

DIVERSE IN AMBITION, **UNITED** IN SUCCESS



REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 JULY 2019



Corporation, Key Management Personnel and Professional advisers

The Corporation

A full list of Corporation members is given on page 13.

Newham Partnership Working, a not for profit mutual organisation, acted as Clerk to the Corporation until the 31 July 2019. A new Clerk, Robin Jones, has been appointed post year-end.

Key management personnel

Key management personnel are defined as members of the Senior Leadership Team and were represented by the following in 2018/19:

Mandeep Gill	Principal and CEO: Accounting Officer
Ray Ferris	Vice Principal
Nick Christoforou	Director of Finance & Resources
Tracy Oko	Assistant Principal Student Services
Lisa Parkhomchuk	Associate Principal: A level
Penny Warburton	Associate Principal: Vocational
Magdalena Johnson	Assistant Principal: Progression

Professional advisers

Financial statements auditors and reporting accountants:

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Internal auditors:

Mazars LLP
Tower Bridge House,
St Katherine's Way,
London
E1W 1DD

Bankers:

Lloyds Bank plc
4th Floor
25 Gresham Street
London
EC2V 7HN

Solicitors:

Clarkslegal
One Forbury Square
The Forbury
Reading
Berkshire
RG1 3EB

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Strategic report

NATURE, OBJECTIVES AND STRATEGIES:

The members of the Corporation present their report and the audited financial statements for the year ended 31 July 2019.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of governing Newham Sixth Form College. The College is an exempt charity for the purposes of Part 3 the Charities Act 2011.

Mission / Vision

The College's mission statement is: *"Enhancing lives through excellent education and learning"*.

The College's vision is to become: *"The first choice college for enhancing the lives of students in partnership with parents, employers, and community"*.

The College has also adopted the key principles of: *"Diverse in Ambition, United in Success"*.

Public Benefit

Newham Sixth Form College is an exempt charity under the Part 3 of the Charities Act 2011 and following the 'Machinery of Government' changes in July 2016, is regulated by the Secretary of State for Education as Principal Regulator for all sixth form colleges in England. The members of the Corporation who are trustees of the charity are disclosed on page 13.

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

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

- High-quality teaching with good student outcomes and progression rates;
- Widening participation and tackling social exclusion;
- Strong student support and student development;
- Links with education partners and employers.

The College adheres to the seven principles of public office: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Strategic planning

Each year the Corporation agrees the College's strategic objectives and the key performance indicators (KPIs) for the coming academic year and monitors the performance of the College against these. In the medium term, the College is aiming to be outstanding by 2022.

Following the appointment of a new Principal in August 2018 the College refreshed its mission, vision and values. In addition, the College's strategic objectives were redrafted to focus on the ESFA / Ofsted priorities of; quality of provision, student experience and financial stability. The Corporation approved a three-year strategic plan in July 2019 for the period 1 August 2019 to 31 July 2021. This plan was submitted to the ESFA in July 2019.

The College continues to invest in its learning and wider site environment. This year it secured matched funded grants to enable it to invest in the creation of Student Services Hub and Management Hub areas. It also has plans in place to create a place for learners to socialise, The Student Lounge.

Strategic report (continued)

The College's strategic objectives are to:

- have the best teaching, learning and curriculum;
- be recognised as an inclusive and supportive college providing a holistic student experience;
- ensure financial stability to allow continual investment in its resources and estate.

To support the achievement of these objectives the College has set 21 KPIs, which with the QUIAP (Quality Improvement Action Plan) are used to inform target setting and action planning a team and individual level.

Financial objectives

The College's strategic financial objective is to: *"ensure financial stability to allow investment in its resources and estate"*.

Specifically the College aims to:

- achieve an annual operating surplus before notional pension charges, exceptional items and disposal of fixed assets;
- generate sufficient levels of income to support the asset base of the College;
- pursue sources of funding, on a selective basis, consistent with the College's core competencies, and the need for a financial contribution to the College's overall finances;
- sustain a strong short term liquidity position ;
- fund continued capital investment.

A series of financial KPIs have been agreed to monitor the successful implementation of the policies designed to achieve the strategic objectives.

Strategic report (continued)**Performance Ratios: Table One**

KEY RATIOS			
	2019 Actual	2019 Plan	2020 Plan
Liquidity - <i>how much of a cash safety net does the College have at its disposal?</i>			
Cash days in hand	80.62	64.99	79.29
Adjusted current ratio	2.25	1.94	2.18
Borrowing as a % of income	18.4%	18.2%	16.4%
Margin - <i>how successful is the College being at delivering a balanced budget ?</i>			
EBITDA as a % of income – education specific	8.9%	6.3%	2.2%
Available reserves as a percentage of income	91.4%	85.8%	84.5%
Income - <i>how reliant is the College on ESFA income?</i>			
Dependency on ESFA income	94.0%	93.6%	94.5%
Expenditure - <i>how successful is the College at keeping wage costs under control?</i>			
Staff costs (excluding restructuring and including LGPS notional charge) as % of income	77.9%	78.8%	81.4%
Framework for Excellence financial health grade	Outstanding	Good	Good

The above ratios, based on the College's financial plan forecast a financial health grade of 'Good' at 31 July 2020. The recruitment of 16-18 year-old students increased substantially in September 2019 with the result that 241 more students were recorded at the first census point than will be funded under the lagged funding formula for 2019-2020. Whilst some in-year growth funding is anticipated, this will not be sufficient to fully offset the additional staff costs of teaching the increased number of students.

The College is committed to observing the importance of sector measures and indicators. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency. The Finance record produces a financial health grading on submission at 31 December.

Although the ESFA continues to measure FE performance in terms of contribution to national targets, individual colleges are now required to submit three-year strategic plan, that are reviewed each year. These plans focus on four headline targets:

- learner numbers and achievement of ESFA funding targets;
- learner achievement rates, value added and progression;
- quality of teaching and learning;
- stakeholder engagement.

Strategic report (continued)**Performance 2018/19: Overview of college success****Overall College performance**

The College achievement rate (of leavers) for 2018/19 was 87%. This represents a 2% fall and is primarily due to introduction of new linear A'Levels that measure achievement/ retention over two years rather than one year as was the case with the old model. However, overall achievement still remains above the 'All Institutions' sector national rate and is in-line with the Sixth Form College rate. The overall ALPs value added score for vocational courses which represent the bulk of our provision, was 5 (Good to Satisfactory). For A-level, the overall pass rate was 97% whilst the ALPs score remained at 6.

Quality

The College underwent a full Ofsted inspection in December 2018 where it was judged 'good' overall, with some outstanding features. These grades were also used in the College's self-assessment grades for 2018. The College has continued to improve its quality assurance systems, including highly focused support and challenge at Corporation meetings and during governor link meetings throughout the year.

FINANCIAL POSITION**Financial results**

The College returned a deficit of £535k before the actuarial loss in respect of pension schemes in the year of £1,851k (2018: £564k deficit before actuarial gain of £1,643k). The deficit of £535k is stated after the impact of the charges associated with the College's Local Government Pension Scheme (LGPS), which totalled £826k (2018: £787k).

The College has total accumulated reserves of £12.2 million (2018: £14.6 million) and cash balances of £3.3 million (2018: £2.9 million). The decrease in reserves is attributable to the operational deficit noted above together with the effects of the actuarial loss in respect of the local Government scheme pension.

Tangible fixed asset additions during the year amounted to £472k (2018: £534k). This was split between land and buildings acquired of £335k (2018: £179k) and equipment purchased of £137k (2018: £353k).

The College has significant reliance on the ESFA for its principal funding source, largely from recurrent grants. In 2019 the ESFA provided 94.0% (2018: 93.76%) of the College's total income.

The College wishes to accumulate reserves from operations to fund the next stages of planned campus development and other investments in the student-learning environment.

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 Principal. Such arrangements are restricted by limits in the Financial Memorandum with the ESFA. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum of the ESFA.

Strategic report (continued)

Cash flows and liquidity

At £1.0m (2018: £1.7m) net cash inflows from operating activities were strong to provide further capital to fund the purchase of tangible assets. The loan facility of £3.0million used to finance the final phase of the building project crystallised in December 2017 with the interest rate fixed for five years and negotiable thereafter.

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date the Income and Expenditure reserve stands at £6,687k (2018: £8,900k). It is the Corporation's intention to increase reserves over the life of the strategic plan through the generation of annual operating surpluses. Although there is a predicted deficit for 2019/20, the College is working hard to identify and deliver savings in year.

CURRENT AND FUTURE DEVELOPMENT AND PERFORMANCE

Student numbers:

In 2018/19 the College delivered activity to justify £14.36m in EFSA main allocation funding. The College had 2,361 ESFA funded learners, under achieving against a target of 2,527.

Curriculum developments

The College continues to engage with, plan for and implement a broad range of curriculum changes introduced by government policy. These include planning for the introduction of new specification (RQF) BTECs and T – levels, the continued embedding of the final tranche of linear A-levels and new GCSEs. The College with its broad vocational offer is well placed to take advantage of T-levels and has secured permission to run these for a more areas.

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. The College incurred no interest charges in respect of late payments for this period.

Future developments

The College aims to introduce an additional layer of scrutiny, challenge and support for management through the formation of three key groups:

- A Task and Finish Group of the Corporation to provide support in the planning and monitoring of the College's Budget Strategy;
- An Estates Task and Finish Group of the Corporation to provide additional support to progress Phase 2 of the Campus Masterplan; and
- A Digital Project Team to progress the introduction / implementation of the College's Digital Learning and IT users strategy.

RESOURCES:

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

The principal tangible resource is the main College site in Prince Regent Lane.

Financial

The College has £12.2m of net assets (2018: £14.6m). This includes £7.2m pension liability (2018: £4.5m), and £2.6m of bank loans repayable after more than one year and £3.3m of deferred capital grants.

Strategic report (continued)

People

The College employs 221 people (expressed as full time equivalents) (2018: 230), of whom 115 are teaching staff (2018: 121).

Reputation

The College has a good reputation locally and nationally. Maintaining a high quality offer is essential for the College's success in attracting students, especially in view of increasing local competition. The College achieved a 'good' judgement in the 2018 Ofsted inspection and staff have continued to work for further improvement since then.

PRINCIPAL RISKS AND UNCERTAINTIES:

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

The College maintains a strategic risk register that is approved by the Corporation. It is reviewed by: senior managers the Audit Committee and by the Corporation. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions that taken to reduce / mitigate risks. A consistent scoring system is used to assess the level of risk.

The principal risks are:

1. Static or declining student numbers
2. Static or declining government funding
3. Threats arising from major critical incidents

Many of these factors are outside the College's control and other factors may adversely affect the College.

The College has considerable reliance on continued government funding through the ESFA. Continual pressure on public funds places a heavy emphasis on the College to increase efficiency. Income per learner has decreased in recent years while costs (notably staff costs) have increased.

This risk is mitigated via constant scrutiny of the College's cost base and search for efficiencies and by ensuring the College is focused on those priority sectors that will continue to attract public funding.

STAKEHOLDER RELATIONSHIPS

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

- Students and their families;
- The Education and Skills Funding Agency (ESFA);
- Further Education and Regional Schools Commissioners;
- Staff and their Trade Unions;
- Local employers and professional bodies;
- Local Authorities, their associations and the Greater London Authority;
- The local community;
- Schools, other colleges and universities;
- Specific partnership organisation – regional and sub regional;
- Charitable and philanthropic trusts; and
- The Corporation

Strategic report (continued)

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

Equal opportunities and employment of disabled persons

Newham Sixth Form College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, ability, class and age. We strive vigorously to remove conditions that place people at a disadvantage and we will actively combat discrimination and advance equality. This policy will be resourced, implemented and monitored on a planned basis.

The College's Equal Opportunities Policy, including its Race Relations and Transgender Policies, is published on its website.

The College publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures and publishes the results. Equality impact assessments are also undertaken for existing policies and procedures on a prioritised basis.

The College considers all applications from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

Disability statement

The College seeks to achieve the objectives set down in the Equality Act 2010:

- a) As part of its accommodation strategy the College updates its access audit as needed.
- b) The College nominates specific staff, who provide information, advice and arranges support where necessary for students with disabilities.
- c) There is a list of specialist equipment, such as radio aids, which the College can make available for use by students and a range of assistive technology is available in the learning centre.
- d) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place is assessed under the complaints policy.
- e) The College has made a significant investment in the appointment of specialist lecturers to support students with learning difficulties and/or disabilities. Student support assistants provide a variety of support for learning. A continuing programme of staff development is place to ensure the provision of high level appropriate support for students who have learning difficulties and/or disabilities.
- f) Specialist programmes are described in College prospectuses, and achievements and destinations are recorded and published in the standard College format.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Strategic report (continued)

Trade union facility time

Numbers of employees who were relevant period	FTE employee number
5	4.53

Percentage of time	Number of employees
1-50%	4

Total cost of facility time	£9.8k
Total pay bill	£11,697k
Percentage of total bill spent on facility time	0.08%

Time spent on paid trade union activities as a percentage of total paid facility time	0.01%
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Disclosure of information to auditors

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

Approved by order of the members of the Corporation on 18 December 2019 and signed on its behalf by:



Chair of the Corporation

Governance statement

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

The College endeavours to conduct its business:

- i. in full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges ("the Code"); and
- ii. having due regard to the UK Corporate Governance Code insofar as it is applicable to the further education sector.

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

In the opinion of the Governors, the College complies with all the provisions of the Code, and it has complied throughout the year ended 31 July 2019. The Corporation recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges in March 2015, which it formally adopted on 19 May 2015.

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

Governance statement (continued)**The Corporation**

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

Name	Date of Appointment	Term	Resignation date	Status of appointment	Committees served	Attendance (%)
Gail May, Chair (Reappointed 01.12.16)	01/12/08	4 years		Independent	Governance & Search - Chair	100
Joanne Dean (Elected Vice-Chair 11/10/17)	09/02/16	4 years		Independent	Governance & Search	86
Mandeep Gill	01/09/18	Ex-officio		Principal & CEO	Governance & Search	100
Jay Nair	16/10/13	4 years		Independent	Audit –Chair	71
Julianne Marriott	03/12/18	4 years		Independent	Audit	66
Katharine Young	07/02/18	4 years	24/10/19	Independent	Audit (to Feb 2019)	43
Shawab Iqbal	07/02/18	4 years		Independent	Audit	43
Martin Oakeshott	07/02/18	4 years		Independent	Audit	100
Wendy Bower	16/05/17	4 years	11/09/18	Independent		-
Miklos Sarosi (reappointed 07/06/19)	28/04/17	2 years		Parent	Audit	100
Rayon Walters	16/05/16	4 years		Staff		71
Maisha Rafiq Raina	05/07/18	1 year	04/07/19	Student		29
Sadia Wahida	08/10/18	1 year	04/07/19	Student		14
Julia Shelton	16/01/17	4 years		Independent	Governance & Search	86
Steven Kern	24/10/18	4 years	19/12/18	Staff		-
Allison Locke	24/10/14	4 years	23/10/18	Staff		100
Fabiha Ahmed	01/08/19	1 year		Student		-
Ismail Abdilahi	01/08/19	1 year		Student		-
Sohidul Hoque	9/10/19	4 years		Independent	Audit	-
Elizabeth Harris	14/02/19	4 years		Staff		100

Newham Partnership Working, a not for profit mutual organisation, acted as Clerk to the Corporation up to 31/07/19. A new Clerk has been appointed post year-end.

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 safeguarding, health & safety and environmental issues. The Corporation meets twice each term.

The Corporation conducts its business both through Corporation meetings and through two committees. Each committee has terms of reference, which have been approved by the Corporation. These committees are Governance & Search and Audit. Full minutes of all meetings of the Corporation, except those deemed to be confidential by the Corporation, are available on the College's website at <https://www.newvic.ac.uk/> or from the Clerk to the Corporation at:

Newham Sixth Form College
Prince Regent Lane
Plaistow
London E13 8SG

The Clerk to the Corporation, Paul Baglee retired on the 31 July and a new Clerk, Robin Jones, has been appointed. The Clerk maintains a register of financial and personal interests of the Members of the Corporation. The register is available for inspection at the above address.

Governance statement (continued)

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

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

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

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

Appointments to the Corporation

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

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

Corporation performance

In December 2018 the College was inspected by Ofsted and the effectiveness of leadership & management and governance was judged as "good". The Corporation agreed that the College's self-assessment grades should be linked to Ofsted judgements. Governance was therefore assessed as "good".

Audit Committee

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

The Audit Committee meets on a termly basis with an additional meeting to consider the internal audit plan and preparations for the statutory and regulatory audits. It provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the ESFA 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, regularity and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Corporation.

Internal control

Scope of responsibility

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

Governance statement (continued)

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Newham Sixth Form College for the year ended 31 July 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 on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 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:

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

Newham Sixth Form 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 a minimum annually, the appointed internal auditors provide the Corporation with a report on internal audit activity in the College. The report includes the auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

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

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors, the regularity auditors (for colleges in plan-led funding), the ESFA - appointed funding auditors (for colleges outside plan-led funding) in their management letters and other reports.

Governance statement (continued)

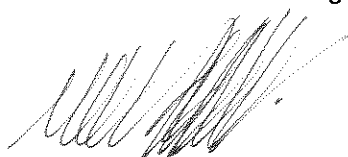
The Principal has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement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

The senior leadership team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior leadership team 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 agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior leadership team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Going Concern

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

Approved by order of the members of the Corporation on 18 December 2019 and signed on its behalf by:

Chair**Principal**

The Corporation's statement on the College's regularity, propriety and compliance with funding body terms and conditions of funding

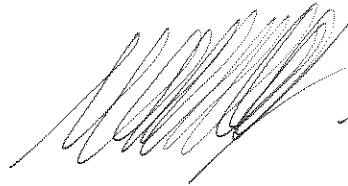
The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the College's grant funding agreement and contracts with ESFA. As part of our consideration we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

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

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.



Chair



Principal

Statement of Responsibilities of the Members of the Corporation

The Members of the Corporation, as charity trustees, 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 ESFA, the corporation – 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, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the college and its surplus or deficit of income over expenditure for that period.

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

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

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

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities.

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

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

Approved by order of the members of the Corporation on 18 December 2019 and signed on its behalf by:



Chair of the Corporation

Independent Auditor's Report to the Corporation of Newham Sixth Form College**Opinion**

We have audited the financial statements of Newham Sixth Form College (the 'College') for the year ended 31 July 2019 which comprise the statement of comprehensive income, the statement of changes in reserves, the balance sheet, the statement of cash flows, the principal accounting policies, and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2019 and of its surplus of income over expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information (covers the reference and administrative details, the report of the governors and strategic report and the governance statement)

The Corporation is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Independent Auditor's Report to the Corporation of Newham Sixth Form College

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Corporation

As explained more fully in the statement of responsibilities of members, The Corporation charges senior management with ensuring the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 20 December 2019

Independent Auditor's Report on Regularity to the Corporation of Newham Sixth Form College ('the Corporation') and Secretary of State for Education acting through the Department for Education ("the Department")

In accordance with the terms of our engagement letter dated 13 October 2016 and further to the requirements of the funding agreement with Education and Skills Funding Agency, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that in all material respects the expenditure disbursed and income received by Newham Sixth Form College ('the College') during the period 1 August 2018 to 31 July 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 ("the Code") issued by the Department. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individual Learner Records (ILR) returns, for which the Department has other assurance arrangements in place.

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

Respective responsibilities of the Newham Sixth Form College and the reporting accountants

The corporation of Newham Sixth Form College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, 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 review are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 August 2018 to 31 July 2019 have not been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued jointly by the Department. We performed a limited assurance engagement as defined in that framework.

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

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

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

The work undertaken to draw conclusion includes:

- An assessment of the risk of material irregularity and impropriety across all of the College's activities;

Independent Auditor's Report on Regularity to the Corporation of Newham Sixth Form College ('the Corporation') and the Secretary of State for Education acting through Education Funding Agency

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

Conclusion

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

Buzzacott LLP

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 20 December 2019

Statements of Comprehensive Income

	Notes	2019 £'000	2018 £'000
INCOME			
Funding body grants	2	14,765	15,184
Tuition fees and education contracts	3	188	191
Other income	4	330	271
Total income		15,283	15,646
EXPENDITURE			
Staff costs	5	11,656	11,810
Staff Restructuring	5	41	34
Other operating expenses	6	2,696	2,915
Depreciation	8	1,207	1,240
Interest and other finance costs	7	218	211
Total expenditure		15,818	16,210
Deficit for the year		(535)	(564)
Actuarial gain in respect of pensions schemes	17	(1,851)	1,643
Total Comprehensive Income for the year		(2,386)	1,079

Statement of Changes in Reserves

	Income and Expenditure account £'000	Revaluation reserve £'000	Total £'000
Balance at 31st July 2017	7,648	5,852	13,500
Surplus/(deficit) from the income and expenditure account	(564)	-	(564)
Other comprehensive income/actuarial gains	1,643	-	1,643
Transfers between revaluation and income and expenditure reserves	173	(173)	-
	<hr/> 1,252	<hr/> (173)	<hr/> 1,079
Balance at 31st July 2018	8,900	5,679	14,579
Surplus/(deficit) from the income and expenditure account	(535)	-	(535)
Other comprehensive income/actuarial losses	(1,851)	-	(1,851)
Transfers between revaluation and income and expenditure reserves	173	(173)	-
	<hr/> (2,213)	<hr/> (173)	<hr/> (2,386)
Total comprehensive income for the year			
Balance at 31st July 2019	<u>6,687</u>	<u>5,506</u>	<u>12,193</u>

Balance Sheet as at 31 July

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	8	23,768	24,502
Current assets			
Trade and other receivables	9	395	422
Cash and cash equivalents	13	3,317	2,851
		<u>3,712</u>	<u>3,273</u>
Less: Creditors – amounts falling due within one year	10	(2,408)	(2,699)
Net current assets		<u>1,304</u>	<u>574</u>
Total assets less current liabilities		<u>25,072</u>	<u>25,076</u>
Less: Creditors – amounts falling due after more than one year	11	(5,670)	(5,929)
Provisions			
Defined benefit obligations	12,17	(7,209)	(4,532)
Other provisions	12	-	(36)
Total net assets		<u>12,193</u>	<u>14,579</u>
Unrestricted reserves			
Income and expenditure account		6,687	8,900
Revaluation reserve		5,506	5,679
Total unrestricted reserves		<u>12,193</u>	<u>14,579</u>
Total reserves		<u>12,193</u>	<u>14,579</u>

The financial statements on pages 23 to 44 were approved and authorised for issue by the Corporation on 18 December 2019 and were signed on its behalf on that date by:



Chair



Accounting
Officer

Statement of Cash Flows

	2019	2018
	£'000	£'000
Cash inflow from operating activities		
Deficit for the year	(535)	(564)
Adjustment for non-cash items		
Depreciation	1,207	1,240
Deferred capital grants released to income	(265)	(286)
Decrease/(increase) in debtors	26	(143)
Decrease in creditors due within one year	(291)	(856)
Increase in creditors due after one year	-	1,370
Decrease in provisions	(36)	(11)
Pensions costs less contributions payable	826	787
Adjustment for investing or financing activities		
Interest payable	218	211
	<u>1,033</u>	<u>1,748</u>
Net cash flow from operating activities		
Cash flows from investing activities		
Payments made to acquire fixed assets	(472)	41
Deferred capital grants received	168	57
	<u>(304)</u>	<u>98</u>
Cash flows from financing activities		
Interest paid	(101)	(70)
Capital repayments of amount borrowed	(162)	(119)
	<u>(263)</u>	<u>(189)</u>
Increase in cash and cash equivalents in the year	<u>466</u>	<u>1,657</u>
Cash and cash equivalents at beginning of the year	13 2,851	1,194
Cash and cash equivalents at end of the year	13 3,317	2,851

Notes to the Accounts:**1. Statement of accounting policies and estimation techniques**

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

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2015* (the 2015 FE HE SORP), the *College Accounts Direction for 2018 to 2019* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going concern

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

In March 2016 the College entered into an agreement for a committed loan facility with Lloyds Bank Plc. In December 2017 the amount of £3 million then drawn down on that facility was converted into a five year term loan.

The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

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

Recognition of income

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

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

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Notes to the Accounts (continued):**1. Statement of accounting policies and estimation techniques (continued)****Accounting for post-employment benefits**

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

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

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

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Short term Employment benefits

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

Non-current assets - Tangible fixed assets

Tangible fixed assets are stated at deemed 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.

Land and buildings

Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- Freehold Buildings 20-50 years
- Refurbishments/Building Improvements 10 years

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the College of between 20 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 20 and 50 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the income and expenditure account over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

Notes to the Accounts (continued):**1. Statement of accounting policies and estimation techniques (continued)****Non-current Assets - Tangible fixed assets (continued)**

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued prior to 31 July 1999, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Subsequent expenditure on existing fixed assets

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

Equipment

Equipment costing less than £1,000 per individual item is recognised as expenditure in the period of acquisition. All other equipment is capitalised at cost.

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

- computer equipment 5 years
- furniture, fixtures and fittings 5 years

Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. Otherwise they are recognised as expenditure in the period in which they are incurred.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1st August 2014 are spread over the minimum lease term.

Investments

Current investments comprise cash deposits which are held with banks and building societies operating in the London market and licensed by the Financial Conduct Authority with more than three months maturity at the balance sheet date. Investments are stated at cost.

Cash and cash equivalents

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

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

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

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

Notes to the Accounts (continued):**1. Statement of accounting policies and estimation techniques (continued)****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 income in the period in which they arise.

Taxation

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

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

Provisions and contingent liabilities

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, 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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the statement of comprehensive income in the period it arises.

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

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Agency arrangements

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

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 College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- *Tangible fixed assets*

Tangible fixed assets 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.

Notes to the Accounts (continued):**1. Statement of accounting policies and estimation techniques (continued)****Judgements in applying accounting policies and key sources of estimation uncertainty (continued)**

- *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 17, 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 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Accounts (continued):

2 Funding council grants

	2019 £'000	2018 £'000
Recurrent grants		
Education and Skills Funding Agency	13,913	14,421
High Needs Student Funding from Local Authority	504	477
Specific Grants		
Other ESFA Income	83	-
Releases of government capital grants	265	286
	<u>14,765</u>	<u>15,184</u>
Total		

3 Tuition fees and education contracts

	2019 £'000	2018 £'000
Education contracts	188	191

4 Other income

	2019 £'000	2018 £'000
Other income generating activities	40	19
Other grant income	147	195
Non-government capital grants	12	3
Miscellaneous income	131	54
	<u>330</u>	<u>271</u>
Total		

Notes to the Accounts (continued):**5 Staff costs**

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

	2019	2018
	No.	No.
Teaching staff	115	121
Non teaching staff	106	109
	<u>221</u>	<u>230</u>

Staff costs for the above persons

	2019	2018
	£'000	£'000
Wages and salaries	8,319	8,453
Social security costs	829	849
Other pension costs	1,741	1,705
	<u>10,889</u>	<u>11,007</u>
Contracted out staffing services	767	803
	<u>11,656</u>	<u>11,810</u>
Fundamental restructuring costs -		
contractual	22	24
non contractual	19	10
	<u>11,697</u>	<u>11,844</u>

Key management personnel

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

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

	2019	2018
	No	No
The number of key management personnel including the Accounting Officer was:	8	7

Notes to the Accounts (continued):

5 Staff costs (continued)

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employee national insurance but including benefits in kind, in the following ranges was:

Key management personnel

	2019 No.	2019 No.
£10,001 to £15,000	1	-
£55,001 to £60,000	3	3
£65,001 to £70,000	2	2
£75,001 to £80,000	-	1
£80,001 to £85,000	1	-
£105,001 to £110,000	1	-
£120,001 to £125,000	-	1
	<u>8</u>	<u>7</u>

Key management personnel compensation is made up as follows:

	2019 £'000	2018 £'000
Salaries	513	534
Pension contributions	71	74
Total emoluments	<u>660</u>	<u>608</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 compensation includes amounts payable to the Principal and Chief Executive who is the accounting officer and who is also the highest paid member of staff. Their pay and remuneration is as follows:

	2019 £'000	2018 £'000
Salaries	109	123
Pension contributions	18	20

Notes to the Accounts (continued):**5 Staff costs (continued)**

The Corporation has adopted AoC's Senior Staff Remuneration Code in July 2019 and will assess pay in line with its principles in future.

The remuneration package of the Principal and Chief Executive is subject to annual review by the Corporation on the advice of the Governance & Search Committee, which uses benchmarking information to provide objective guidance. As from 2019/20 the role will be fulfilled by the newly established Remuneration Committee which has been put in place to support the Corporation following the adoption of the Senior Staff Remuneration Code.

The Principal and Chief Executive reports to the Chair of Corporation, who undertakes an annual review of her performance against the College's overall objectives using both qualitative and quantitative measures of performance.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple

Principal and CEO's basic salary as a multiple of the median of all staff	1 : 5.2
Principal and CEO's total remuneration as a multiple of the median of all staff	1 : 6.0

6 Other operating expenses

	2019 £'000	2018 £'000
Teaching costs	460	517
Non-teaching costs	1,212	1,487
Premises costs	1,024	911
Total	2,696	2,915

Other operating expenses include:

	2019 £'000	2018 £'000
Auditor's remuneration:		
Financial statements audit	19	21
Internal audit	15	14
Hire of assets under operating leases	129	72

7 Interest Payable

	2019 £'000	2018 £'000
On bank loans, overdrafts and other loans:		
	101	70
Pension finance costs (note 17)	117	141
Total	218	211

Notes to the Accounts (continued):

8 Tangible fixed assets	Freehold Land and Buildings	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2018	34,876	4,069	38,945
Additions	335	137	472
At 31 July 2019	35,211	4,207	39,417
Depreciation			
At 1 August 2018	11,336	3,107	14,443
Charge for the year	888	319	1,207
At 31 July 2019	12,224	3,426	15,650
Net book value at 31 July 2019	22,987	781	23,768
Net book value at 31 July 2018	23,540	962	24,502

The College's policy is to carry all assets at historic cost, except for inherited assets which are included on the balance sheet at valuations existing at 31 July 1999. The assets were valued on incorporation and have not been updated since.

If inherited land and buildings had not been valued, they would have been included at zero cost and zero net value based on cost.

The College has plans in place for the redevelopment of the Prince Regent Land Campus. Phase one of this project has now been completed.

No assets are held under finance leases.

Notes to the Accounts (continued):**9 Debtors**

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	218	100
Prepayments and accrued income	152	285
Other Debtors	25	37
Total	395	422

10 Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade payables	209	179
Other taxation and social security	817	835
Accruals and deferred income	793	1,098
Other Creditors	153	150
Deferred income - government capital grants	269	275
Bank loans repayments within one year	167	162
Total	2,408	2,699

Accruals and deferred income includes £486k (2018: £459k) for employee holiday leave accruals.

11 Creditors: amounts falling due after one year

	2019	2018
	£'000	£'000
Bank loans	2,591	2,759
Deferred income - government capital grants	3,079	3,170
Total	5,670	5,929

Maturity of Debt

	2019	2018
	£'000	£'000
Bank Loan is repayable as follows		
< 1 year	167	162
1-2 years	172	167
2-5 years	2,420	2,592
	2,759	2,921

Notes to the Accounts (continued):**12 Provisions**

	Defined benefit Obligations £'000	Other £'000	Total £'000
At 1 August 2018	4,532	36	4,568
Expenditure in the period	-	-	-
Transferred from income and expenditure account	2,677	(36)	2,641
At 31 July 2019	<u>7,209</u>	<u>-</u>	<u>7,209</u>

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 17.

13 Cash and cash equivalents

	At 1 August 2018 £'000	Cash flows £'000	At 31 July 2019 £'000
Cash and cash equivalents	2,851	466	3,317
Total	<u>2,851</u>	<u>466</u>	<u>3,317</u>

14 Capital commitments

	2019 £'000	2018 £'000
Commitments contracted for at 31 July	<u>-</u>	<u>-</u>

15 Lease Obligations

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

	2019 £'000	2018 £'000
Other		
Not later than one year	103	42
Later than one year and not later than five years	226	85
	<u>329</u>	<u>127</u>

Notes to the Accounts (continued):

16 Events after the reporting period

There are no events after the reporting period to report.

17 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 London Borough of Newham. Both are multi-employer defined-benefit plans.

Total pension cost for the year	2019	2018
	£'000	£'000
Teachers Pension Scheme: contributions paid	675	708
Local Government Pension Scheme:		
Contributions paid	366	359
FRS 102 (28) charge	700	638
Charge to the Statement of Comprehensive Income	1,066	997
Total Pension Cost for Year	1,741	1,705

Contributions amounting to £130k (2018: £141k) were payable at the end of July to the schemes and are included in creditors.

Notes to the Accounts (continued):**17 Defined benefit obligations (continued)****Teachers' Pension Scheme**

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

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

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

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

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

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (DfE) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion, giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). The Department for Education has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

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

The pension costs paid to TPS in the year amounted to £675k (2018: £708k)

Notes to the Accounts (continued)

17 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 Borough of Newham Local Authority. The total contribution made for the year ended 31 July 2019 was £535k, of which employer’s contributions totalled £366k and employees’ contributions totalled £167k. The agreed contribution rates for future years are 14.2% for employers and range from 5.5% to 12.5% cent for employees, depending on salary.

Principal Actuarial Assumptions

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

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	3.85%	3.85%
Future pensions increases	2.35%	2.35%
Discount rate for scheme liabilities	2.15%	2.70%
Inflation assumption (CPI)	2.35%	2.35%
Commutation of pensions to lump sums	50%	50%

Note that for 31 July 2019 the assumption for increases in salaries is 1.75% pa for the first 5 years, followed by 3.85% pa thereafter.

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

	At 31 July 2019 years	At 31 July 2018 Years
<i>Retiring today</i>		
Males	22.8	22.7
Females	25.3	25.2
<i>Retiring in 20 years</i>		
Males	25.0	24.9
Females	27.6	27.5

Notes to the Accounts (continued)

17 Defined benefit obligations (continued)

	At 31 July 2019 £'000	At 31 July 2018 £'000
Sensitivity analysis		
Discount rate +0.1%	(506)	(413)
Discount rate -0.1%	219	423
Mortality assumption – 1 year decrease	800	563
Mortality assumption – 1 year increase	(800)	(583)
Pension increases +0.1%	(479)	(391)
Pension increases -0.1%	467	383
Salary increases +0.1%	(38)	(32)
Salary increases -0.1%	38	32

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

	Asset allocation at 31 July 2019	Fair Value at 31 July 2019	Asset allocation at 31 July 2018	Fair Value at 31 July 2018
		£'000		£'000
Equities	69%	7,813	68%	8,255
Bonds	9%	1,329	9%	1,201
Property	6%	1,339	6%	1,164
Cash	13%	1,149	13%	439
Other	4%	1,862	4%	1,398
Total market value of assets		<u><u>13,492</u></u>		<u><u>12,457</u></u>

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

	2019 £'000	2018 £'000
Fair value of plan assets	13,492	12,457
Present value of plan liabilities	(20,701)	(16,989)
Net pensions liability (Note 12)	<u><u>(7,209)</u></u>	<u><u>(4,532)</u></u>

Notes to the Accounts (continued)**17 Defined benefit obligations (continued)**

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

	2019 £'000	2018 £'000
Amounts included in staff costs		
Current service cost	1,066	997
Total	<u>1,066</u>	<u>997</u>

Amounts included in interest payable

Net interest charge	117	141
	<u>117</u>	<u>141</u>

Amounts recognised in Other Comprehensive Income

Return on pension plan assets	730	191
Changes in assumptions underlying the present value of plan liabilities	(2,581)	1,452
Amount recognised in Other Comprehensive Income	<u>(1,851)</u>	<u>1,643</u>

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

	2019 £'000	2018 £'000
Surplus/(deficit) in scheme at 1 August	(4,532)	(5,388)
Movement in year:		
Current service cost	(1,066)	(997)
Employer contributions	366	359
Net interest on the defined liability	(117)	(141)
Administrative expenses	(9)	(8)
Actuarial gain or loss	(1,851)	1,643
Net defined benefit liability at 31 July	<u>(7,209)</u>	<u>(4,532)</u>

Asset and Liability Reconciliation**Changes in the present value of defined benefit obligations**

	2019 £'000	2018 £'000
Defined benefit obligations at start of period	16,989	16,930
Current service cost	906	997
Past service cost	160	-
Interest cost	453	458
Contributions by Scheme participants	167	166
Changes in financial assumptions	2,581	(1,452)
Estimated benefits paid	(555)	(110)
Defined benefit obligations at end of period	<u>20,701</u>	<u>16,989</u>

Notes to the Accounts (continued)**17 Defined benefit obligations (continued)****Reconciliation of Assets**

	2019 £'000	2018 £'000
Fair value of plan assets at start of period	12,457	11,542
Interest on plan assets	336	317
Return on plan assets	730	191
Employer contributions	366	359
Contributions by Scheme participants	167	166
Administrative expense	(9)	(8)
Estimated benefits paid	(555)	(110)
Assets at end of period	<u>13,492</u>	<u>12,457</u>

18 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 likely that transactions may take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year were £83 (2018: £403). No Governor has received any remuneration or waived payments from the College during the year (2018: None).

The Newham Ability Camp for which Elizabeth Harris is a Voluntary Treasurer hired College facilities to the value of £1,467 in the year ended 31 July 2019.

19 Amounts disbursed as agent**Learner support funds**

	2019 £'000	2018 £'000
Funding body grants – bursary support	715	767
Disbursed to students	(657)	(693)
Administration costs	(35)	(37)
Balance unspent as at 31 July, included in creditors	<u>23</u>	<u>37</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.