



# **LAMBETH COLLEGE**

## **Report and Financial Statements for the six months ended 31 January 2019**

## **Key Management Personnel, Board of Governors and Professional advisers**

### **Key management personnel**

Six individuals are declared as key management personnel in 2018/19 in the financial statements – these were:

Names	Position	Date Joined	Date Left
Monica Box	Interim Principal and Chief Accounting Officer	15/08/2016	31/01/2019
Fiona Morey	Principal Designate	01/09/2018	
Martin Penny	Interim Director of Finance	27/07/2017	31/08/2018
Richard Allanach	Interim Director of Finance	03/09/2018	14/01/2019
Michael Webb	Interim Chief Financial Officer	14/01/2019	
Mary Heslop	Interim Clerk to the Corporation	25/07/2016	31/01/2019

Other senior staff were:

Michael Pichamuthu  
Philip Cuncliffe  
Monica Marongiu

Chief Operating Officer  
Director of Curriculum  
Director of Curriculum

### **Board of Governors**

A full list of Governors of Lambeth College Corporation is given on page 13 of these financial statements and on page 16 new SBC Board.

Mary McCormack was Chair of the Corporation throughout the period.

### **Financial Statements Auditors and Regularity Reporting Accountants:**

KPMG LLP (UK)  
15 Canada Square  
London, E14 5GL

### **Internal Auditors:**

RSM UK LLP  
25 Farringdon Street  
London, EC4A 4AB

### **Bankers:**

Barclays Bank Plc  
Level 28, 1 Churchill Place  
London, E14 5HP

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## Members' Report

### NATURE, OBJECTIVES AND STRATEGIES:

The members present their report and the audited financial statements for the six months ended 31 January 2019.

#### Summary

Lambeth College (the College) is the college that was owned until 31 January 2019 by Lambeth College Corporation (the Corporation). After 31 January 2019 the College is owned by South Bank Colleges ("SBC").

The college made a £10.6m surplus in the first half of 2018/19 consequent on the waiving of £15.0m of ESFA loans; without this the college loss would have delivered a £4.4m loss. The college has been dependent on exceptional financial support from the government and its financial position before the end of January would be described as "inadequate".

It is not possible to provide meaningful commentary on the quality of taught programmes at the end of January as the College is only part way through its academic year and this report is prepared to reflect the position at the time of acquisition.

On 31 January 2019 the College was acquired by South Bank Colleges, a subsidiary of London South Bank University (LSBU), who have been the preferred merger partner for some time. This acquisition secures the financial future of the College.

#### 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 Part 3 of the *Charities Act 2011*.

#### Mission

"To improve the lives, work and economic prospects of the current and future generations in Lambeth and beyond."

#### Public Benefit

Lambeth College Corporation is an exempt charity under the Part 3 of the *Charities Act 2011* and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 13.

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

In delivering its mission, the Corporation 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.

Further examples of the delivery of public benefit are covered throughout the Members' Report.

### **College Plans**

The Corporation strategic plan has the following key objectives:

- 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.

The College having been acquired by SBC is in the process of developing a new strategic plan that will focus on learner success, careers focus and financial sustainability.

### **Estates Strategy**

The College has committed, with the support of LSBU, to a major redevelopment of the Vauxhall campus to include a Science, Technology, Arts, Engineering and Maths Centre at the heart of the campus. Target date for completion of this building is September 2021 and this project will be part funded by LEAP funding through the GLA.

The Vauxhall campus has the potential for other College buildings and the need for overall College space between Vauxhall and Clapham campuses is being considered as part of an updated estates strategy to sit alongside a new College strategic plan.

### **Financial objectives**

In July 2018 the Corporation set a budget for the year with several key financial performance indicators

#### **Performance indicators**

<b>Key performance Indicator</b>	<b>Measure/Target (YTD)</b>	<b>Actual to January 2018/19</b>
Surplus/(Deficit)	£(799)k	£(4,356)k
Staff Cost / Income ratio	56%	76%
Cash at 31 January 2019	£2,153k	£197k

The performance indicators ignore the one-off waiver of ESFA loan in calculating the measures. The College's failure to achieve these financial objectives is explained in the financial position section below. It is unusual to be reporting activity for only half the College's full academic year and the half year results are not necessarily a guide to the full year performance. However it is true to say that the College failed to recruit to its Adult learner

targets in September and this has led to a reduction in financial performance for the College at the end of January.

## **FINANCIAL POSITION**

### **Financial results**

Group turnover was £25.6m in the six months to the end of January 2019 compared to a full year turnover of £23.9m in 2017/18. The main changes in funding in the 2018/19 year compared to 2017/18 are the waiver of ESFA loan of £15.0m, 16-18 grant income where the full year grant is due to be £0.4m higher than 2017/18 and in Adult grant where the full year grant is £1.6m higher than last year. This is offset by a reduction of £0.6m for apprenticeship income reflecting lower levels of activity.

Staff costs were £8.2m for the six months compared to £16.4m for the full year in 2017/18, and other operating expenses were £4.7m compared to £10.1m for the full year in 2017/18.

The result is a surplus in the six-month period of £10.6m compared to a full year deficit in 2017/18 of £6.1m before actuarial gains in respect of pension schemes.

Tangible fixed asset additions during the period amounted to £0.8m, principally including work on the new Vauxhall campus building.

Total creditors due within one year have reduced at the 31 January 2019 to £25.7m compared to the 31 July 2018 figure of £38.0m. Within these creditors are bank loans which reduced from £15.4m at 31 July 2018 to £13.7m at 31 January 2019 and are now classified as amounts due to LSBU, ESFA loan balances which decreased from £15.5m to £1.8m and accruals and deferred income which rose from £2.3m to £4.6m (reflecting a mid-year not end of year position).

SW4 Catering Ltd delivered a break-even result in the first six months compared to a loss of £12k for the full year in 2017/18. These figures are included in the group figures in these financial statements.

### **Treasury policies and objectives**

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

The College has a separate treasury management policy in place.

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

During the six month period in 2018/19 the College had the following loan arrangements in place with Barclays Bank:

- 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.
- A revolving credit facility providing working capital.
- 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.

On the 31 January 2019 the Barclays Bank loan was novated to LSBU as part of the acquisition deal and is no longer a liability on the college's balance sheet.

### **Cash flows and liquidity**

The College's cash flow and liquidity has been underpinned by the receipt of exceptional financial support from the Educational and Skills Funding Agency. The College generated £28.6m in operating cash inflows in the first six months of 2018/19 compared to £3.4m outflow in 2017/18. The College spent £0.7m on investing activities in the first half of 2018/19 compared to £1.2m in 2017/18, and £15.4m on repaying bank debt (2017/18 repayments of £2.8m). The college reduced exceptional financial support by £13.6m (2017/18 increased £7.4m). The college ended the year with cash balances of £0.2m lower than the position at 31 July 2018 when the College held £2.1m of cash.

### **Reserves Policy**

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation. As at the balance sheet date the Income and Expenditure reserve stands at a negative figure of £10.6m compared to a negative figure of £21.3M at 31 July 2018. It is the College's intention to address this position through merger with LSBU.

## **CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE**

### **Student numbers and achievements**

It is not possible to meaningfully measure student numbers and achievements part way through the academic year

The College's last Ofsted Inspection was in November 2016 when it maintained its rating for Overall Effectiveness as "Requires Improvement".

### **Payment performance**

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. During 2018/19 most suppliers were paid within a month of their invoices being authorised.

### **Post Balance Sheet Events**

The acquisition of the College by SBC was completed on 31 January 2019. As a result of this acquisition, and in line with the agreement of involved stakeholders the following key transactions took place:

- Assets and liabilities of Lambeth College Corporation were transferred to South Bank Colleges
- Barclays Bank loan was novated to LSBU
- ESFA loan balances were written off or re-purposed.
- £13.8m was received from the Transaction Unit as grant supporting the restructuring of the College's activities.

### **Future prospects**

The College is working towards a financial plan which will deliver on the conditions of the restructuring grant awarded by the Department for Education.

The College has applied for a £19.9m grant from the London Economic Action Partnership which would provide support for the first phase of the redevelopment of the College's Vauxhall site. It is intended that the balance of funds required to secure the first phase of the redevelopment of the College's Vauxhall site will be secured through the sale of part of the Clapham site.

### **Going Concern Assumption**

The Corporation considers that the use of the going concern basis for the preparation of these financial statements is appropriate.

The activities of the College are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

As reflected in these financial statements, the College has recorded a surplus on Total Comprehensive income of £10.6m for the period ended 31 January 2019. The College owed the Education & Skills Funding Agency £1.8m at 31 January 2019. Barclays Bank loan



balances amounted to £13.7m and have been novated to LSBU. In addition the corporation set a deficit budget for the full year 2018/19 of £2.7M.

The Corporation believes the long-term future of College lies in the acquisition with LSBU. The mechanism to achieve this merger is to transfer the College's business, staff, assets and liabilities to South Bank Colleges. South Bank Colleges is a company limited by guarantee and subsidiary by virtue of control of London South Bank University. This acquisition was completed on 31 January 2019 and has the support of the Department for Education and the ESFA.

The activities and assets of Lambeth College were transferred on 31 January 2019 to South Bank Colleges legal entity which is now operating under the name of Lambeth College. Accordingly the original Lambeth College entity, to which these financial statements relate, ceased to trade at that date. However, as the teaching operations and use of the assets will continue unchanged in the new South Bank Colleges entity, and as the board considers that the new merged college has access to adequate resources for the foreseeable future, the board considers it appropriate to use the going concern basis of preparation in preparing these financial statements.

## **COLLEGE COMPANIES**

The College has a subsidiary company SW4 (Catering) Limited. Further details are provided in Note 11.

## **RESOURCES:**

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

Tangible resources at the 31 January 2019 included the two main College sites at Vauxhall and Clapham and the right to occupy part of the Brixton site on Brixton Hill.

After taking account of bank loans, deferred capital grants and pension liabilities the College finished the period to 31 January 2019 with net liabilities of £4.0m.

The College employed 299 FTE staff in 2018/19 of whom 124 FTE were teaching staff.

## **PRINCIPAL RISKS AND UNCERTAINTIES:**

The Corporation has arrangements for managing risk and uncertainty.

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 termly by the Audit Committee and 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 five risks with the highest scores for net risk (i.e. after mitigation) during the period were:

- (a) That there is no merger;
- (b) That the financial recovery plan work fails to provide a viable delivery model for Lambeth provision;
- (c) That the College is unable to secure funding for the proposed redevelopment of our Vauxhall site;
- (d) That the College fails to manage sub-contractor payments; and
- (e) That the College fails to control pay costs to budget.

The Corporation are monitoring these risks closely and have processes in place to detect these risks crystallising at an early stage.

## **STAKEHOLDER RELATIONSHIPS**

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

- Students;
- Education sector funding bodies;
- FE Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- The local community;
- Other FE & HE institutions;
- Trade unions;
- Professional bodies.

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

The College considers good communication with its staff to be very important and to this end publishes a weekly 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.

## **Equality**

Lambeth College celebrates and values the diversity brought to its workforce and learner population by individuals and believes that the College will benefit from recruiting staff from a variety of backgrounds, thus allowing it to better meet the needs of its diverse student population. We are committed to:

**EQUALITY** - Working towards the elimination of discrimination in all forms;

**RESPECT** - Treating all employees and students with respect and dignity;

**SAFETY** - Providing a positive working and learning environment free from discrimination and harassment in relation to race, disability, gender, transgender, age, religion or belief and sexual orientation;

**INCLUSIVENESS** - Building a College that is truly inclusive and one that understands, appreciates and values the diversity of each individual;

**ACTION** - Incorporating actions that make people feel valued and able to fully participate in all aspects of College life.

The Lambeth College Single Equality Scheme covers the rights and responsibilities of governors, staff, students and any visitors / contractors to all of the sites. It includes an Action Plan to assist in the monitoring and reviewing of the progress made to address equality and diversity issues across the equality strands: age, disability, gender, transgender, race, religion or belief, sexual orientation, marriage and civil partnerships and pregnancy and maternity.

### **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

### **Disclosure of information to auditors**

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

**Approved by the Board of South Bank Colleges and signed on its behalf by:**



**Ruth Farwell**

**Chair**

**Date:** 21 November 2019

## Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the Corporation to obtain a better understanding of its governance and legal structure. This statement covers the period from 1 August 2018 to 31 January 2019 and up to the date of approval of the annual report and financial statements.

The Corporation endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership); and in accordance with the guidance to Colleges from the Association of Colleges in the Code of good Governance for English Colleges ("the Code"). In the opinion of the Governors, the Corporation acts with due regard to the provisions of the Code, and has done so throughout the period ended 31 January 2019. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times.

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

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

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

The Corporation conducts its business through a number of committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are finance, quality & improvement, remuneration, search & governance and audit. Full minutes of all Corporation meetings, except those deemed to be confidential by the Corporation, are available on the College's website at [lambethcollege.ac.uk](http://lambethcollege.ac.uk) or from the Clerk to South Bank Colleges at:

103 Borough Road, London, SE1 0AA

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

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk, 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 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 Chairman and Accounting Officer are separate.

## The Corporation

The members who served on the Corporation during the year to 31 January 2019 were as listed in the table below.

Name	Appointed	End of Office	Term	Role	Committee
Mary McCormack	10 November 2015	31 January 2019	4 years	Chair of Governors	Search and Governance, Finance, Quality & Improvement, Remuneration (Chair)
Michael Smith	15 March 2018	31 January 2019	4 years	Vice Chair of Governors	Search and Governance (Chair), Quality & Improvement, Remuneration
Monica Box	15 August 2016	31 January 2019	n/a	Principal	Search and Governance, Finance, Quality & Improvement
Jennifer Bufton	01 September 2016	31 January 2019	4 years	Independent Governor	Audit
Nigel Duckers	12 July 2018	31 January 2019	2 years	Staff Governor	
Rob Flinter	28 September 2016	31 January 2019	4 years	Independent Governor	Audit
Fred Knipe	28 September 2016	31 January 2019	4 years	Independent Governor	Audit (Chair)
Emmanuel Quainoo	18 October 2018	31 January 2019	1 year	Student Governor	
Mary McMahon	01 September 2018	18 October 2018	1 year	Student Governor	
Jack O'Keefe	14 December 2017	31 January 2019	1 year	Student Governor	
Mohammed Seedat	23 April 2015	31 January 2019	4 years	Independent Governor	Audit, Remuneration
Teum Teklehaimanot	12 July 2018	31 January 2019	2 years	Staff Governor	Audit, Quality & Improvement
Kirsty Wadsley	01 September 2016	31 January 2019	4 years	Independent Governor	Audit, Quality & Improvement
Leslie Bortey	01 September 2018	31 January 2019	1 year	Student Governor	
Guy Ware	13 November 2014	31 January 2019	4 years	Independent Governor	Finance (Chair)

In addition to the members of the Corporation listed above Bev Jullien, a former governor served on the finance committee throughout the period.

## Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a search & governance 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 period ending 31 January 2019 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 Accounting Officer and other key management personnel.

Details of remuneration for the year ended 31 January 2019 are set out in note 8 to the financial statements.

## **Audit Committee**

The Audit Committee comprised three members of the Corporation (excluding the Accounting Officer and Chair and a co-opted audit specialist). The Committee operates in accordance with written terms of reference approved by the Corporation.

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

The College's internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan 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, reporting accountants and financial statements auditors and their remuneration for audit and non-audit work as well as reporting annually to the Corporation.

## **Finance Committee**

The Finance Committee comprised three members of the Corporation (including the Accounting Officer and Chair) and Bev Jullien, a former governor. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Finance Committee met twice during the year and provides, amongst other matters, a forum for analysis of the College's management accounts.

## **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 delegated the day-to-day responsibility to the Interim Principal, as Chief Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between Lambeth College and the funding bodies. She 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 ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should 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

period ended 31 January 2019 and up to the date of approval of the annual report and accounts.

### ***Capacity to handle risk***

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 January 2019 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

### ***The risk and control framework***

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

- budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines 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 ESFA's *Post 16 Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the audit committee. At minimum, annually, the Head of Internal Audit (HIA) provides the governing body with a report on 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 Chief Accounting Officer, the Interim Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

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

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

The College Leadership Group receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded throughout the College. The College Leadership Group

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

The Corporation's business cycle includes a regular item for consideration of risk and control and receives reports thereon from the College Leadership Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2018 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2018 by considering documentation from the College Leadership Group and internal audit, and taking account of events since 31 July 2018.

The Annual Audit Report for 2017/18 produced by the Head of Internal Audit concluded that "The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework for risk management, governance and internal control to ensure that it remains adequate and effective".

### South Bank Colleges Board

Since the 1 February 2019 the following have been members of the South Bank Colleges Board:

Name	Appointed	End of Office	Term	Role	Committees
Jerry Cope	01 August 2018	26 February 2019	4 years	LSBU Trustee	Chair of the Board
Sue Dare	01 October 2018		4 years	Independent Trustee	Quality & Improvement (Chair)
Andrew Owen	01 February 2019		4 years	LSBU Trustee	Interim Chair of the Board, Vice Chair of the Board, Audit Committee (Chair)
Stephen Balmont	01 February 2019		4 years	LSBU Trustee	Audit Committee, Remuneration Committee (Chair)
David Phoenix	01 August 2018		until whence	Accounting Officer	
Jennifer Brathwaite	17 May 2019		4 years	Independent Trustee	
Nigel Duckers	12 April 2019		until whence	Staff trustee	
Ruth Farwell	07 May 2019		4 years	LSBU Trustee	Chair of the Board
Mee Ling Ng	01 February 2019		4 years	LSBU Trustee	Audit Committee
Leslie Bortey	01 February 2019		1 year	Student Trustee	Quality & Improvement Committee
Shakira Martin	01 February 2019		4 years	Independent Trustee	Quality & Improvement Committee

Approved by the Board of South Bank Colleges  
and signed on its behalf by:



**Ruth Farwell**

**Chair**

**Date:** 21 November 2019



**Dave Phoenix**

**Accounting Officer**

**Date:**



## Statement of Regularity, Propriety and Compliance

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

We confirm on behalf of the College, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's financial memorandum.

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



**Ruth Farwell**  
**Chair**



**Dave Phoenix**  
**Accounting Officer**

**Date:** 21 November 2019

**Date:**

## Statement of Responsibilities of the Members of the College

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

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

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

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

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

The College is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the group and parent 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 group and parent College and to prevent and detect fraud and other irregularities.

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

Members of the College are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the ESFA's grant funding agreements and contracts, and any other conditions that may be prescribed from time to time. Members of the College 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 College are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that public funds from the ESFA are not put at risk.

Approved by the Board of South Bank Colleges and signed on its behalf by:



Ruth Farwell

Chair

Date: 21 November 2019

## **Independent auditor's report to the Members of South Bank Colleges (as successor to Lambeth College)**

### **Opinion**

We have audited the financial statements of Lambeth College (the College') for the period ended 31 January 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and College Statement of Changes in Reserves, Balance Sheets, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the College's affairs as at 31 January 2019, and of the Group's cash flows, for the period then ended; and
- have been properly prepared in accordance with UK accounting standards, including the FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going Concern**

The Board of Trustees has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the College or to cease their operations, and as they have concluded that the Group and College's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the College's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the College will continue in operation.

## **Other information**

The Board of Trustees is responsible for the other information, which comprises the Member's report and the Board's statement of corporate governance and internal control. Our opinion on the financial statements does not cover the other information and, accordingly we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

## **Matters on which we are required to report by exception**

Under the Post-16 Code of Practice 2018 to 2019 (February 2019) issued by the Education and Skills Funding Agency we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent College, or
- the parent College's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## **Board of Trustee's responsibilities**

As explained more fully in their statement set out on page 18, the Board of Trustees is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it intends to liquidate the group or the parent College or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Board of Trustees of South Bank Colleges, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the College 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 Board of Trustees of South Bank Colleges for our audit work, for this report, or for the opinions we have formed.



**Fleur Nieboer (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

Date: 21 November 2019

**Reporting Accountant's Report on Regularity to the members of South Bank Colleges (as successor to Lambeth College) and Secretary of State for Education acting through the Education and Skills Funding Agency (ESFA)**

In accordance with the terms of our engagement letter dated 11 February 2019 and further to the requirements of funding in ESFA grant funding agreements and contracts, or those of any other public funder, 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 2018 to 31 January 2019 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

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

This report is made solely to the Members of South Bank Colleges (as successor to Lambeth College) and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Members of South Bank Colleges and the ESFA 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 South Bank Colleges and the ESFA for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of South Bank Colleges (as successor to Lambeth College) and the reporting accountant**

South Bank Colleges (as successor to 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 Post-16 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 2018 to 31 January 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Post-16 Audit Code of Practice issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

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

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

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

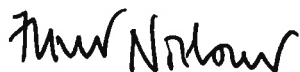
The work undertaken to draw to our conclusion includes:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient evidence to express a limited assurance conclusion on regularity consistent with the requirements of the Post-16 Audit Code of Practice.

## Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 August 2018 to 31 January 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Fleur Neuber  
For and on behalf of KPMG LLP, Reporting Accountant  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

Date: 21 November 2019

**Lambeth College**  
**Consolidated Statements of Comprehensive Income**

	No	6m to 31 January 2019		Year ended 31 July	
		2019	2019	2018	2018
		Group	College	Group	College
		£'000	£'000	£'000	£'000
<b>INCOME</b>					
Funding body grants	2	8,399	8,399	19,289	19,289
Tuition fees and education contracts	3	1,575	1,575	3,283	3,283
Other grants and contracts	4	5	5	45	45
Other income	5	354	354	781	781
ESFA other income	5	14,986	14,986	-	-
Endowment and investment income	6	6	6	5	5
Donations and Endowments	7	271	271	541	541
<b>Total income</b>		<b>25,596</b>	<b>25,596</b>	<b>23,944</b>	<b>23,944</b>
<b>EXPENDITURE</b>					
Staff costs	8	8,232	8,062	16,360	16,360
Other operating expenses	9	4,717	4,887	10,053	10,128
Depreciation	12	1,082	1,082	1,857	1,857
Interest and other finance costs	10	938	938	1,821	1,821
<b>Total expenditure</b>		<b>14,969</b>	<b>14,968</b>	<b>30,091</b>	<b>30,166</b>
<b>Surplus/(Deficit) before other gains and losses</b>		<b>10,627</b>	<b>10,628</b>	<b>(6,147)</b>	<b>(6,222)</b>
<b>Surplus/(Deficit) before tax</b>		<b>10,627</b>	<b>10,628</b>	<b>(6,147)</b>	<b>(6,222)</b>
Taxation	11	-	-	-	-
<b>Surplus/(Deficit) for the period</b>	11	<b>10,627</b>	<b>10,628</b>	<b>(6,147)</b>	<b>(6,222)</b>
Actuarial gain in respect of pensions schemes	3	3	3	3,791	3,791
<b>Total Comprehensive Income for the period</b>		<b>10,630</b>	<b>10,631</b>	<b>(2,356)</b>	<b>(2,431)</b>
<b>Represented by:</b>					
Unrestricted comprehensive income		<b>10,630</b>	<b>10,630</b>	<b>(2,356)</b>	<b>(2,431)</b>



**Lambeth College**  
**Consolidated and College Statement of Changes in Reserves**

	<b>Income and Expenditure account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Total £'000</b>
<b>Group</b>			
<b>Balance at 31st July 2018</b>	(21,306)	6,720	(14,586)
Surplus from the income and expenditure account	10,627	-	10,627
Other comprehensive income	3	-	3
Transfers between revaluation and income and expenditure reserves	75	(75)	-
<b>Total comprehensive income for the year</b>	<b>10,705</b>	<b>(75)</b>	<b>10,630</b>
<b>Balance at 31st January 2019</b>	<b>(10,601)</b>	<b>6,645</b>	<b>(3,956)</b>
<b>College</b>			
<b>Balance at 31st July 2018</b>	(21,306)	6,720	(14,586)
Surplus from the income and expenditure account	10,627	-	10,627
Other comprehensive income	3	-	3
Transfers between revaluation and income and expenditure reserves	75	(75)	-
<b>Total comprehensive income for the year</b>	<b>10,705</b>	<b>(75)</b>	<b>10,630</b>
<b>Balance at 31st January 2019</b>	<b>(10,601)</b>	<b>6,645</b>	<b>(3,956)</b>

**Lambeth College**  
**Balance sheets as at 31 January 2019**

	Note:	Group	College	Group	College
		2019 £'000	2019 £'000	2018 £'000	2018 £'000
<b>Fixed assets</b>					
Tangible fixed assets	12	49,817	49,817	50,067	50,067
		<b>49,817</b>	<b>49,817</b>	<b>50,067</b>	<b>50,067</b>
<b>Current assets</b>					
Trade and other receivables	13	1,441	1,449	613	613
Cash and cash equivalents	18	197	197	2,101	2,101
		<b>1,638</b>	<b>1,646</b>	<b>2,714</b>	<b>2,714</b>
<b>Less: Creditors – amounts falling due within one year</b>	14	(25,731)	(25,739)	(37,968)	(37,968)
<b>Net current liabilities</b>		<b>(24,093)</b>	<b>(24,093)</b>	<b>(35,254)</b>	<b>(35,254)</b>
<b>Total assets less current liabilities</b>		<b>25,724</b>	<b>25,724</b>	<b>14,813</b>	<b>14,813</b>
<b>Less: Creditors – amounts falling due after more than one year</b>	17	(8,706)	(8,706)	(8,906)	(8,906)
<b>Provisions</b>					
Defined benefit obligations	17	(19,040)	(19,040)	(18,490)	(18,490)
Other provisions	17	(1,934)	(1,934)	(2,003)	(2,003)
<b>Total net liabilities</b>		<b>(3,956)</b>	<b>(3,956)</b>	<b>(14,586)</b>	<b>(14,586)</b>
<b>Unrestricted reserves</b>					
Income and expenditure account		(10,601)	(10,601)	(21,306)	(21,306)
Revaluation reserve		6,645	6,645	6,720	6,720
<b>Total unrestricted reserves</b>		<b>(3,956)</b>	<b>(3,956)</b>	<b>(14,586)</b>	<b>(14,586)</b>

The financial statements on pages 24 to 52 were approved by the Board of South Bank Colleges and were signed on its behalf by:

*Ruth Farwell*

**Ruth Farwell**  
**Chair**

**Date:** 21 November 2019

*Dave Phoenix*

**Dave Phoenix**  
**Accounting Officer**

**Date:**

**Lambeth College**  
**Consolidated Statement of Cash Flows**

	Notes	2019 £'000	2018 £'000
<b>Cash inflow from operating activities</b>			
Surplus/(Deficit) for the period		10,627	(6,147)
<b>Adjustment for non cash items</b>			
Depreciation		1,082	1,857
(Increase)/Decrease in debtors		(828)	225
Increase/(Decrease) in creditors due within one year		16,851	(563)
Decrease in creditors due after one year		(200)	(314)
Decrease in provisions		(69)	(980)
Pensions costs less contributions payable		550	1,170
Enhanced pension adjustment		-	263
Taxation		-	-
<b>Adjustment for investing or financing activities</b>			
Investment income		(277)	(5)
Interest payable		904	1,134
Taxation paid		-	-
		<u>28,640</u>	<u>(3,360)</u>
<b>Net cash flow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Investment income		277	5
Withdrawal of deposits		-	-
New deposits		-	-
Payments made to acquire fixed assets		(964)	(1,192)
		<u>(687)</u>	<u>(1,187)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(904)	(1,134)
Repayments of amounts borrowed		(15,367)	(2,787)
ESFA Exceptional Financial Support		(13,586)	7,435
		<u>(29,857)</u>	<u>3,514</u>
<b>Decrease in cash and cash equivalents in the year</b>		<u>(1,904)</u>	<u>(1,033)</u>
Cash and cash equivalents at beginning of the year	18	2,101	3,134
Cash and cash equivalents at end of the year	18	197	2,101

## **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 2016 to 2017* 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 Corporation considers that the use of the going concern basis for the preparation of these financial statements is appropriate.

The activities of the College are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

As reflected in these financial statements, the College has recorded a surplus on Total Comprehensive income of £10.8m for the period ended 31 January 2019. The College owed the Education & Skills Funding Agency £1.8m at 31 January 2019. Previous bank loans have been transferred to London South Bank University which is shown under creditors due within one year.

The merger with LSBU took place 31<sup>st</sup> January 2019 and all College's business, staff, assets and liabilities were transferred to South Bank Colleges. South Bank Colleges is a company limited by guarantee and subsidiary by virtue of control of London South Bank University.

#### **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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 ACCOUNTING POLICIES (continued)**

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.

#### **Short term Employment benefits**

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

#### **Enhanced Pensions**

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.

#### **Non-current assets - Tangible fixed assets**

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES (continued)

#### 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.

##### *Assets under Construction*

Assets under construction are included at cost, based on the value of architects' certificates and other direct costs, incurred to the period end. 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 £5,000 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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 ACCOUNTING POLICIES (continued)**

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.

#### **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

#### **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

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES (continued)

expenditure account and are shown separately in note 27, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

#### **Judgements in applying accounting policies and key sources of estimation uncertainty**

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

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

#### *Other key sources of estimation uncertainty*

- *Tangible fixed assets*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Local Government Pension Scheme*

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.



**Lambeth College**  
**Notes to the Accounts (continued)**

**2 Funding council grants**

	6m to 31 January 2019		Year ended 31 July	
	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
<b>Recurrent grants</b>				
Education and Skills Funding Agency - adult	3,402	3,402	9,355	9,355
Education and Skills Funding Agency – 16 -18	3,809	3,809	7,184	7,184
Education and Skills Funding Agency - apprenticeships	233	233	1,106	1,106
<b>Specific Grants</b>				
Education Funding Agency - Bursary	731	731	724	724
Education Funding Agency - Other Grants	24	24	606	606
Releases of government capital grants	200	200	314	314
<b>Total</b>	<b>8,399</b>	<b>8,399</b>	<b>19,289</b>	<b>19,289</b>

**3 Tuition fees and education contracts**

	6m to 31 January 2019		Year ended 31 July	
	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Adult education fees	761	761	1,894	1,894
Education contracts	814	814	1,389	1,389
<b>Total</b>	<b>1,575</b>	<b>1,575</b>	<b>3,283</b>	<b>3,283</b>

**4 Other grants and contracts**

	6m to 31 January 2019		Year ended 31 July	
	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
European Commission	5	5	45	45
<b>Total</b>	<b>5</b>	<b>5</b>	<b>45</b>	<b>45</b>

**Lambeth College**  
**Notes to the Accounts (continued)**

**5 Other income**

	6m to 31 January 2019		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Catering and residences	26	26	43	43
Other income generating activities	286	286	546	546
Miscellaneous income	42	42	192	192
<b>Total</b>	<b>354</b>	<b>354</b>	<b>781</b>	<b>781</b>
ESFA other income	14,986	14,986	-	-
<b>Total</b>	<b>14,986</b>	<b>14,986</b>	<b>-</b>	<b>-</b>

ESFA other income are funds received in the previous year as emergency financial support and now have been waived unconditionally

**6 Investment income**

	6m to 31 January 2019		Year ended 31 July	
	2019	2019	2018	2018
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Other interest receivable	6	6	5	5
	<b>6</b>	<b>6</b>	<b>5</b>	<b>5</b>

**7 Donations**

	6m to 31 January 2019		Year ended 31 July	
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Unrestricted donations in kind	271	271	541	541
<b>Total</b>	<b>271</b>	<b>271</b>	<b>541</b>	<b>541</b>

The donation represents the estimated market value of Lambeth College's rent free occupation of its Brixton premises. During 2017/18 the College moved from older premises to newly built premises and the increase in the value of the donations in kind reflects the changed nature of the College's premises.

**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:

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Teaching staff	124	131
Non teaching staff	175	189
	<b>299</b>	<b>320</b>

**Staff costs for the above persons**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	5,595	10,658
Social security costs	523	1,092
Other pension costs	1,104	2,288
<b>Payroll sub total</b>	<b>7,222</b>	<b>14,038</b>
Contracted out staffing services	1,002	2,049
	<b>8,224</b>	<b>16,087</b>
Fundamental restructuring costs		
contractual	8	216
non contractual	–	57
	<b>8,232</b>	<b>16,360</b>

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and for the period include the Principal and Accounting Officer, Principal Designate (joined 01/09/2018), Interim Director of Finance (left 14/01/2019), Interim Chief Financial Officer (joined 14/01/2019) and Clerk to the Corporation.

**Determining pay of senior staff**

Senior pay, including the pay of the Principal, is overseen, and for designated posts is determined, by a Remuneration Committee, composed of at least 3 Corporation members. The Clerk to the Corporation shall be the Clerk to the Committee.

The Committee, in making its determination, considers remuneration levels in a number of comparable colleges, the College's and individuals' performance against targets, and the College's financial position.

**Lambeth College**  
**Notes to the Accounts (continued)**

**8 Staff costs - Group and College (continued)**

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
The number of key management personnel was:		
permanent	1	-
interim	5	3
	<u>6</u>	<u>3</u>

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 (including key management personnel):

	<b>Senior staff</b>		<b>Other staff</b>	
	<b>6m to 31 January 2019</b>	<b>Year ended 31 July 2018</b>	<b>6m to 31 January 2019</b>	<b>Year ended 31 July 2018</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£60,000 to £65,000				
£65,001 to £70,000	2	4	1	1
£70,001 to £75,000	-	-	-	-
£75,001 to £80,000	-	1	-	-
£80,001 to £85,000	1	1	-	-
£85,001 to £90,000	-	-	-	-
£90,001 to £95,000	-	1	-	-
£95,001 to £100,000	-	-	-	-
£100,001 to £105,000	2	-	-	-
£110,001 to £115,000	2	-	-	-
£115,001 to £120,000	1	-	-	-
£130,001 to £135,000	-	-	-	-
£135,001 to £140,000	-	-	-	-
£140,001 to £145,000	-	-	-	-
£145,001 to £150,000	-	-	-	-
£150,001 to £155,000	1	1		
	<u>9</u>	<u>8</u>	<u>1</u>	<u>1</u>

FTE for senior staff is 6.5 (2018: 7.7) and the total pay for these senior individuals was £420,000 (2018: £944,000)

**Lambeth College**  
**Notes to the Accounts (continued)**

**8 Staff costs - Group and College**

Key management personnel emoluments are made up as follows:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Salaries	157	404
Employers National Insurance	20	33
Benefits in kind	-	-
	<u>177</u>	<u>437</u>
Pension contributions	80	-
	<u>80</u>	<u>-</u>
<b>Total emoluments</b>	<u><b>257</b></u>	<u><b>437</b></u>

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

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

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Salaries	74	158
Benefits in kind	-	-
	<u>74</u>	<u>158</u>
Pension contributions	-	-
	<u>-</u>	<u>-</u>

Accounting officer's basic salary divided by the median pay of all other corporation employees (all on a full-time equivalent basis)

5.2

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**

	6m to 31 January 2019		Year ended 31 July	
	2019 Group £'000	2019 College £'000	2018 Group £'000	2018 College £'000
Teaching costs	363	363	568	568
Non teaching costs	2,992	2,992	7,288	7,361
Premises costs	1,362	1,532	2,197	2,199
<b>Total</b>	<b>4,717</b>	<b>4,887</b>	<b>10,053</b>	<b>10,128</b>

**Other operating expenses include:**

	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Auditors' remuneration:				
Financial statements audit	45	45	46	43
KPMG's fees are ex Vat				
Internal audit	25	25	40	40
Premises costs (including a notional charge re Brixton campus which is matched by the notional income in Note7)	271	271	541	541
Surplus on disposal of tangible fixed assets	-	-	-	-
Hire of assets under operating leases	51	51	193	193

**Lambeth College**  
**Notes to the Accounts (continued)**

**10 Interest payable - Group and College**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
On bank loans, overdrafts and other loans:	<u>638</u>	<u>1,134</u>
	638	1,134
On finance leases	-	-
Pension finance costs (note 25)	266	607
Enhanced pension finance costs	<u>34</u>	<u>80</u>
<b>Total</b>	<u><b>938</b></u>	<u><b>1,821</b></u>

**11 Taxation - Group only**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
United Kingdom corporation tax	<u>-</u>	<u>-</u>
	-	-
<b>Total</b>	<u><b>-</b></u>	<u><b>-</b></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.

The College holds 100% of the issued £1 ordinary shares in 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. The subsidiary company was incorporated in England and Wales and the shares were purchased at par and are carried at cost. Total cost of shares held is £1. Any profits made by the subsidiary are donated to the College and would attract no corporation tax.

Lambeth College  
Notes to the Accounts (continued)

12 Tangible fixed assets (Group)

	Land and buildings		Equipment	Assets in the Course of Construction	Total
	Freehold	Long leasehold		£'000	
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2018	78,042	2,543	4,519	-	85,104
Additions	26	-	118	687	831
<b>At 31 January 2019</b>	<b>78,068</b>	<b>2,543</b>	<b>4,637</b>	<b>687</b>	<b>85,935</b>
<b>Depreciation</b>					
At 1 August 2018	31,764	50	3,223	-	35,037
Charge for the year	773	25	284	-	1,082
<b>At 31 January 2019</b>	<b>32,537</b>	<b>75</b>	<b>3,507</b>	<b>-</b>	<b>36,118</b>
<b>Net book value at 31 January 2019</b>	<b>45,532</b>	<b>2,468</b>	<b>1,130</b>	<b>687</b>	<b>49,817</b>
<b>Net book value at 31 July 2018</b>	<b>46,278</b>	<b>2,493</b>	<b>1,296</b>	<b>-</b>	<b>50,067</b>

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 Secretary of State for Education has a secondary charge on the Clapham and Vauxhall sites which relates to the exceptional financial support provided to Lambeth College. Lambeth College occupied new premises at Brixton for most of the academic year 2017/18 (and has continued to occupy these premises during 2018/19). These premises are occupied rent free - see note 7. Whilst a lease reflecting these arrangements has yet to be signed the financial statements reflect the underlying reality of Lambeth College's position by showing the value of the "fitting-out" works on these premises as a tangible fixed asset under the long leasehold category.

The opening balances for cost and accumulated depreciation have been changed by immaterial amounts to reallocate between the assets classes shown. Total balances remain unchanged.



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		£'000
<b>Cost or valuation</b>					
At 1 August 2018	78,042	2,543	4,519	-	85,104
Additions	26	-	118	687	831
<b>At 31 January 2019</b>	<b>78,068</b>	<b>2,543</b>	<b>4,637</b>	<b>687</b>	<b>85,935</b>
<b>Depreciation</b>					
At 1 August 2018	31,764	50	3,223	-	35,037
Charge for the year	773	25	284	-	1,082
<b>At 31 January 2019</b>	<b>32,537</b>	<b>75</b>	<b>3,507</b>	<b>-</b>	<b>36,118</b>
<b>Net book value at 31 January 2019</b>	<b>45,532</b>	<b>2,468</b>	<b>1,130</b>	<b>687</b>	<b>49,817</b>
<b>Net book value at 31 July 2018</b>	<b>46,278</b>	<b>2,493</b>	<b>1,296</b>	<b>-</b>	<b>50,067</b>

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 January 2019 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.

The opening balances for cost and accumulated depreciation have been changed by immaterial amounts to reallocate between the assets classes shown. Total balances remain unchanged.

**Lambeth College**  
**Notes to the Accounts (continued)**

**13 Debtors**

	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>
Amounts falling due within one year:				
Trade receivables	396	396	454	454
Amounts owed by group undertakings:				
Subsidiary undertakings	-	8	-	-
Prepayments and accrued income	1,045	1,045	159	159
<b>Total</b>	<b>1,441</b>	<b>1,449</b>	<b>613</b>	<b>613</b>

**14 Creditors: amounts falling due within one year**

	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>
Bank loans and overdrafts	-	-	15,367	15,367
LSBU Creditor	14,509	14,509	-	-
Trade payables	1,373	1,373	1,520	1,520
Other taxation and social security	451	459	477	477
Accruals and deferred income	4,534	4,534	2,264	2,264
Other creditors	2,722	2,722	2,576	2,576
Deferred income - government capital grants	314	314	314	314
Amounts owed to the Education & Skills Funding Agency	1,828	1,828	15,450	15,450
<b>Total</b>	<b>25,731</b>	<b>25,739</b>	<b>37,968</b>	<b>37,968</b>

On the 31st of January, bank loans with Barclays bank were novated to London South Bank University.

**Lambeth College**  
**Notes to the Accounts (continued)**

**15 Creditors: amounts falling due after one year**

	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>
Bank loans	-	-	-	-
Deferred income - government capital grants	8,706	8,706	8,906	8,906
<b>Total</b>	<b>8,706</b>	<b>8,706</b>	<b>8,906</b>	<b>8,906</b>

**16 Maturity of debt**

**Bank loans and overdrafts**

Bank loans and overdrafts are repayable as follows:

	<b>Group 2019 £'000</b>	<b>College 2019 £'000</b>	<b>Group 2018 £'000</b>	<b>College 2018 £'000</b>
In one year or less	-	-	15,366	15,366
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
In five years or more	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>15,366</b>	<b>15,366</b>

The College novated its bank loan to London South Bank University on 31st January 2019.

**Lambeth College**  
**Notes to the Accounts (continued)**

**17 Provisions**

	Group and College				Total £'000
	Defined benefit £'000	Restructuring £'000	Enhanced £'000	Other £'000	
At 1 August 2018	18,490	-	1,976	(27)	20,439
Expenditure in the period	(500)	-	(76)	-	(576)
Moved to accruals				27	27
Transferred from income and expenditure account	1,050	-	34	-	1,084
<b>At 31 January 2019</b>	<b>19,040</b>	<b>-</b>	<b>1,934</b>	<b>-</b>	<b>20,974</b>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension Scheme. Further details are given in Note 25.

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:

	2019	2018
Discount rate	2.30%	2.30%
Interest rate	1.30%	1.30%

**18 Cash and cash equivalents**

	At 1 August 2018 £'000	Cash flows £'000	Other changes £'000	At 31 July 2018 £'000
Cash and cash equivalents	2,101	(1,904)	-	197
<b>Total</b>	<b>2,101</b>	<b>(1,904)</b>	<b>-</b>	<b>197</b>

**19 Capital commitments**

	Group and College	
	2019 £'000	2018 £'000
Commitments contracted for at 31 January	2,152	659

**Lambeth College****Notes to the Accounts (continued)****20 Lease Obligations**

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

	<b>Group and College</b>	
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Future minimum lease payments due</b>		
<b>Other</b>		
Not later than one year	77	48
Later than one year and not later than five years	41	36
later than five years	-	-
	<b>118</b>	<b>84</b>

**21 Contingent liabilities**

Funds amounting to £4.4m received from the ESFA are subject to conditions linked to future estates development and for SBC to deliver a viable, sustainable, high quality, relevant and diverse offer from Level 1 to Level 6 to learners and employers across the local area with a college presence in Brixton and Clapham and/or Vauxhall without a requirement for government funding to support operating losses.

The College's successor, SBC, has received a pre-action claim for re-imbursement of costs by a developer working at one of the College's sites. No development agreement was signed with the developer for these works and the College's successor does not believe there is a legal basis for this claim. The value of the claim cannot be reliably estimated based on the information provided to the College's successor, accordingly no liability has been recorded in the College's financial statements

**22 Events after the reporting period**

The Secretary of State for Education has laid an order in Parliament which came into force 31st January 2019 and permits South Bank Colleges, a subsidiary by virtue of control of London South Bank University, to operate as a designated institution and thus take over the educational business of Lambeth College.

Both Lambeth College and South Bank Colleges have signed and exchanged a transfer agreement allowing the transfer of Lambeth College's assets and liabilities to South Bank Colleges on 31st January 2019.

South Bank Colleges is a legal entity which is now operating under the name of Lambeth College. Accordingly the original Lambeth College entity, to which these financial statements relate, ceased to trade at that date. However, as the teaching operations and use of the assets will continue unchanged in the new South Bank Colleges entity, and as the board considers that the new merged college has access to adequate resources for the foreseeable future, the board considers it appropriate to use the going concern basis of preparation in preparing these financial statements.

**Lambeth College**  
**Notes to the Accounts (continued)**

**23 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). Both are multi-employer defined-benefit plans.

<b>Total pension cost for the year</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Teachers Pension Scheme: contributions paid	355	712
Local Government Pension Scheme:		
Contributions paid	391	867
FRS 102 (28) charge	<u>358</u>	<u>709</u>
Charge to the Statement of Comprehensive Income	749	1,576
<b>Total Pension Cost for Year</b>	<b><u>1,104</u></b>	<b><u>2,288</u></b>

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

There were no outstanding or prepaid contributions at either the beginning or end of the financial year. Contributions amounting to £96,765 (2018 £94,859) were payable to the scheme and are included in creditors.

**Teachers' Pension Scheme**

The 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 return.

#### **Valuation of the Teachers' Pension Scheme**

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

- 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.

The pension costs paid to TPS in the period amounted to £354,847 (2018: £712,000)

**Lambeth College**  
**Notes to the Accounts (continued)**

**23 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 January 2019 was £509,213 (2018: £1,133,848), of which employer's contributions totalled £390,761 (2018: £867,899) and employees' contributions totalled £118,452 (2018: £265,949). The agreed contribution rates for future years are 13.5% (2018:22.27 %) for employers and range from 5.5% to 12.5% for employees, depending on salary.

**Principal Actuarial Assumptions**

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 January 2019 by a qualified independent actuary

	<b>At 31 January 2019</b>	<b>At 31 July 2018</b>
Rate of increase in salaries	3.80%	3.85%
Future pensions increases	2.30%	2.35%
Discount rate for scheme liabilities	2.60%	2.65%
Inflation assumption (CPI)	2.30%	2.35%
Commutation of pensions to lump sums	50%	50%

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

	<b>At 31 January 2019 years</b>	<b>At 31 July 2018 years</b>
<i>Retiring today</i>		
Males	21.40	21.30
Females	24.20	24.10
<i>Retiring in 20 years</i>		
Males	23.80	23.70
Females	26.50	26.40



**Lambeth College**  
**Notes to the Accounts (continued)**

**23 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:

	%	Fair Value at 31 January 2019	%	Fair Value at 31 July 2018
		£'000		£'000
Equities	54%	21,893	61%	24,432
Target return portfolio	27%	10,732	22%	8,921
Alternative assets	15%	6,209	13%	5,097
Cash	4%	1,408	5%	1,849
<b>Total market value of assets</b>		<b>40,242</b>		<b>40,299</b>

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

	2019 £'000	2018 £'000
Fair value of plan assets	40,242	40,299
Present value of plan liabilities	(58,697)	(58,193)
Present value of unfunded liabilities	(585)	(596)
<b>Net pensions (liability)/asset (Note 19)</b>	<b>(19,040)</b>	<b>(18,490)</b>

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

	2019 £'000	2018 £'000
<b>Amounts included in staff costs</b>		
Current service cost	787	1,394
Past service cost	-	322
<b>Total</b>	<b>787</b>	<b>1,716</b>

**Amounts included in investment income**

Net interest income on the defined liability	266	607
	<b>266</b>	<b>607</b>

**Amounts recognised in Other Comprehensive Income**

Return on pension plan assets	2	1,280
Experience losses arising on defined benefit obligations	-	-
Changes in assumptions underlying the present value of plan liabilities	1	2,248
	<b>3</b>	<b>3,528</b>

**Lambeth College**  
**Notes to the Accounts (continued)**

**23 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Surplus/(deficit) in scheme at 1 August	(18,490)	(20,848)
Movement in year:		
Current service cost	(586)	(1,394)
Employer contributions	500	1,153
Past service cost	(201)	(322)
Unfunded pension payments	19	38
Net interest on the defined (liability)/asset	(266)	(607)
Actuarial gain or loss	3	3,528
Settlement and curtailments	(19)	(38)
<b>Net defined benefit (liability)/asset at 31 July</b>	<b><u>(19,040)</u></b>	<b><u>(18,490)</u></b>

**Asset and Liability Reconciliation**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Changes in the present value of defined benefit obligations</b>		
<b>Defined benefit obligations at start of period</b>	<b>58,789</b>	<b>58,979</b>
Current Service cost	586	1,394
Interest cost	767	1,585
Contributions by Scheme participants	117	261
Experience gains and losses on defined benefit obligations	-	-
Changes in financial assumptions	(1)	(2,248)
Change in demographic assumptions	-	-
Estimated benefits paid	(1,158)	(1,466)
Past Service cost including curtailments	201	322
Unfunded pension payments	(19)	(38)
<b>Defined benefit obligations at end of period</b>	<b><u>59,282</u></b>	<b><u>58,789</u></b>

**Reconciliation of Assets**

<b>Fair value of plan assets at start of period</b>	<b>40,299</b>	<b>38,131</b>
Interest on plan assets	527	1,028
Return on plan assets	2	1,280
Other actuarial gains/(losses)	-	-
Employer contributions	500	1,153
Contributions by Scheme participants	117	261
Estimated benefits paid	(1,177)	(1,504)
Administration expenses	(26)	(50)
<b>Assets at end of period</b>	<b><u>40,242</u></b>	<b><u>40,299</u></b>

**Lambeth College**  
**Notes to the Accounts (continued)**

**23 Defined benefit obligations (continued)**

**Local Government Pension Scheme (Continued)**

<b>Sensitivity analysis</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	57,984	59,081	60,200
Projected service cost	1,153	1,180	1,208
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	59,146	59,081	59,016
Projected service cost	1,180	1,180	1,180
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	60,137	58,789	57,757
Projected service cost	1,208	1,180	1,153
<b>Adjustment to life expectancy assumptions</b>	<b>+1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present value of total obligation	61,295	59,081	56,949
Projected service cost	1,218	1,180	1,144

**Lambeth College**  
**Notes to the Accounts (continued)**

**24 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 possible 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 period was £671 for one governor (2018: £216; one governor). 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 (2018: None).

London South Bank University – parent company from 1st February 2019.

Purchase transactions in commercial terms for the period amounted to £44,000 (2017-18 – £31,000). There was a balance of £5,000 outstanding at the period end (2018 – £18,000) shown as trade creditors.

The College borrowed £700,000 from LSBU, shown as part of the LSBU creditor at period end.

On the 31 January 2019 the Barclays Bank loan was novated to LSBU as part of the acquisition deal and is no longer a liability on the College's balance sheet.

**25 Amounts disbursed as agent**

**Learner support funds**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
24+ Bursary	694	892
	<hr/>	<hr/>
Disbursed to students	694 (379)	892 (631)
Administration costs	(10)	(16)
	<hr/>	<hr/>
Balance unspent as at 31 January, included in creditors	<u>305</u>	<u>245</u>

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