financial statements. In order to be able to continue to trade, the College must:

- Meet the budget set for 2016/17;
- Maintain the confidence of its bank; and
- Continue to draw down exceptional financial support from the SFA.

To this end the College provides weekly cash flow reports to the SFA and monthly management accounts to both the SFA and to its bank. The College aims to hold monthly case conferences with the SFA and with its bank. The College has invited the Secretary of State for Education to appoint an observer to the Corporation and the Secretary of State has taken up this invitation.

In the event that the College does not merge on 1 August 2017 it will require further exceptional financial support from the SFA. In December 2016 when these financial statements are signed the estimate of the exceptional financial support that would be required in the first five months of the 2017/18 financial year is £2.6 million.

The College is continuing to develop the Vauxhall site, and the College anticipates that alternative sources of financing will be found for the project to ensure the project can be funded without drawing on its general reserves. The College's commitment to the project at 31 July 2016 comprised capital commitments of £0.9 million and a capitalised "asset under construction" of £3.1 million. The total costs of the project are anticipated to be £42 million. The project has been funded in the year to 31 July 2016 half by a grant from the Local Enterprise Partnership and half from a bank loan facility. The College anticipates that it will be able to fund the completion of the project from the remaining Local Enterprise Partnership grant and from the disposal of part of the site at an expected price of £22.5 million.

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The Corporation acknowledges that there is a material uncertainty in relation to the going concern assumption regarding the continued availability of exceptional financial support and the ability of the College to manage its cash flow as planned. The alternative 'break-up' basis of preparation of the financial statements would therefore be appropriate. Under this basis, all assets and liabilities would require restatement to their realisable value, and any additional liabilities arising on a break up, such as redundancy costs, would need to be accrued for. All liabilities would need to be reflected as current liabilities. The College is unable to estimate at this juncture the extent or value of any adjustments that may be required in this eventuality due to the uncertainty involved. Consequently, the financial statements have been prepared on a going concern basis.

As the College has now strengthened its controls on pay and non-pay expenditure to enable it to meet its 2016/17 budget and in view of the close contact maintained with the SFA and the College's bank, the College believes it will continue to meet the conditions necessary to secure exceptional financial support from the Skills Funding Agency and maintain the confidence of the bank. For these reasons it continues to adopt the going concern

COLLEGE COMPANIES

The College has three subsidiary companies:

GO2Work Limited
Skill Exchange Limited
SW4 (Catering) Limited.

Further details of these are provided in Note 31. GO2Work Limited and the Skill Exchange were dormant during 2015/16. SW4 (Catering) Limited traded at a loss.

RESOURCES

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

Tangible resources at the 31 July 2016 included the two main College sites at Vauxhall and Clapham and the right to occupy part of the Brixton site on Brixton Hill which the EFA are redeveloping as an educational campus. The Vauxhall site is being sold as part of a plan to develop a Vauxhall Nine Elms Skills Centre – see the "Future Developments" section.

After taking account of bank loans, deferred capital grants and pension liabilities the College finished the 2015/16 year with net negative assets of £7.0 million.

The College employed 320 FTE staff in 2015/16 of whom 139 FTE were teaching staff.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has arrangements for managing risk and ensuring proper financial and operational internal control to protect the College's assets and reputation.

The risk management plan is reviewed and approved annually by the College Leadership Group and by the Corporation. Based on the Strategic Plan, it provides a comprehensive analysis of all the risks to which the College is exposed. The plan identifies systems and procedures including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's analysis will review their effectiveness and progress against risk mitigation actions. In addition to their annual review, the College Leadership Group also considers risks which are identified during the year.

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

The four risks with the highest scores for net risk (ie after mitigation) when the financial statements were signed were:

- (a) That the Vauxhall Nine-Elms project is delayed beyond the planned opening date;
- (b) That the College has insufficient cash to service our outgoings;
- (c) That the London Pension Fund Authority imposes a deficit reduction plan which is impossible to achieve; and
- (d) That the work on the College's Financial Recovery Plan fails to find a viable delivery model for Lambeth Provision.

STAKEHOLDER RELATIONSHIPS

The College has a wide range of stakeholders within the local community including students, parents, employers, local authorities, local public sector agencies including Job Centre Plus, schools, delivery partners, staff, trade unions and funders including the SFA and the EFA.

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The College recognises the importance of these relationships and engages in regular communication with them through such methods as meetings, focus groups, the College website and events.

The College considers good communication with its staff to be very important and to this end publishes a regular newsletter from the Principal during term time for all staff and holds regular staff briefings. The College encourages staff and student involvement through the membership of formal committees, sub-committees and focus groups. The College also undertakes annual course reviews where the input of students is a requirement and encourages student and sponsor views of the College through regular student and employer perception surveys.

Equal opportunities

The College continues to be highly committed to the promotion of equal opportunities for all. In seeking to overcome disadvantage and eradicate discrimination, the College acts in accordance with all relevant statutory requirements and good practice guidelines. The College actively eliminates unlawful discrimination, harassment and victimisation; it advances equality of opportunity and fosters good relations through a policy of positive action both in its educational work and its role as an employer. The College Equality and Diversity policy is published on the College's website.

Disability statement

Lambeth College is committed to helping all learners with learning difficulties and/or disabilities achieve their personal goals by adopting a model of 'inclusivity'. It provides specialist advice, guidance, assessments and where needed resources and additional support to improve access for learners with learning difficulties and/or disabilities to curriculum areas and College services.

College facilities have lifts, ramps and hoists and specialist equipment to ensure that buildings are accessible to people with disabilities. Over 95% of the College's estate is fully accessible to people with disabilities. The College also has a qualified team of student support assistants to help those who need this level of assistance. The College's arrangements for people with disabilities are detailed in the Disability Statement which is updated annually in line with requirements.

CHARITABLE AND TAXATION STATUS

The College is an exempt charity for the purposes of the Charities Act 2011 and is not liable to corporation tax.

DISCLOSURE OF INFORMATION TO 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 auditor is 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 auditor is aware of that information.

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:

.....*Mary McCormack*.....
Mary McCormack
Chair

.....15 December 2016.....
Date

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PROFESSIONAL ADVISERS

		Banker	Barclays Bank plc Level 28 1 Churchill Place London E14 5HP
Financial Statements and Regularity Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL	Solicitors	Thomas Eggar LLP Belmont House Station Way Crawley West Sussex RH10 1JA
Internal Auditor	ICCA Education, Training and Skills Limited 11th Floor, McLaren House, 46 Priory Queensway, Birmingham B4 7LR		Bates, Wells & Braithwaite 2 - 6 Cannon Street London EC4M 6YH

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MEMBERS

The members who served the Corporation during the year and up to the date of signature of this report were as listed below:

Name	Date of Appointment	Term of Office	Date of Resignation	Status of Appointment	Committees Served
Monica Box	Ex officio from 15 Aug 2016	n/a	-	Principal	Search 16/17 Finance 16/17 Quality 16/17
Mark Silverman	Ex officio from 27 Feb 2012	n/a	15 Aug 2016	Principal	Search 15/16
Mary McCormack	23 Apr 2012 10 Nov 2015	4 years	-	Lay	Chair of Governors: 15/16, 16/17 Search: 15/16, 16/17 Remuneration: 15/16, 16/17
Michael Smith	03 Apr 2014	4 years	-	Lay	Vice Chair Search 15/16, 16/17 : Chair Remuneration Jul 2016-present
Mohammed Seedat	23 Apr 2015	4 years	-	Lay	Search 15/16, 16/17 Remuneration Jul 2016-present
Bev Jullien	26 Jan 2013	4 years	-	Lay	Finance 16/17
Jan Lloyd	04 Mar 2013	4 years	31 Oct 2016	Lay	-
Guy Ware	13 Nov 2014	4 years	-	Lay	Finance 15/16, 16/17: Chair
Fred Knipe	29 Sep 2016	4 years	-	Lay	Audit 16/17 : Chair
Rob Flinter	29 Sep 2016	4 years	-	Lay	-
Paul Reid	19 Jun 2014	4 years	-	Lay	-
Jennifer Bufton	01 Sep 2016	4 years	-	Lay	Audit Committee 16/17
Kirsty Wadsley	01 Sep 2016	4 years	-	Lay	Quality Committee 16/17
Emma-Louise Stewart	4 Feb 2013	4 years	7 Jul 2016	Lay	Remuneration Committee 15/16 Audit Committee 15/16
Dean Ricketts	3 Apr 2014	4 years	20 Aug 2015	Lay	-
Andrew Osborne	15 Apr 2013	4 years	31 Jul 2016	Lay	Audit 15/16 : Chair
Bobby Holder	17 Dec 2012	4 years	31 Jul 2016	Lay	-
Teum Teklehaimanot	17 Jun 2016	2 years	-	Support Staff	-

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Marcus Walsh	10 April 2016	2 years	-	Teaching Staff	-
Toni Dann	15 Nov 2013	2 years	12 Feb 2016	Support Staff	
Dolores Massaro	13 Nov 2014	2 years	9 Nov 2015	Teaching Staff	-
Ruth Begusa	01 Sep 2016	1 year	-	Student	-
Charley Hasted	01 Sep 2016	1 year	-	Student	-
Wendy Adubofour	01 Sep 2014	1 year	31 Aug 2015	Student	-
Lasharn Tharpe	01 Sep 2014	1 year	31 Aug 2015	Student	-
David Gregg	14 Nov 2013	4 years	-	Co-opted member of Audit Committee	Audit only 15/16, 16/17
Ms M Heslop was appointed as Interim Clerk to the Corporation from 1 August 2016 and has served until the present.					
Mr S Lee acted as Clerk to the Corporation (Interim) from 1 July 2015 until 31 July 2016					

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council (FRC) in June 2010. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the members of the Corporation, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector, and the Code has complied throughout the year ended 31 July 2015.

The composition of the Corporation is set out on pages 8 and 9. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation met eleven times during 2015/16, to address the various issues and challenges facing the College.

The Corporation conducted its business in the period to 31 July 2016 through a number of committees. Each committee has terms of reference which were approved by the Corporation. These committees were Remuneration, Governance and Search, and Audit. Full minutes of all meetings except those deemed to be confidential by the Corporation, are available from the Clerk to the Corporation at:

Lambeth College
45 Clapham Common South Side
London
SW4 9BL

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

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

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

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

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

APPOINTMENTS TO THE CORPORATION

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Governance and Search Committee consisting of four members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

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

REMUNERATION COMMITTEE

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

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

AUDIT COMMITTEE

The Audit Committee comprises three members of the Corporation (excluding the Principal and the Chair) and an external member. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee met three times during 2015/16. 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 monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

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

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

INTERNAL CONTROL

Scope of responsibility

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Lambeth College for the year ended 31 July 2016 and up to the date of approval of the annual report and financial statements. The financial outcome for 2015/16 and reports received from the internal auditors in the summer term of 2015/16 indicated significant weaknesses in the system of internal control. The Corporation commissioned its newly appointed Clerk to conduct a review of the events leading to the adverse financial performance for 2015/16. This report was received at the Corporation's meeting of 15 December 2016.

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The deficiencies in internal control identified in these reports included the separation of the college's curriculum plan from its budget, the absence of a cash flow budget, budget holders being unaware of their budget, budget review meetings not being held and the ordering of goods and services without a purchase order. In the Spring of 2016 the College contracted for the services of two experienced former college finance directors. The budget for 2016/17 and the curriculum plan for 2016/17 were developed in tandem, the budget for 2016/17 approved by the corporation in July 2016 included a cash flow budget, all budget holders were issued with a budget for 2016/17 during the summer of 2016, budget review meetings are being held and the incidence of goods and services secured without a purchase order is much diminished.

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.

There is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place and operational for the year ended 31 July 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Corporation.

The 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:

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

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

Review of effectiveness

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

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

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

During 2015/16 the College Leadership Group received reports setting out key performance and risk indicators and considered possible control issues brought to their attention by early warning mechanisms, which are being embedded throughout the College. The College Leadership Group and the Audit Committee also receive regular reports from internal audit, 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.

LAMBETH COLLEGE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2016

Lambeth College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Corporation, who are trustees of the charity, are disclosed on pages 8 and 9. In setting and reviewing the College's strategic objectives, the Corporation has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

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

- Widening participation and tackling social exclusion
- Good progression record for students
- Strong student support systems
- Links with employers, industry and commerce.

The Corporation's business cycle includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its 15 December 2016 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2016 by considering documentation from the College executive team and internal audit, and taking account of events since 31 July 2016.

Based on the advice of the Audit Committee and the Accounting Officer, and as explained on page 11 under the heading "Purpose of the system of internal control", although there have been significant deficiencies in the College's internal control during the year to 31 July 2016, the Corporation has taken action to address the issues highlighted.

GOING CONCERN

As described above, the College incurred a deficit of £7.0 million (2015: £3.3 million) before actuarial losses of £7.5 million (2015: £3.2 million). At 31 July 2016, the cash resources totalled £0.0 million compared to £3.2 million at 31 July 2015. The College has net current liabilities of £7.4 million as at 31 July 2016 (2015: £1.4 million). Based on the financial results and position for the year ended 31 July 2016, the College breached its financial covenants in relation to the loan from Barclays Bank. However the Bank has subsequently provided a waiver of breach of loan covenants for 2015/16. This supports the College's decision not to treat any of its loans as short term.

As described in the "Future Developments" section the College has adopted a budget for 2016/17 which shows a deficit of approximately £2 million. The College believes it will require £5.2 million of exceptional financial support from the SFA during the year. Of this figure £1.2 million was provided in October and further sums of £0.7 million each in both November and December. The continued availability of exceptional financial support for the College is assessed on a monthly basis by the Skills Funding Agency, and therefore the financial support is not committed for a period of at least twelve months from the date of approval of these financial statements. In order to be able to continue to trade, the College must:

- Meet the budget set for 2016/17;
- Maintain the confidence of its bank; and
- Continue to draw down exceptional financial support from the SFA.

To this end the College provides weekly cash flow reports to the SFA and monthly management accounts to both the SFA and to its bank. The College aims to hold monthly case conferences with the SFA and with its bank. The College has invited the Secretary of State for Education to appoint an observer to the Corporation and the Secretary of State has taken up this invitation.

In the event that the College does not merge on 1 August 2017 it will require further exceptional financial support from the SFA. In December 2016 when these financial statements are signed the estimate of the exceptional financial support that would be required in the first five months of the 2017/18 financial year is £2.6 million.

LAMBETH COLLEGE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2016

The College is continuing to develop the Vauxhall site, and the College anticipates that alternative sources of financing will be found for the project to ensure the project can be funded without drawing on its general reserves. The College's commitment to the project at 31 July 2016 comprised capital commitments of £0.9 million and a capitalised "asset under construction" of £3.1 million. The total costs of the project are anticipated to be £42 million. The project has been funded in the year to 31 July 2016 half by a grant from the Local Enterprise Partnership and half from a bank loan facility. The College anticipates that it will be able to fund the completion of the project from the remaining Local Enterprise Partnership grant and from the disposal of part of the site at an expected price of £22.5 million.

The Corporation acknowledges that there is a material uncertainty in relation to the going concern assumption regarding the continued availability of exceptional financial support and the ability of the College to manage its cash flow as planned. The alternative 'break-up' basis of preparation of the financial statements would therefore be appropriate. Under this basis, all assets and liabilities would require restatement to their realisable value, and any additional liabilities arising on a break up, such as redundancy costs, would need to be accrued for. All liabilities would need to be reflected as current liabilities. The College is unable to estimate at this juncture the extent or value of any adjustments that may be required in this eventuality due to the uncertainty involved. Consequently, the financial statements have been prepared on a going concern basis.

As the College has now strengthened its controls on pay and non-pay expenditure to enable it to meet its 2016/17 budget and in view of the close contact maintained with the SFA and the College's bank, the College believes it will continue to meet the conditions necessary to secure exceptional financial support from the Skills Funding Agency and maintain the confidence of the bank. For these reasons it continues to adopt the going concern

Approved by order of the members of the Corporation on 15 December 2016 and signed on its behalf by:

.....*Mary McCormack*.....
Mary McCormack
Chair

15 December 2016
.....
Date

.....*Monica Box*.....
Monica Box
Interim Principal/Chief Executive

15 December 2016
.....
Date

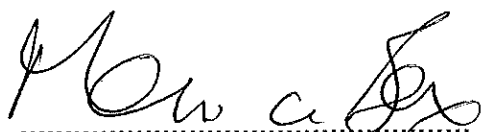
LAMBETH COLLEGE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2016

CORPORATION'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 Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the Financial Memorandum in place between the College and the Skills Funding Agency. As part of our consideration we have had due regard to the requirements of the Financial Memorandum.

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

We confirm that, except for the matters highlighted on page 11 under the heading "Purpose of the system of internal control", 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 Skills Funding Agency.



Monica Box
Accounting Officer

15 December 2016

Date



Mary McCormack
Chair of Corporation

15 December 2016

Date

LAMBETH COLLEGE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2016

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 SFA and EFA and the Corporation of the College, the Corporation, through its Principal, 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 *Accounts Direction 2015 to 2016* issued jointly by the SFA and the EFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

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

- select suitable accounting policies and 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; and
- 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 an Operating and Financial Review 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 auditor does not involve consideration of these matters and, accordingly, the auditor accepts 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 SFA and the EFA are used only in accordance with the Financial Memorandum with the SFA and EFA and any other conditions that may be prescribed from time to time.

Members of the Corporation must ensure that there are appropriate financial and management controls in place 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 SFA and the EFA are not put at risk.

Approved by order of the members of the Corporation on the 15 December 2016 and signed on its behalf by:


.....
Mary McCormack
Chair

15 December 2016
.....Date

LAMBETH COLLEGE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2016

INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF LAMBETH COLLEGE

We have audited the financial statements of Lambeth College for the year ended 31 July 2016, which comprise the group statement of comprehensive income, the group statement of changes in reserves, the group and College balance sheets, the group statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of corporation and auditor

As explained more fully in the Statement of Responsibilities of the Members of the Corporation, the Corporation are responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

Emphasis of matter

We draw attention to the accounting policy on going concern in note 1 of the financial statements and in the Members' Report and Statement of Corporate Governance and Internal Control, which explains the College's current liquidity position and the plans in place to ensure the College has adequate resources to pay its debts as they fall due. These plans are based upon Exceptional Financial Support of £5.2m being made available to the College in line with its cash flow forecasts, with additional Exceptional Financial Support being required if the College does not merge with another institution on 1 August 2017. However, this support is renewed monthly by the Skills Funding Agency, and therefore the Exceptional Financial Support is not committed for at least twelve months from the date of approval of these financial statements. This period is the minimum that is required to be considered to support the going concern assumption. This lack of confirmation of available funding constitutes a material uncertainty as to the applicability of the going concern assumption.

LAMBETH COLLEGE FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2016

In light of this material uncertainty, it would be appropriate to adopt a break up basis of preparation of the financial statements. However at this juncture, the College is unable to estimate the extent or value of any such adjustments required in this eventuality. Consequently, the financial statements are prepared on a going concern basis.

Our opinion is not qualified with regards to the above.

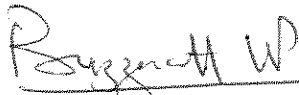
Opinion on financial statements

In our opinion, the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the College's affairs as at 31 July 2016 and of the group's surplus of expenditure over income for the year then ended.

Matters on which we are required to report by exception

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

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



.....
Buzzacott LLP
Chartered Accountants & Registered Auditor

21 December 2016

.....
Date

INDEPENDENT AUDITOR'S REPORT ON REGULARITY TO THE CORPORATION OF LAMBETH COLLEGE AND THE CHIEF EXECUTIVE OF SKILL FUNDING AGENCY

In accordance with the terms of our engagement letter dated 2 August 2016 and further to the requirements of the funding agreement with the 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 Lambeth College during the period 1 August 2015 to 31 July 2016 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them. The framework that has been applied is set out in the Joint Audit Code of Practice issued jointly by Skills Funding Agency and Education Funding Agency. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record (ILR) returns, for which the Skills Funding Agency has other assurance arrangements in place.

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

Respective responsibilities of Lambeth College and the reporting accountant

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

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

Reporting accountant's assurance report on regularity (continued)

Approach

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

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

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

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

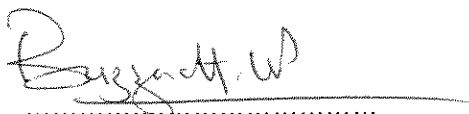
The work undertaken to draw to our conclusion includes:

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

Conclusion

The Statement of Corporate Governance and Internal Control on page 11 under the heading "Purpose of the system of internal control" explains that there were significant deficiencies in the College's internal control framework during the year, and explains the College's actions in response to this.

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



Buzzacott LLP
Chartered Accountants & Registered Auditor

21 December 2016
.....
Date

Lambeth College
Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 July		Year ended 31 July	
		2016	2016	2015	2015
		Group	College	Group	College
		£'000	£'000	£'000	£'000
INCOME					
Funding body grants	2	20,976	20,976	24,097	24,097
Tuition fees and education contracts	3	4,364	4,364	5,158	5,158
Other grants and contracts	4	-	-	2,179	2,179
Other income	5	899	437	1,532	1,129
Endowment and investment income	6	4	4	56	56
Donations and Endowments	7	161	161	161	161
Total income		26,404	25,942	33,183	32,780
EXPENDITURE					
Staff costs	8	19,523	19,279	21,717	21,487
Fundamental restructuring costs	8	609	609	1,206	1,206
Other operating expenses	9	9,190	8,952	9,640	9,403
Depreciation	12	2,299	2,299	2,046	2,046
Interest and other finance costs	10	1,902	1,902	1,762	1,762
Total expenditure		33,523	33,041	36,371	35,904
(Deficit)/surplus before other gains and losses		(7,119)	(7,099)	(3,188)	(3,124)
Surplus on disposal of assets	12	19	19	-	-
(Deficit)/surplus before tax		(7,100)	(7,080)	(3,188)	(3,124)
Taxation	10	-	-	-	-
(Deficit)/surplus for the year	11	(7,100)	(7,080)	(3,188)	(3,124)
Unrealised surplus on revaluation of assets		-	-	-	-
Actuarial loss in respect of pensions schemes		(7,493)	(7,493)	(3,161)	(3,161)
Total Comprehensive Income for the year		(14,593)	(14,573)	(6,349)	(6,285)

Lambeth College
Consolidated and College Statement of Changes in Reserves

	Income and Expenditure account	Restricted Reserves	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
Group				
Restated balance at 1st August 2014	5,020	16	8,905	13,941
Surplus/(deficit) from the income and expenditure account	(3 188)	-	-	(3 188)
Other comprehensive income	(3,161)	-	-	(3,161)
Transfers between restricted and income and expenditure reserves	-	-	-	-
Transfers between revaluation and income and expenditure reserves	652		(652)	-
	(5,697)	-	(652)	(6,349)
Balance at 31st July 2015	(677)	16	8,253	7,592
Surplus/(deficit) from the income and expenditure account	(7,100)		-	(7,100)
Other comprehensive income	(7,493)		-	(7,493)
Transfers between restricted and income and expenditure reserves	6	(6)	-	0
Transfers between revaluation and income and expenditure reserves	511		(511)	-
Total comprehensive income for the year	(14,076)	(6)	(511)	(14,593)
Balance at 31st July 2016	(14,753)	10	7,742	(7,001)
College				
Restated balance at 1st August 2014	5,020	16	8,905	13,941
Surplus/(deficit) from the income and expenditure account	(3,124)		-	(3,124)
Other comprehensive income	(3,161)		-	(3,161)
Transfers between revaluation and income and expenditure reserves	652		(652)	-
	(5,633)	-	(652)	(6,285)
Balance at 31st July 2015	(613)	16	8,253	7,656
Surplus/(deficit) from the income and expenditure account	(7,080)		-	(7,080)
Other comprehensive income	(7,493)		-	(7,493)
Transfers between restricted and income and expenditure reserves	6	(6)	-	-
Transfers between revaluation and income and expenditure reserves	511		(511)	-
Total comprehensive income for the year	(14,056)	(6)	(511)	(14,573)
Balance at 31st July 2016	(14,669)	10	7,742	(6,917)

Lambeth College
Balance sheets as at 31 July

	Notes	Group 2016 £'000	College 2016 £'000	Group Restated 2015 £'000	College 2015 £'000
Fixed assets					
Tangible fixed assets	12	57,319	57,319	55,091	55,091
Investments	13	-	-	-	-
		57,319	57,319	55,091	55,091
Current assets					
Stocks		4	-	4	4
Trade and other receivables	14	1,080	1,144	3,090	3,228
Investments	15	-	-	2,000	2,000
Cash and cash equivalents	20	7	7	1,219	1,118
		1,091	1,151	6,313	6,350
Less: Creditors – amounts falling due within one year	16	(8,534)	(8,510)	(7,733)	(7,706)
Net current assets		(7,443)	(7,359)	(1,420)	(1,356)
Total assets less current liabilities		49,876	49,960	53,671	53,735
Less: Creditors – amounts falling due after more than one year	17	(27,228)	(27,228)	(24,972)	(24,972)
Provisions					
Defined benefit obligations	19	(26,752)	(26,752)	(18,588)	(18,588)
Other provisions	19	(2,897)	(2,897)	(2,519)	(2,519)
Total net assets		(7,002)	(6,917)	7,592	7,656
Unrestricted reserves					
Income and expenditure account	23	(14,753)	(14,669)	(677)	(613)
Revaluation reserve	22	7,742	7,742	8,253	8,253
Restricted reserve		10	10	16	16
Total unrestricted reserves		(7,001)	(6,917)	7,592	7,656

The financial statements on pages 22 to 53 were approved and authorised for issue by the Corporation on 15 December 2016 and were signed on its behalf on that date by:

Mary McCormack
Chair

Mary McCormack

Monica Box
Accounting Officer

Monica Box

Lambeth College
Consolidated Statement of Cash Flows

	Notes	2016 £'000	Restated 2015 £'000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(7,100)	(3,188)
Adjustment for non cash items			
Depreciation		2,299	2,046
(Increase)/decrease in stocks		-	2
(Increase)/decrease in debtors		2,010	(2,420)
Increase/(decrease) in creditors due within one year		824	3,303
Increase/(decrease) in creditors due after one year		2,263	-
Increase/(decrease) in provisions		378	1,202
Pensions costs less contributions payable		65	190
Taxation		-	-
Adjustment for investing or financing activities			
Investment income		(4)	(56)
Interest payable		1,084	1,002
Taxation paid		-	-
Loss on sale of fixed assets		(19)	-
		<u>1,800</u>	<u>2,081</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Proceeds from sale of fixed assets		19	-
LEP funding received for Vauxhall Project		1,330	-
Investment income		4	56
Withdrawal of deposits		(2,006)	-
New deposits		-	-
Payments made to acquire fixed assets		(4,527)	(12,914)
		<u>(5,180)</u>	<u>(12,858)</u>
Cash flows from financing activities			
Interest paid		(1,084)	(1,002)
Interest element of finance lease rental payments		-	-
New long term unsecured loans		2,000	2,709
Repayments of amounts borrowed		(748)	(2,709)
Capital element of finance lease rental payments		-	-
		<u>168</u>	<u>(1,002)</u>
Decrease in cash and cash equivalents in the year		<u>(3,212)</u>	<u>(11,779)</u>
Cash and cash equivalents at beginning of the year	20	3,219	17,153
Cash and cash equivalents at end of the year	20	7	3,219

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Statement of Accounting Policies

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

Basis of Preparation

These financial statements have been prepared in accordance with the *2015 Statement of Recommended Practice - Accounting for Further and Higher Education* (the SORP), with the *Accounts Direction 2015 to 2016* and in accordance with applicable Accounting Standards.

Basis of Accounting

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

Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the financial statements and accompanying notes.

The College incurred a deficit of £7.0 million (2015: £3.3 million) before actuarial losses of £7.5 million (2015: £3.2 million). At 31 July 2016, the cash resources totalled £0.0 million compared to £3.2 million at 31 July 2015. The College has net current liabilities of £7.4 million as at 31 July 2016 (2015: £1.4 million). Based on the financial results and position for the year ended 31 July 2016, the College breached its financial covenants in relation to the loan from Barclays Bank. However the Bank has subsequently provided a waiver of breach of loan covenants for 2015/16. This supports the College's decision not to treat any of its loans as short term.

The College has adopted a budget for 2016/17 which shows a deficit of approximately £2 million. The College believes it will require £5.2 million of exceptional financial support from the SFA during the year. Of this figure £1.2 million was provided in October and further sums of £0.7 million each in November and December. The continued availability of exceptional financial support for the College is assessed on a monthly basis by the Skills Funding Agency, and therefore the financial support is not committed for a period of at least twelve months from the date of approval of these financial statements. In order to be able to continue to trade, the College must:

- Meet the budget set for 2016/17;
- Maintain the confidence of its bank; and
- Continue to draw down exceptional financial support from the SFA.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

To this end the College provides weekly cash flow reports to the SFA and monthly management accounts to both the SFA and to its bank. The College aims to hold monthly case conferences with the SFA and with its bank. The College has invited the Secretary of State for Education to appoint an observer to the Corporation and the Secretary of State has taken up this invitation.

In the event that the College does not merge on 1 August 2017 it will require further exceptional financial support from the SFA. In December 2016 when these financial statements are signed the estimate of the exceptional financial support that would be required in the first five months of the 2017/18 financial year is £2.6 million.

The College is continuing to develop the Vauxhall site, and the College anticipates that alternative sources of financing will be found for the project to ensure the project can be funded without drawing on its general reserves. The College's commitment to the project at 31 July 2016 comprised capital commitments of £0.9 million and a capitalised "asset under construction" of £3.1 million. The total costs of the project are anticipated to be £42 million. The project has been funded in the year to 31 July 2016 half by a grant from the Local Enterprise Partnership and half from a bank loan facility. The College anticipates that it will be able to fund the completion of the project from the remaining Local Enterprise Partnership grant and from the disposal of part of the site at an expected price of £22.5 million.

The Corporation acknowledges that there is a material uncertainty in relation to the going concern assumption regarding the continued availability of exceptional financial support and the ability of the College to manage its cash flow as planned. The alternative 'break-up' basis of preparation of the financial statements would therefore be appropriate. Under this basis, all assets and liabilities would require restatement to their realisable value, and any additional liabilities arising on a break up, such as redundancy costs, would need to be accrued for. All liabilities would need to be reflected as current liabilities. The College is unable to estimate at this juncture the extent or value of any adjustments that may be required in this eventuality due to the uncertainty involved. Consequently, the financial statements have been prepared on a going concern basis. As the College has now strengthened its controls on pay and non-pay expenditure to enable it to meet its 2016/17 budget and in view of the close contact maintained with the SFA and the College's bank, the College believes it will continue to meet the conditions necessary to secure exceptional financial support from the Skills Funding Agency and maintain the confidence of the bank. For these reasons it continues to adopt the going concern basis for the preparation of these accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Recognition of Income

The recurrent grants from the funding bodies represent the funding allocations attributable to the current financial year and are credited to the income and expenditure account.

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process and the results of any funding audit. 16-18 learner responsive funding is not normally subject to a reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets. Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors e.g. employers. Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from restricted purpose endowment funds not expended in accordance with the restrictions of the endowment in the period is transferred from the income and expenditure account to accumulated income within endowment funds.

Post Retirement Benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS) which is managed by the London Pensions Fund Authority (LPFA). These are defined benefit pension schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

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 present and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in note 25, 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 scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the Income and Expenditure account. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Enhanced Pensions

Under the TPS, the actual cost of any enhanced ongoing 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 ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet in line with guidance issued by the funding bodies.

The same arrangements pertained to the LGPS until Autumn 2005. Thereafter under the LGPS, a payment to cover the expected future cost of any enhancement to the ongoing pension of a former member of staff is made in full to the LPFA and is charged in full to the College's income and expenditure account in the year that the member of staff retires. No provision is therefore created.

Tangible Fixed Assets

Land and Buildings

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

Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of between 10 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 10 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.

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.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were valued in 1994, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

Tangible Fixed Assets (continued)

Assets under Construction

Assets under construction are included 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 it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently moved;
- Asset capacity increases;
- Substantial improvement in the quality of output or reduction in operating costs;
- Significant extension of the asset's life beyond that conferred by repairs and maintenance.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost.

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

Motor vehicles	20% per year
General equipment	20% per year
Computer equipment	20% per year

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy. The related grant is credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment on a basis consistent with the depreciation policy. All fully depreciated equipment has been written out of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

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 equivalent owned assets. The capital element is shown as obligations under finance leases. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding bodies' capital equipment grants, the associated assets are designated as grant-funded assets.

Foreign Currency Translation

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

Taxation

The College is considered to pass the test set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax 2010 or Section 256 of the Taxation of Chargeable Gains Acts 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 they it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks and building societies.

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

Agency Arrangements

The College acts as an agent in the collection and payment of discretionary support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in note 30, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Investments

Investments in subsidiary undertakings are carried at cost less any provision for impairment in their value.

28 Transition to FRS 102 and the 2015 FE HE SORP (cont)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 2 days unused leave for teaching staff and non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £145,000 was recognised at 1 August 2014, and £139,000 at 31 August 2015. Following a re-measurement exercise in 2015/16, the reduction on this provision of £25,000 has been released to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

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

c) Change in recognition of defined benefit plan finance costs

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

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

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

Lambeth College
Notes to the Accounts (continued)

2 Funding council grants

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Recurrent grants				
Skills Funding Agency	12,072	12,072	14,554	14,554
Education Funding Agency	8,511	8,511	9,200	9,200
Specific Grants				
Skills Funding Agency	-	-	14	14
Education Funding Agency	65	65	78	78
Releases of government capital grants	328	328	251	251
Total	20,976	20,976	24,097	24,097

3 Tuition fees and education contracts

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Total tuition fees	3,058	3,058	2,910	2,910
Education contracts	1,306	1,306	2,248	2,248
Total	4,364	4,364	5,158	5,158

4 Other grants and contracts

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
European Commission	-	-	2,179	2,179
Total	-	-	2,179	2,179

Lambeth College
Notes to the Accounts (continued)

5 Other income

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	361	63	331	68
Other income generating activities	231	224	409	409
Miscellaneous income	307	150	792	652
	<hr/>		<hr/>	
Total	899	437	1,532	1,129
	<hr/>		<hr/>	

6 Investment income

	Year ended 31 July 2016		Year ended 31 July 2015	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	4	4	56	56
	<hr/>		<hr/>	
	4	4	56	56
	<hr/>		<hr/>	

7 Donations - College only

	Year ended 31 July	
	2016	2015
	£'000	£'000
Unrestricted donations	161	161
	<hr/>	
Total	161	161
	<hr/>	

Lambeth College
Notes to the Accounts (continued)

8 Staff costs - Group and College

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

	2016 No.	2015 No.
Teaching staff	139	178
Non teaching staff	181	206
	<u>320</u>	<u>384</u>

A new procedure calculating these figures has changed the 2015 figures to provide comparable data.

Staff costs for the above persons

	2016 £'000	2015 £'000
Wages and salaries	12,796	15,216
Social security costs	1,126	1,290
Other pension costs	<u>1,874</u>	<u>2,169</u>
Payroll sub total	15,796	18,675
Contracted out staffing services	<u>3,727</u>	<u>3,042</u>
	19,523	21,717
Fundamental restructuring costs - contractual	534	1,206
non contractual	75	-
	<u>20,057</u>	<u>22,923</u>

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the five Staff costs include compensation paid to key management personnel for loss of office.

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

	2016 No.	2015 No.
The number of key management personnel was:		
permanent	5	6
interim	<u>3</u>	<u>-</u>
	8	0

The number of senior post-holders and other staff who received emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	Year ended 31 July 2016	Year ended 31 July 2015	Year ended 31 July 2016	Year ended 31 July 2015
	No.	No.	No.	No.
Less than £60,000	1	3	-	-
£60,001 to £70,000	1	0	-	1
£70,001 to £80,000	2	0	-	1
£80,001 to £90,000	0	1	-	-
£90,001 to £100,000	0	1	-	-
£100,001 to £110,000	0	0	-	-
£110,001 to £120,000	0	0	-	-
£120,001 to £130,000	0	0	-	-
£130,001 to £140,000	0	0	-	-
£140,001 to £150,000	0	0	-	-
£150,001 to £160,000	0	0	-	-
£160,001 to £170,000	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
	5	6	-	2

No member of Key Management Personnel was not also a senior post holder.

During these years the college engaged several contractors and in some cases companies to discharge functions that in other colleges may have been discharged by Key Management Personnel. The value of these contracts was £194,917 (2015 Nil)

The College Strategy during 2015/16 was to employ agency and contractual/temporary staff pending a merger with another FE college proposed at 31st July 2016. This would have saved potential costs following rationalisation and was in many roles (both junior and senior) and in all areas. Following the deferment of the proposed merger to later in 2017, during early 16/17 the College has been recruiting permanent staff to reduce the higher costs of the temporary staff.

Lambeth College
Notes to the Accounts (continued)

8 Staff costs - Group and College

Key management personnel emoluments are made up as follows:

	2016 £'000	2015 £'000
Salaries	407	422
Benefits in kind	12	14
	<u>419</u>	<u>436</u>
Pension contributions	66	57
	<u>66</u>	<u>57</u>
Total emoluments	<u>485</u>	<u>493</u>

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

	2016 £'000	2015 £'000
Salaries	150	150
Benefits in kind	1	14
	<u>151</u>	<u>164</u>
Pension contributions	24	18
	<u>24</u>	<u>18</u>

Compensation for loss of office paid to former key management personnel

	2016 £	2015 £
Compensation paid to the former post-holder - contractual	75,000	6,000
Compensation paid to the former post-holder -non contractual	75,000	-
Estimated value of other benefits, including provisions for pension benefits	23,806	-
	<u>23,806</u>	<u>-</u>

On 7 July 2016 the corporation decided to terminate the services of the Principal in August 2016. Allowance for the costs of the corporation's determination are included in the provisions set out in note 19.

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

Lambeth College
Notes to the Accounts (continued)

9 Other operating expenses

	Year ended 31 July		Year ended 31 July	
	2016	2016	2015	2015
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Teaching costs	751	751	921	921
Franchised and sub-contracted provision	2,543	2,543	2,143	2,143
Non teaching costs	4,161	3,923	3,977	3,740
Premises costs	1,735	1,735	2,599	2,599
Total	9,190	8,952	9,640	9,403
Other operating expenses include:		2016		2015
		£'000		£'000
Auditors' remuneration:				
Financial statements audit*	53	50	41	38
Internal audit**	33	33	25	25
Organisations associated with the internal auditors**				
Delivery of teaching to students**	272	272	239	239
Provision of other services and interim staff	215	215	194	194
Premises costs include a notional charge re Brixton campus which is matched by the notional income in Note 7	161	161	161	161
Surplus on disposal of tangible fixed assets (where not material)	19	19		
Hire of assets under operating leases	127	127	-	-

Lambeth College
Notes to the Accounts (continued)

10 Interest payable - Group and College

	2016	2015
	£'000	£'000
On bank loans, overdrafts and other loans:	<u>1,084</u>	<u>1,002</u>
	1,084	1,002
On finance leases	-	-
Pension finance costs (note 25)	732	153
Enhanced pension finance costs	86	97
Audit Adjustments 22 Nov 2016		510
Total	<u><u>1,902</u></u>	<u><u>1,762</u></u>

11 Taxation - Group only

	2016	2015
	£'000	£'000
United Kingdom corporation tax	-	-
Provision for deferred corporation tax in the accounts of the subsidiary company	<u>-</u>	<u>-</u>
Total	<u><u>-</u></u>	<u><u>-</u></u>

The members do not believe the College was liable for any corporation tax arising out of its activities during either the current or prior year.

Lambeth College
Notes to the Accounts (continued)

12 Tangible fixed assets (Group)

					Total
	Land and buildings Freehold	Long leasehold	Equipment	Assets in the Course of Construction	
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 August 2015	62,118	-	2,505	14,918	79,541
Additions	-	-	732	3,795	4,527
Reclasifications - Vauxhall	(309)			309	
Transfers of Completed Assests under Construction at Clapham to Freehold assets	15,908			(15,908)	-
Disposals	-	-	-	-	-
At 31 July 2016	77,717	-	3,237	3,114	84,068
Depreciation					
At 1 August 2015	22,638	-	1,812	-	24,450
Charge for the year	1,882	-	417	-	2,299
Elimination in respect of disposals	-	-	-	-	-
At 31 July 2016	24,520	-	2,229	-	26,749
Net book value at 31 July 2016	53,197	-	1,008	3,114	57,319
Net book value at 31 July 2015	39,480	-	693	14,918	55,091

The value of Land and Buildings on this summary above is fully secured to Barclays Bank PLC in support of the loan portfolio extended to the College.

The opening Work in Progress of £14,918K was mainly that associated with the Clapham campus new build and redevelopment of existing buildings of £14,609K. The remaining value £309K was fees related to the start of the Vauxhall Development

The Clapham project was completed in late September 2015 and opened to classes for students in early October in that year at a final cost of £15,918K with small retentions to be paid. The Vauxhall campus was closed to students at 31st July 2016 and is the subject of major redevelopment plans that are not yet finalised. The Work in progrees here is fees and costs associated with the planning for the development which is co funded by the Local Enterprise Panel.

Lambeth College
Notes to the Accounts (continued)

12 Tangible fixed assets (College only)

	Land and buildings	Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold		
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 August 2015	62,118	-	2,505	14,918
At 1 August 2015	62,118	-	2,505	14,918
Additions	-	-	-	4,527
Transfers of Completed Assets under Construction to Freehold assets	15,856	-	-	(15,856)
Disposals	-	-	-	-
At 31 July 2016	77,974	-	2,505	3,589
Depreciation				
At 1 August 2015	22,638	-	1,812	-
At 1 August 2015	22,638	-	1,812	-
Charge for the year	1,882	-	417	-
Elimination in respect of disposals	-	-	-	-
At 31 July 2016	24,520	-	2,229	-
Net book value at 31 July 2016	53,454	-	276	3,589
Net book value at 31 July 2015	39,480	-	693	14,918

Inherited land and buildings were valued at depreciated replacement cost as at 31 August 1994 by independent chartered surveyors. The valuation of inherited assets has not been updated since then. The historic costs of the assets is nil. Up to 31 July 2015 the college occupied two freehold sites at Clapham and Vauxhall. The occupation of the Brixton site is under the terms of a licence to occupy which was signed on 1 August 2014 following the disposal of the site during 2013/14.

Lambeth College
Notes to the Accounts (continued)

12 Tangible fixed assets (College only) (continued)

If fixed assets had not been revalued they would have been included at the following historical cost amounts:

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

13 Non current investments

	College 2016 £'000	College 2015 £'000
Investments in subsidiary companies	-	-
	<hr/>	<hr/>
Total	<u>-</u>	<u>-</u>

The College holds 100% of the issued £1 ordinary shares in each of the following companies: **SW4 Catering Ltd** (incorporated on 10 July 2014, Company Number 09125790) whose principal business activities are catering, cleaning and security. The company has been trading since August 2014 and is consolidated within these financial statements; **Skills Exchange Recruitment Limited** (incorporated on 4 December 2013, Company Number 08428330). This company has been dormant since incorporation. **Go2Work Limited** (incorporated on 31 January 2013, Company Number 08385112). This company has been dormant since incorporation. All three subsidiary companies are incorporated in England and Wales and the shares in all three companies were purchased at par and are carried at cost. Total cost of shares held is £3.

14 Debtors

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Amounts falling due within one year:				
Trade receivables	426	423	3,000	2,994
Amounts owed by group undertakings:				
Subsidiary undertakings	-	67	-	144
Prepayments and accrued income	654	654	90	90
Total	<u>1,080</u>	<u>1,144</u>	<u>3,090</u>	<u>3,228</u>

Lambeth College
Notes to the Accounts (continued)

15 Current investments

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Money Market Deposits	-	-	2,000	2,000
Total	-	-	2,000	2,000

16 Creditors: amounts falling due within one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans and overdrafts	1,975	1,975	412	412
Obligations under finance leases	-	-	-	-
Trade payables	3,635	3,613	1,020	993
Other taxation and social security	519	519	649	649
Accruals and deferred income	639	639	5,142	5,142
Deferred income - government capital grants	331	331	326	326
Deferred income - government revenue grants	-	-	-	-
Amounts owed to the Skills Funding Agency/EFA	1,434	1,434	184	184
Total	8,534	8,511	7,733	7,706

17 Creditors: amounts falling due after one year

	Group 2016 £'000	College 2016 £'000	Group 2015 £'000	College 2015 £'000
Bank loans	16,140	16,140	14,887	14,887
Deferred income - government capital grants	11,088	11,088	10,085	10,085
Total	27,228	27,228	24,972	24,972

Lambeth College
Notes to the Accounts (continued)

18 Maturity of debt

(a) Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
In one year or less	1,975	1,975	412	412
Between one and two years	774	774	916	916
Between two and five years	2,485	2,485	1,026	1,026
In five years or more	12,881	12,881	12,946	12,946
Total	18,115	18,115	15,300	15,300

The College breached the financial covenants in the loans from Barclays Bank who then agreed with the College a waiver letter before the year end 31st July 2016. This letter allowed the College to continue to allow the loans to be split between short terms and long term liabilities. If this letter was not given, then FRS25 would apply where the entire value of the loans would be classified as short term, increasing them by £16.1M.

(b) Finance leases

The net finance lease obligations to which the institution is committed are:

	Group	College	Group	College
	2016	2016	2015	2015
	£'000	£'000	£'000	£'000
In one year or less	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
Total	-	-	-	-

Finance lease obligations are secured on the assets to which they relate.

Lambeth College
Notes to the Accounts (continued)

19 Provisions

	Defined £'000	Restructuring £'000	Group and College Enhanced £'000	Other £'000	Total £'000
At 1 August 2015	18,588	-	2,380	139	21,107
Expenditure in the period	(1,270)	-	(156)	-	(1,426)
Transferred from income and expenditure account	9,434	352	207	(25)	9,968
At 31 July 2016	26,752	352	2,431	114	29,649

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further

The restructuring provision relates to the decisions taken by the corporation with regard to the College Leadership Group in July 2016 and to the decision to close certain courses in the School of Engineering in Vauxhall campus. This was announced publicly and staff at risk of redundancy were informed in writing on the same day 16th May 2016.

The enhanced pension provision relates to the cost of staff who retired with enhanced pension provisions between 1995/96 and 2006/07. The value of the provision is calculated in accordance with guidance issued by the Association for Colleges.

The principal assumptions for this calculation are:

	2016	2015
Discount rate	2.30%	3.46%
Interest rate	1.30%	1.75%

20 Cash and cash equivalents

	At 1 August £'000	Cash flows £'000	Other £'000	At 31 July £'000
Cash and cash equivalents	3,219	(3,212)	-	7
Overdrafts	-	-	-	-
Total	3,219	(3,212)	-	7

21 Capital commitments

	Group and College 2016 £'000	2015 £'000
Commitments contracted for at 31 July	934	301

Lambeth College
Notes to the Accounts (continued)

22 Lease Obligations

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

	Group and College	
	2016	2015
	£'000	£'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
later than five years	-	-
	<u>-</u>	<u>-</u>
Other		
Not later than one year	268	-
Later than one year and not later than five years	683	-
later than five years	-	-
	<u>951</u>	<u>-</u>

23 Contingent liabilities & contingent gains

There are two possible contingent gains. The first relates to the disposal of the College's Vauxhall site. At the date the financial statements were signed progress was being made on agreeing a conditional development agreement for this site. If successful this project would generate a surplus on the disposal of the site. Any surplus is intended to be applied to the development of the Nine Elms Skills Centre. The second relates to the interest the college has in the Department for Education's Brixton site. Construction is currently taking place on the site and it is intended that the College will occupy part of the site for a peppercorn rent. It is anticipated that the value of this facility will be recognised in the College's financial statements when the building is occupied.

24 Events after the reporting period

The exceptional financial support of £1 million which was provided by the government in July 2016 was repaid in August 2016. (This sum is included in Deferred Income - government revenue grants in Note 16 to the accounts). The College received additional exceptional financial support after 31 July 2016. At the time of signing these accounts these payments amounted to £2.6M. The payments of exceptional financial support are conditional and some or all of them may be converted to a loan at the government's discretion.

The College's internal auditors, ICCA Education and Skills Ltd, resigned in December 2016.

Following the recommendations of the Government's Area Review of Post-16 Education in Central London in December 2016 the College decided to join the London South Bank University family, subject to the development of a full business case.

25 Defined benefit obligations

The College's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the London Pensions Fund Authority (LPFA)[name]. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2016 £'000	2015 £'000
Teachers Pension Scheme: contributions paid	882	967
Local Government Pension Scheme:		
Contributions paid	692	806
FRS 102 (28) charge	299	352
Charge to the Statement of Comprehensive Income	525	1,158
Enhanced pension charge to Statement of Comprehensive Income	124	-
Total Pension Cost for Year	1,531	2,125

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 2013.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year. Contributions amounting to £109,452 (2015 £212,381) were payable to the scheme and are included in creditors.

Teachers' Pension Scheme

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

The Teachers' Pension Budgeting and Valuation Account

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

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

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:

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

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

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

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

Scheme Changes

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

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

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

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

Lambeth College
Notes to the Accounts (continued)

25 Defined benefit obligations (continued)

FRS 102 (28)

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

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by London Pensions Fund Authority. The total contribution made for the year ended 31 July 2016 was £985,638, of which employer's contributions totalled £691,593 and employees' contributions totalled £294,045. The agreed contribution rates for future years are 16.5 % for employers and range from 5.5% to 7.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 July 2016 by a qualified independent actuary

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	3.90%	4.40%
Future pensions increases	2.10%	2.60%
Discount rate for scheme liabilities	2.50%	3.80%
Inflation assumption (CPI)	2.10%	2.60%
Commutation of pensions to lump sums	50%	25%

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

	At 31 July 2016 years	At 31 July 2015 years
<i>Retiring today</i>		
Males	22.00	21.90
Females	25.20	25.10
<i>Retiring in 20 years</i>		
Males	24.40	24.20
Females	27.50	27.40

Lambeth College
Notes to the Accounts (continued)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	Long-term rate of return expected at 31 July 2016	Fair Value at 31 July 2016	Long-term rate of return expected at 31 July 2015	Fair Value at 31 July 2015
		£'000		£'000
Equities		16,698		13,609
LDI/Cashflow matching		2,836		4,450
Target return portfolio		7,892		5,980
Alternative assets		3,680		2,756
Cash		1350		3973
Total market value of assets		32,456		30,768
Weighted average expected long term rate of return	5.80%		5.50%	
Actual return on plan assets		(1,186)		(642)

The amount included in the balance sheet in respect of the defined benefit pension plan (and enhanced pensions benefits) is as follows:

	2016 £'000	2015 £'000
Fair value of plan assets	32,456	30,768
Present value of plan liabilities	(58,561)	(48,733)
[Present value of unfunded liabilities]	(647)	(623)
Net pensions (liability)/asset (Note 19)	(26,752)	(18,588)

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

	2016 £'000	2015 £'000
Amounts included in staff costs		
Current service cost	1,102	1,189
Past service cost	107	55
Total	1,209	1,244

Amounts included in investment income

	2016 £'000	2015 £'000
Net interest income	732	663
	732	663

Amounts recognised in Other Comprehensive Income

	2016 £'000	2015 £'000
Return on pension plan assets	469	90
Experience losses arising on defined benefit obligations	12	(645)
Changes in assumptions underlying the present value of plan liabilities	(7,974)	(2,606)
Amount recognised in Other Comprehensive Income	(7,493)	(3,161)

Lambeth College
Notes to the Accounts (continued)

25 Defined benefit obligations (continued)

Local Government Pension Scheme (Continued)

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

	2016	2015
	£'000	£'000
Surplus/(deficit) in scheme at 1 August	(18,588)	(14,727)
Movement in year:		
Current service cost	(1,102)	(1,189)
Employer contributions	1,270	854
Past service cost	(107)	315
Unfunded pension payments	38	38
Net interest on the defined (liability)/asset	(732)	(153)
Actuarial gain or loss	(7,493)	(3,671)
Settlement and curtailments	(38)	(55)
Net defined benefit (liability)/asset at 31 July	<u>(26,752)</u>	<u>(18,588)</u>

Asset and Liability Reconciliation

	2016	2015
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	49,356	43,873
Current Service cost	1,102	1,189
Interest cost	1,857	1,850
Contributions by Scheme participants	285	339
Experience gains and losses on defined benefit obligations	(12)	645
Changes in financial assumptions	7,974	2,606
Estimated benefits paid	(1,423)	(1,163)
Past Service cost including curtailments	107	55
Unfunded pension payments	(38)	(38)
Defined benefit obligations at end of period	<u>59,208</u>	<u>49,356</u>

Reconciliation of Assets

	2016	2015
	£'000	£'000
Fair value of plan assets at start of period	30,768	29,146
Interest on plan assets	1,171	1,231
Return on plan assets	469	90
Employer contributions	1,270	1,207
Contributions by Scheme participants	285	339
Estimated benefits paid	(1,461)	(1,201)
Administration expenses	(46)	(44)
Assets at end of period	<u>32,456</u>	<u>30,768</u>

Lambeth College
Notes to the Accounts (continued)

26 Related party transactions

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

The total expenses paid to or on behalf of the Governors during the year was £152 for one governor (2015: £516; 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity.

No Governor has received any remuneration or waived payments from the College or its subsidiaries during the year (2014: None).

27 Amounts disbursed as agent

Learner support funds			
		2016	2015
		£'000	£'000
Funding body grants - hardship support		566	400
Funding body grants - childcare		832	991
24+ Bursary		829	481
		<hr/>	<hr/>
		2,227	1,872
Disbursed to students		(1,906)	(1,664)
Administration costs		(95)	(78)
		<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors		226	130

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.

Lambeth College
Notes to the Accounts (continued)

28 Transition to FRS 102 and the 2015 FE HE SORP

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

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

	Note	1st August 2014		31st July 2015	
		Group £'000	College £'000	Group £'000	College £'000
Financial Position					
Total reserves under previous SORP		14,081	14,081	7,727	7,791
Employee leave accrual		(145)	(145)	(139)	(139)
Release of non-government capital grants		5	5	4	4
Total effect of transition to FRS 102 and 2015 FE HE SORP		(140)	(140)	(135)	(135)
Total reserves under 2015 FE HE SORP		13,941	13,941	7,592	7,656
Year ended 31st July 2015					
		Group £'000	College £'000		
Financial Performance					
Surplus for the year after tax under previous SORP		(2,639)	(2,575)		
Revaluation of enhanced pension provision		(44)	(44)		
Reversal of capital grants amortisation		(1)	(1)		
Employee leave accrual		6	6		
Pensions provision – actuarial loss		(3,161)	(3,161)		
Changes to measurement of net finance cost on defined benefit plans		(510)	(510)		
Total effect of transition to FRS 102 and 2015 FE HE SORP		(3,710)	(3,710)		
Total comprehensive income for the year under 2015 FE HE SORP		(6,349)	(6,285)		

28 Transition to FRS 102 and the 2015 FE HE SORP (cont)

a) Recognition of short term employment benefits

No provision for short term employment benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. The annual leave year runs to 31st August each year for both teaching and non-teaching staff meaning that, at the reporting date, there was an average of 2 days unused leave for teaching staff and non-teaching staff. The cost of any unused entitlement is recognised in the period in which the employee's services are received. An accrual of £145,000 was recognised at 1 August 2014, and £139,000 at 31 August 2015. Following a re-measurement exercise in 2015/16, the reduction on this provision of £25,000 has been released to Comprehensive Income in the year ended 31 July 2016.

b) Non-government grants accounted for under performance model

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

c) Change in recognition of defined benefit plan finance costs

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

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

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